

*Subject to compliance by the Community Facilities District, the School District, and the City of San Diego with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the 2022 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. Interest on the 2022 Bonds is exempt from the Personal Income Tax Law imposed by the State of California under Section 17001 through 18181 of the California Revenue and Taxation Code. See “LEGAL MATTERS – Tax Exemption” herein for a more complete discussion.*

**\$14,890,000**

**POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST)  
IMPROVEMENT AREA D  
2022 SPECIAL TAX BONDS**

**Dated: Date of Delivery**

**Due: September 1, as shown on inside cover**

The Poway Unified School District Community Facilities District No. 15 (Del Sur East) 2022 Special Tax Bonds (the “**2022 Bonds**”) are being issued under the Mello-Roos Community Facilities Act of 1982 (the “**Act**”) and the Bond Indenture, dated as of June 1, 2022 (the “**Indenture**”), by and between Poway Unified School District Community Facilities District No. 15 (Del Sur East) (the “**Community Facilities District**”) and Zions Bancorporation, National Association, as fiscal agent (the “**Fiscal Agent**”).

The 2022 Bonds are payable from proceeds of Special Taxes (as defined herein) levied pursuant to the Rate and Method of Apportionment for Improvement Area D of Community Facilities District No. 15 of Poway Unified School District (the “**Rate and Method**”) approved by the qualified electors of Improvement Area D of the Community Facilities District (“**Improvement Area D**”) 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 2022 Bonds are being issued to (i) finance the acquisition and construction of certain facilities of City of San Diego, (ii) purchase and deposit in the Reserve Fund a debt service reserve insurance policy equal to the Reserve Requirement applicable to the 2022 Bonds, and (iii) pay the costs of issuing the 2022 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Interest on the 2022 Bonds is payable on September 1, 2022, and semiannually thereafter on each March 1 and September 1. The 2022 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The 2022 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 2022 Bonds as described herein under “THE 2022 BONDS – Book-Entry and DTC.”

*The 2022 Bonds are subject to optional redemption, mandatory redemption from prepayment of Special Taxes and mandatory redemption as described herein.*

The scheduled payment of principal of and interest on the 2022 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2022 Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”)**. See “BOND INSURANCE.”



**MATURITY SCHEDULE**  
(See inside front cover)

**THE 2022 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2022 BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NONE OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE 2022 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 2022 BONDS. OTHER THAN THE SPECIAL TAXES LEVIED PURSUANT TO THE RATE AND METHOD, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2022 BONDS. THE 2022 BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES LEVIED PURSUANT TO THE 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 2022 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 2022 Bonds.*

The 2022 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Chapman and Cutler LLP, San Francisco, 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 Chapman and Cutler LLP and by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, Disclosure Counsel. Additionally, Kutak Rock LLP, Irvine, California, has reviewed certain matters for the Underwriter. It is anticipated that the 2022 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about June 16, 2022.

**PIPER | SANDLER**

**MATURITY SCHEDULE**

**\$14,890,000**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST)**  
**IMPROVEMENT AREA D**  
**2022 SPECIAL TAX BONDS**

Base CUSIP® No. 738855†

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP® No.†	Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP® No.†
2023	\$50,000	4.000%	2.280%	102.035%	L29	2031	\$220,000	5.000%	3.760%	109.570%	M28
2024	65,000	4.000	2.670	102.830	L37	2032	245,000	5.000	3.800	109.786 <sup>C</sup>	M36
2025	80,000	5.000	2.970	106.164	L45	2033	275,000	5.000	3.910	109.040 <sup>CC</sup>	M44
2026	100,000	5.000	3.090	107.478	L52	2034	310,000	5.000	3.980	108.482 <sup>P</sup>	M51
2027	120,000	5.000	3.220	108.467	L60	2035	345,000	4.000	4.100	98.982	M69
2028	145,000	5.000	3.370	109.057	L78	2036	375,000	4.000	4.130	98.608	M77
2029	170,000	5.000	3.540	109.211	L86	2037	410,000	4.000	4.160	98.205	M85
2030	190,000	5.000	3.650	109.495	L94						

\$2,620,000 4.000% Term Bonds due September 1, 2042 – Yield 4.220% Price 97.023% CUSIP® No. 738855M93  
 \$3,780,000 4.125% Term Bonds due September 1, 2047 – Yield 4.300% Price 97.317% CUSIP® No. 738855 N27  
 \$5,390,000 5.250% Term Bonds due September 1, 2052 – Yield 4.370% Price 107.178%<sup>P</sup> CUSIP® No. 738855 N35

<sup>C</sup> Priced to optional call at 103% on September 1, 2029.

<sup>CC</sup> Priced to optional call at 102% on September 1, 2030.

<sup>P</sup> Priced to optional call at par on September 1, 2032.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (“CGS”) which, as of March 1, 2022, is owned by FactSet Research Systems Inc. (“FactSet”). FactSet will manage the CUSIP system on behalf of the American Bankers Association. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The Community Facilities District, the School District, and the Underwriter are not responsible for the selection, correctness or uses of the CUSIP® numbers, and no representation is made as to their correctness on the 2022 Bonds or as set forth herein. CUSIP® numbers have been assigned by an independent company not affiliated with the Community Facilities District, the School District, or the Underwriter and CUSIP® numbers are provided for convenience of reference only. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 2022 Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2022 Bonds.

**POWAY UNIFIED SCHOOL DISTRICT**

**BOARD OF EDUCATION**

T.J. Zane, *President*  
Dr. Darshana Patel, *Vice President*  
Michelle O'Connor-Ratcliff, *Clerk of the Board*  
Ginger Couvrette, *Member*  
Dr. Cindy Sytsma, *Member*

**SUPERINTENDENT**

Marian Kim Phelps, Ed.D., *Superintendent*  
Ronald D. Little II, *Associate Superintendent, Business Support Services*

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**FISCAL AGENT**

Zions Bancorporation, 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 2022 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 2022 Bonds. All information for investors regarding the Community Facilities District and the 2022 Bonds is contained in this Official Statement.

**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 2022 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 2022 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

**Stabilization of Prices.** In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the 2022 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 2022 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.

**Internet Site and Social Media Accounts.** While the School District maintains an internet website and certain social media accounts for various purposes, none of the information on such website or social media accounts is intended to assist investors in making any investment decision or to provide any continuing information with respect to the 2022 Bonds of the Community Facilities District or any other bonds or obligations of the School District.

**Insurance.** Build America Mutual Assurance Company (“BAM”) makes no representation regarding the 2022 Bonds or the advisability of investing in the 2022 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE” and APPENDIX G – “Specimen Municipal Bond Insurance Policy.”

THE 2022 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 2022 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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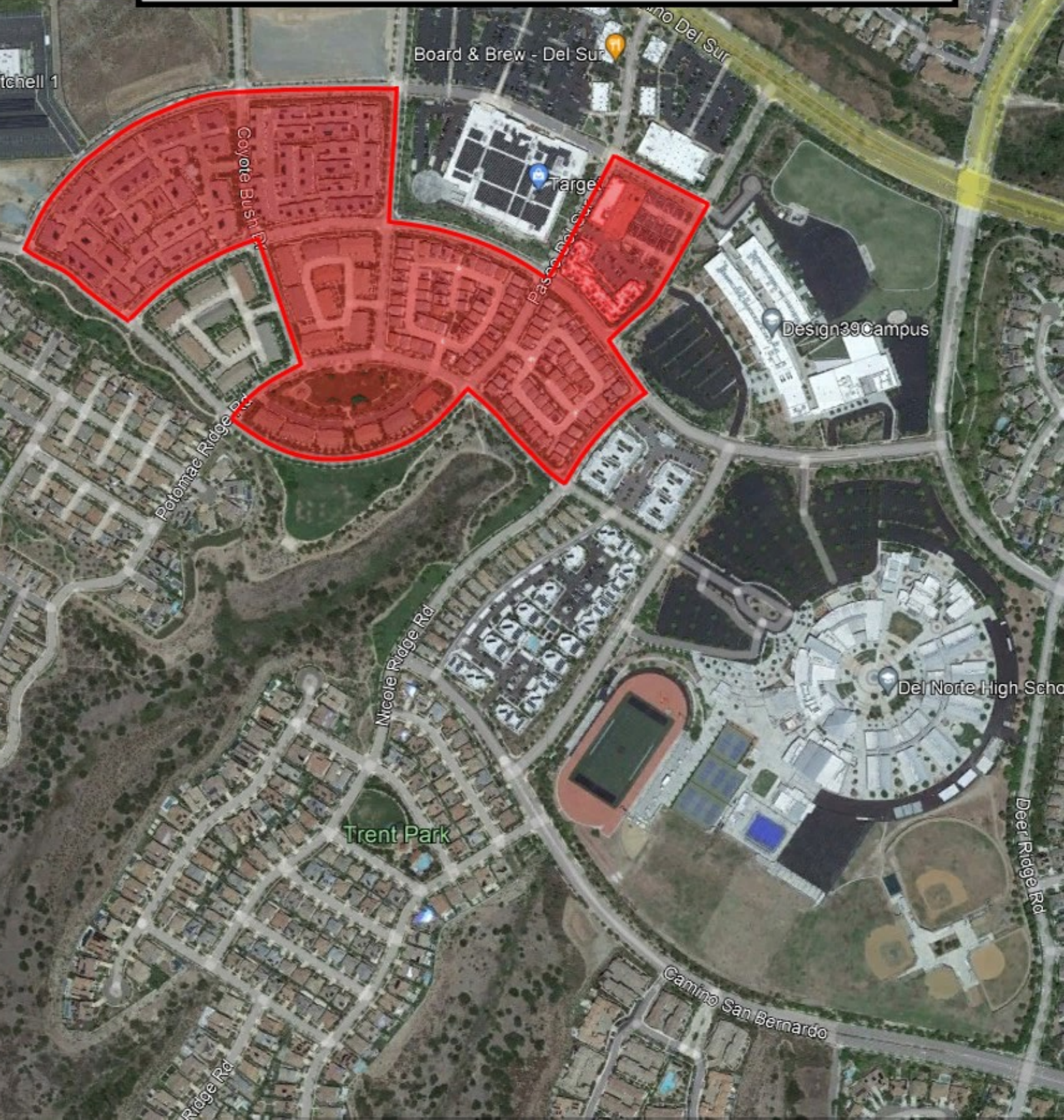
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**Poway Unified School District  
Improvement Area D of  
Community Facilities District No. 15  
(Del Sur East)**





## OFFICIAL STATEMENT

**\$14,890,000**  
**POWAY UNIFIED SCHOOL DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST)**  
**IMPROVEMENT AREA D**  
**2022 SPECIAL TAX BONDS**

### INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover pages, and Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2022 Bonds to potential investors is made only by means of the entire Official Statement. The financial information in this Official Statement may not reflect all fiscal or economic impacts of the COVID-19 pandemic.*

#### **General**

This Official Statement, including the cover pages, inside cover pages, and Appendices hereto, is provided to furnish information regarding the Poway Unified School District Community Facilities District No. 15 (Del Sur East) 2022 Special Tax Bonds (the “**2022 Bonds**”).

The 2022 Bonds are issued pursuant to the Act (as defined below) and the Bond Indenture, dated as of June 1, 2022 (the “**Indenture**”), by and between Poway Unified School District Community Facilities District No. 15 (Del Sur East) (the “**Community Facilities District**”) and Zions Bancorporation, National Association, as fiscal agent (the “**Fiscal Agent**”). See “THE 2022 BONDS – Authority of Issuance” herein.

The Community Facilities District may issue additional bonds payable on a parity with the 2022 Bonds pursuant to the provisions of the Indenture for refunding purposes only. See “SECURITY FOR THE 2022 BONDS – Parity Bonds for Refunding Purposes Only.”

#### **The School District**

The Poway Unified School **District** (the “**School District**”) is a school district organized under the laws of the State of California (the “**State**”). The School District was established in 1962. The School District provides educational instruction for grades TK-12 within an approximately 100 square mile area in the central portion of the County of San Diego (the “**County**”) and includes the City of Poway and portions of the City of San Diego and the County, including the communities of 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz, StoneBridge Estates and Torrey Highlands. The School District currently operates 25 elementary schools (K-5), one combination elementary and middle school, six middle schools (6-8), six high schools (9-12), one continuation high school and one adult education school serving over 35,000 students in Fiscal Year 2021-22. See APPENDIX A – “General Information About the Cities of San Diego and Poway and San Diego County” herein.

## The Community Facilities District and Improvement Area D

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

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

*Authorization of Improvement Area and Improvement Area Special Tax Bonds.* Also on December 17, 2012 the School District designated four separate improvement areas (each an “**Improvement Area**”) within a portion of the Community Facilities District and at a landowner election held on December 17, 2012, the qualified electors of each Improvement Area, by more than a two-thirds vote, authorized the issuance of bonds to finance road, water, sewer, drainage, fire station, park, public library, and other public facilities to be owned, operated, or maintained by the City of San Diego, or to which the City of San Diego is authorized to contribute revenue (the “**Infrastructure Improvements**”) in the aggregate not-to-exceed principal amount of \$55,000,000 (\$10,000,000 with respect to Improvement Area A, \$15,000,000 with respect to Improvement Area B, \$15,000,000 with respect to Improvement Area C, and \$15,000,000 with respect to Improvement Area D), 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 is also authorized to levy special taxes to pay directly for “City Improvements” as described in Exhibit B to the Resolution of Formation (as defined herein) and for Supplemental School Facilities as described in Exhibit A to the Resolution of Formation. Each Improvement Area, including Improvement Area D, 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 D, 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 is issuing the 2022 Bonds with respect to Improvement Area D (“**Improvement Area D**”) to finance the Infrastructure Improvements. No cross-collateralization exists between and among bonds of Improvement Area A, Improvement Area B, Improvement Area C, and Improvement Area D or between among the Improvement Area special tax bonds and the special tax bonds of the Community Facilities District. See “SECURITY FOR THE 2022 BONDS – Rate and Method” and “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA D.”

*Special Tax for the 2022 Bonds.* The Community Facilities District levies the Special Tax on Developed Property in Improvement Area D as set forth in the Rate and Method of Apportionment for

Improvement Area D of Community Facilities District No. 15 of Poway Unified School District (the “**Rate and Method**”). See “SECURITY FOR THE 2022 BONDS – Rate and Method.” Annual Special Taxes will be levied on Taxable Property within Improvement Area D. The 2022 Bonds are secured by and payable from the Special Tax levied pursuant to the Rate and Method.

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

The boundaries of Improvement Area D consist of a portion of the property within the boundaries of the Community Facilities District. Improvement Area D is located in the northeast 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 planned for approximately 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. The Community Facilities District includes approximately 1,179 taxable units (1,558 including all tax-exempt senior/affordable units) and some commercial and industrial property and school sites. Improvement Area D is built out and all property is classified as Developed Property as of May 1, 2021.

Improvement Area D relates to 392 of the 506 lots developed within the boundaries of Improvement Area D (there are 114 affordable units that are not subject to the Special Tax in accordance with the Rate and Method). Additionally, a total of 73 homes prepaid their Special Tax obligation and are not subject to the Special Tax as of July 15, 2021. The remaining 319 homes which are subject to the Special Taxes have been completed and closed escrow. Between July 15, 2021, and May 1, 2022, six of the 319 homes prepaid their Special Tax obligation and will no longer be subject to the Special Tax starting in Fiscal Year 2022-23.

See “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA D” for a description of the Community Facilities District and Improvement Area D.

### **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**”), made and entered into as of November 1, 2012, by and between the School District and Black Mountain Ranch LLC (“**BMR LLC**”), which Second Supplement to Mitigation Agreement supplements the Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement, made and entered into as of July 1, 1998, by and between the School District and Black Mountain Ranch Limited Partnership, as amended and supplemented by a Supplement to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement, made and entered into as of 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 “THE FINANCING PLAN,” “SECURITY FOR THE

2022 BONDS – Rate and Method” and “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA” herein.

### Sources of Payment for the 2022 Bonds

The 2022 Bonds are secured by and payable from a first pledge of “**Net Special Tax Revenues**,” of Improvement Area D, which is defined in the Indenture as (a) proceeds of the Special Taxes levied in Improvement Area D and received by the Community Facilities District, (b) the net amounts (the “**Delinquency Proceeds**”) collected from the redemption of delinquent Special Taxes, including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Taxes resulting from the delinquency in the payment of the Special Taxes due and payable on such property, net of the County fees, foreclosure counsel fees, and other fees and expenses incurred by or on behalf of the Community Facilities District or the School District in undertaking such foreclosure proceedings, (c) the Special Tax Revenues identified to the Fiscal Agent by an authorized representative as representing a prepayment of the Special Tax for one or more parcels in Improvement Area D made in accordance with the Rate and Method net of the amount of the cost of the computation of the prepayment, the cost of redeeming the applicable Bonds as a result of such prepayment and the cost of any notices to evidence the prepayment or the redemption of such Bonds, excluding (i) amounts applied to pay the Administrative Expense Requirement (as defined in the Indenture) not to exceed \$22,407.99 for Fiscal Year 2021-22 and subject to escalation by 2% each Fiscal Year thereafter and (ii) Surplus Special Taxes (as defined in the Indenture). See “SECURITY FOR THE 2022 BONDS – Special Tax Fund.” “**Special Tax(es)**” is defined in the Indenture as the Special Tax authorized to be levied in Improvement Area D pursuant to the Mello-Roos Act, the Second Supplement to Mitigation Agreement, and the Rate and Method.

Pursuant to the Act, the Rate and Method, the Resolution of Formation (as defined herein) and the Indenture, so long as the 2022 Bonds are outstanding, the Community Facilities District will annually ascertain the parcels on which the Special Taxes are to be levied in the following Fiscal Year, taking into account any subdivisions of parcels during the applicable Fiscal Year. The Community Facilities District shall effect the levy of the Special Taxes in accordance with the 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 Special Taxes for the parcels within Improvement Area D for inclusion on the next real property tax roll. See “SECURITY FOR THE 2022 BONDS – Special Taxes” herein.

The Rate and Method exempts from the 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 2022 BONDS – Rate and Method” and “BONDOWNERS’ RISKS – Exempt Properties.”

The Indenture defines Reserve Requirement as an amount initially equal to \$1,239,327.94 which amount will, as of any date of calculation, be equal to the least of (i) maximum annual debt service for the 2022 Bonds, (ii) one hundred twenty five percent (125%) of average annual debt service for the 2022 Bonds, or (iii) ten percent (10%) of the original issue price of the 2022 Bonds calculated in accordance with Treasury Regulations Section 1.148 2(f)(1). There is substantial coverage of debt service for all Bonds from the Special Tax levy. The Community Facilities District will purchase and deposit in the Reserve Fund a municipal bond debt service reserve insurance policy (the “**Reserve Policy**”) in an amount equal to the Reserve Requirement applicable to the 2022 Bonds. See “THE 2022 BONDS – Estimated Debt Service Coverage” and “SECURITY FOR THE 2022 BONDS – Special Tax Levy.”

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

Special Taxes. For a more detailed description of the foreclosure covenant see “SECURITY FOR THE 2022 BONDS – Proceeds of Foreclosure Sales.”

**THE 2022 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2022 BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NONE OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE 2022 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 2022 BONDS. OTHER THAN THE SPECIAL TAXES LEVIED PURSUANT TO IMPROVEMENT AREA D PURSUANT TO THE RATE AND METHOD, NO TAXES ARE PLEDGED TO THE PAYMENT OF 2022 BONDS. THE 2022 BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES LEVIED PURSUANT TO THE RATE AND METHOD AS MORE FULLY DESCRIBED HEREIN.**

### **Municipal Bond Insurance**

Concurrently with the issuance of the 2022 Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the 2022 Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the 2022 Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Claims Under the Policy**

In the event of a default in the payment of principal or interest on the 2022 Bonds, when all or some become due, any Owner of a 2022 Bond may have a claim under the Policy secured in connection with the 2022 Bonds. The Policy will not insure against redemption premium, if any, with respect to the 2022 Bonds. In the event that the Bond Insurer is unable to make payment of principal or interest on the 2022 Bonds as such payments become due under the Policy, the 2022 Bonds will be payable solely as otherwise described herein. In the event that the Bond Insurer becomes obligated to make payments on the 2022 Bonds, no assurance can be given that such event would not adversely affect the market price of the 2022 Bonds or the marketability (liquidity) of the 2022 Bonds.

### **Tax Matters**

Subject to compliance by the Community Facilities District, the School District, and the City of San Diego with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the 2022 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. Interest on the 2022 Bonds is exempt from the Personal Income Tax Law imposed by the State of California under Section 17001 through 18181 of the California Revenue and Taxation Code. See “LEGAL MATTERS – Tax Exemption” herein for a more complete discussion.

## **Risk Factors Associated with Purchasing the 2022 Bonds**

Investment in the 2022 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 2022 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 D” 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 Bancorporation, National Association, Los Angeles, California, will serve as the fiscal agent for the 2022 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 2022 Bonds and all activities related to the redemption of the 2022 Bonds. Chapman and Cutler LLP, San Francisco, 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. Piper Sandler & Co., El Segundo, California, is acting as Underwriter in connection with the issuance and delivery of the 2022 Bonds. Kutak Rock LLP, Irvine, California, is acting as Underwriter’s Counsel.

Fieldman, Rolapp & Associates, Inc., Irvine, California, acted as Municipal Advisor to the School District and the Community Facilities District, and David Taussig & Associates, Inc., Newport Beach, California, acted as Special Tax Consultant, CFD Administrator and Dissemination Agent to the Community Facilities District.

## Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the 2022 Bonds, certain sections of the Indenture, security for the 2022 Bonds, risk factors, the Community Facilities District, Improvement Area D, the School District, and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the 2022 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 2022 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 Associate Superintendent, Business Support Services of the Poway Unified School District, 15250 Avenue of Science, Poway, California 92128-3406. 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 Continuing Disclosure Agreement, the form of which is set forth in APPENDIX D – “Form of Continuing Disclosure Agreement” (the “**Continuing Disclosure Agreement**”), for the benefit of owners and beneficial owners of the 2022 Bonds, to provide certain financial information and operating data relating to the Community Facilities District, Improvement Area D and the 2022 Bonds by not later than January 31 in each year commencing on January 31, 2023 (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 David Taussig & Associates, Inc., 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. Any notice of a listed event will be filed by the Community Facilities District, or the Dissemination Agent on behalf of the Community Facilities District, with the MSRB through the EMMA System, with a copy to the Fiscal Agent. The specific nature of the information to be contained in the Community Facilities District Annual Report or any notice of a listed event is set forth in the Continuing Disclosure Agreement. The covenants of the Community Facilities District in the Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”); *provided, however*, a default under the Continuing Disclosure Agreement will not, in itself, constitute an event of default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Community Facilities District or the Dissemination Agent to comply with the Continuing Disclosure Agreement will be an action to compel performance.

*Prior Disclosure Compliance by the Community Facilities District.* The Community Facilities District is the obligated person under the Continuing Disclosure Agreement. A review of compliance with disclosure undertakings for filings required by the Community Facilities District since May 1, 2017, indicates that the Community Facilities District fully complied with its prior continuing disclosure undertakings under the Rule.

*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 May 1, 2017, 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 (i) that a rating change notice required to be filed by the Authority with respect to certain bonds issued by the Authority was not filed in a timely manner, (ii) that the Annual Report for Fiscal Year 2019-20 for the Poway Unified School District Community Facilities District No. 6 2016 Special Tax Refunding Bonds and the 2020 Special Tax Refunding Bonds was prepared in a timely manner but the Annual Report filed omitted three appendices containing required information, and (iii) that not all CUSIPs for financings with respect to Poway Unified School District Community Facilities District No. 6 and Poway Unified School District Community Facilities District No. 10, Improvement Area F were associated with the annual filing for Fiscal Year 2020-21 for such financings. Corrective filings have been made.

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

#### **THE FINANCING PLAN**

A portion of the proceeds of the 2022 Bonds will be used to (i) finance the acquisition and construction of certain Infrastructure Improvements, (ii) purchase and deposit in the Reserve Fund the Reserve Policy in an amount equal to the Reserve Requirement applicable to the 2022 Bonds, and (iii) pay the costs of issuing the 2022 Bonds.

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## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2022 Bonds, and other funds held under the Indenture, will be deposited into the following respective accounts and funds established under the Indenture, as follows:

### *SOURCES*

Principal Amount of 2022 Bonds	\$14,890,000.00
Plus: Net Original Issue Premium	359,830.15
Less: Underwriter's Discount	<u>(134,010.00)</u>
<i>Total Sources</i>	\$15,115,820.15

### *USES* <sup>(1)</sup>

Deposit into Improvement Fund	\$14,753,183.14
Costs of Issuance Fund <sup>(2)</sup>	<u>362,637.01</u>
<i>Total Uses</i>	\$15,115,820.15

<sup>(1)</sup> The Community Facilities District will obtain a municipal bond insurance policy in an amount equal to the Reserve Requirement in lieu of a deposit of moneys from proceeds of the 2022 Bonds.

<sup>(2)</sup> Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the cost of printing the preliminary and final Official Statements, the fees of the Special Tax Consultant, and the Fiscal Agent. The premiums for the Policy and the Reserve Policy will be paid directly to the Bond Insurer by the Underwriter.

*[Remainder of Page Intentionally Left Blank]*

## THE 2022 BONDS

### Authority for Issuance

The 2022 Bonds will be issued pursuant to the Act and the Indenture.

### General Provisions

The 2022 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, payable semi-annually on each March 1 and September 1, commencing on September 1, 2022 (each, an “**Interest Payment Date**”), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2022 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 2022 Bonds. Ownership interests in the 2022 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 2022 Bonds are held in book-entry form, principal of, premium, if any, and interest on the 2022 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2022 Bonds in accordance with the procedures adopted by DTC. See “THE 2022 BONDS – Book-Entry and DTC.”

The 2022 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 computed using a year of 360 days comprised of twelve 30-day months. Each 2022 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 15<sup>th</sup> 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, 2022, in which event interest shall be payable from the date of such 2022 Bonds; *provided, however*, that if at the time of authentication of a 2022 Bond, interest is in default, interest on that 2022 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 2022 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 as of the close of business on the Record Date preceding the Interest Payment Date, 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 2022 Bonds by wire transfer in immediately available funds (i) to the DTC (so long as the 2022 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 2022 Bonds are transferred to a new Owner. The principal of the 2022 Bonds and any premium on the 2022 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 2022 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 2022 Bonds (including sinking fund redemptions), assuming that there are no early redemptions.

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

**Scheduled Annual Debt Service on 2022 Bonds**

<b>Year Ending September 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2022	—	\$142,968.75	\$142,968.75
2023	\$50,000	686,250.00	736,250.00
2024	65,000	684,250.00	749,250.00
2025	80,000	681,650.00	761,650.00
2026	100,000	677,650.00	777,650.00
2027	120,000	672,650.00	792,650.00
2028	145,000	666,650.00	811,650.00
2029	170,000	659,400.00	829,400.00
2030	190,000	650,900.00	840,900.00
2031	220,000	641,400.00	861,400.00
2032	245,000	630,400.00	875,400.00
2033	275,000	618,150.00	893,150.00
2034	310,000	604,400.00	914,400.00
2035	345,000	588,900.00	933,900.00
2036	375,000	575,100.00	950,100.00
2037	410,000	560,100.00	970,100.00
2038	445,000	543,700.00	988,700.00
2039	485,000	525,900.00	1,010,900.00
2040	520,000	506,500.00	1,026,500.00
2041	565,000	485,700.00	1,050,700.00
2042	605,000	463,100.00	1,068,100.00
2043	655,000	438,900.00	1,093,900.00
2044	700,000	411,881.26	1,111,881.26
2045	755,000	383,006.26	1,138,006.26
2046	805,000	351,862.50	1,156,862.50
2047	865,000	318,656.26	1,183,656.26
2048	925,000	282,975.00	1,207,975.00
2049	995,000	234,412.50	1,229,412.50
2050	1,075,000	182,175.00	1,257,175.00
2051	1,155,000	125,737.50	1,280,737.50
2052	1,240,000	65,100.00	1,305,100.00
	<u>\$14,890,000</u>	<u>\$15,060,425.03</u>	<u>\$29,950,425.03</u>

## Estimated Debt Service Coverage

The following table presents the estimated Net Special Tax Revenues, annual debt service on the 2022 Bonds (including sinking fund redemptions), assuming that there are no optional redemptions, and resulting estimated debt service coverage.

**Table 1B**  
**Poway Unified School District**  
**Community Facilities District No. 15 (Del Sur East)**  
**Improvement Area D**  
**Debt Service Coverage from Net Special Tax Revenues**

<b>Bond Year Ending September 1</b>	<b>Developed Special Tax Revenues <sup>(1)</sup></b>	<b>Annual Administrative Expenses <sup>(2)</sup></b>	<b>Net Special Tax Revenues</b>	<b>Series 2022 Debt Service <sup>(3)</sup></b>	<b>Debt Service Coverage <sup>(4)</sup></b>
2022	\$831,934.84	\$22,407.99	\$809,526.85	\$142,968.75	566.23%
2023	833,135.12	22,856.15	810,278.97	736,250.00	110.05
2024	849,797.82	23,313.27	826,484.55	749,250.00	110.31
2025	866,793.78	23,779.54	843,014.24	761,650.00	110.68
2026	884,129.65	24,255.13	859,874.53	777,650.00	110.57
2027	901,812.25	24,740.23	877,072.02	792,650.00	110.65
2028	919,848.49	25,235.04	894,613.46	811,650.00	110.22
2029	938,245.46	25,739.74	912,505.73	829,400.00	110.02
2030	957,010.37	26,254.53	930,755.84	840,900.00	110.69
2031	976,150.58	26,779.62	949,370.96	861,400.00	110.21
2032	995,673.59	27,315.21	968,358.38	875,400.00	110.62
2033	1,015,587.06	27,861.52	987,725.54	893,150.00	110.59
2034	1,035,898.80	28,418.75	1,007,480.05	914,400.00	110.18
2035	1,056,616.78	28,987.12	1,027,629.66	933,900.00	110.04
2036	1,077,749.12	29,566.87	1,048,182.25	950,100.00	110.32
2037	1,099,304.10	30,158.20	1,069,145.89	970,100.00	110.21
2038	1,121,290.18	30,761.37	1,090,528.81	988,700.00	110.30
2039	1,143,715.98	31,376.60	1,112,339.39	1,010,900.00	110.03
2040	1,166,590.30	32,004.13	1,134,586.18	1,026,500.00	110.53
2041	1,189,922.11	32,644.21	1,157,277.90	1,050,700.00	110.14
2042	1,213,720.55	33,297.09	1,180,423.46	1,068,100.00	110.52
2043	1,237,994.96	33,963.04	1,204,031.93	1,093,900.00	110.07
2044	1,262,754.86	34,642.30	1,228,112.56	1,111,881.26	110.45
2045	1,288,009.96	35,335.14	1,252,674.82	1,138,006.26	110.08
2046	1,313,770.16	36,041.85	1,277,728.31	1,156,862.50	110.45
2047	1,340,045.56	36,762.68	1,303,282.88	1,183,656.26	110.11
2048	1,366,846.47	37,497.94	1,329,348.54	1,207,975.00	110.05
2049	1,394,183.40	38,247.90	1,355,935.51	1,229,412.50	110.29
2050	1,422,067.07	39,012.85	1,383,054.22	1,257,175.00	110.01
2051	1,450,508.41	39,793.11	1,410,715.30	1,280,737.50	110.15
2052	1,479,518.58	40,588.97	1,438,929.61	1,305,100.00	110.25

<sup>(1)</sup> For Fiscal Year 2021-22, Special Tax Revenues equal to 100.00% of the Assigned Special Tax for 319 units classified as Developed Property as of May 1, 2021. Excludes Special Tax Revenues for 73 units that prepaid their Special Tax obligation as of July 15, 2021. For Fiscal Year 2022-23, excludes Special Tax Revenues for six additional units that prepaid their Special Tax obligation between July 15, 2021, and May 1, 2022, and will no longer be subject to the Special Tax.

<sup>(2)</sup> Based on Administrative Expense Requirement equal to \$22,407.99 for the Bond Year ending September 1, 2022, escalated by 2.00% each Bond Year thereafter.

<sup>(3)</sup> Based on final bond sizing dated May 25, 2022, provided by Piper Sandler & Co.

<sup>(4)</sup> Calculated by dividing "Net Special Tax Revenues" by "Series 2022 Debt Service."

Source: David Taussig & Associates, Inc.

## Redemption

*Optional Redemption.* The 2022 Bonds are subject to redemption at the option of the Community Facilities District prior to maturity, in whole or in part, on any date from such maturities as are selected by the Community Facilities District and by lot within a maturity, from any source of funds deposited into the Redemption Fund, and not otherwise allocated. Such optional redemption of the 2022 Bonds will be at the following redemption prices (expressed as percentages of the principal amount of the 2022 Bonds to be redeemed), together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any date from September 1, 2029 through August 31, 2030	103%
September 1, 2030 through August 31, 2031	102
September 1, 2031 through August 31, 2032	101
September 1, 2032 and any date thereafter	100

Whenever provision is made for the optional redemption of less than all of the 2022 Bonds, the Fiscal Agent will select the 2022 Bonds to be redeemed, among maturities as directed in writing by an Authorized Representative. The Fiscal Agent will select 2022 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 Special Tax Prepayments.* The 2022 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 will deliver written instructions to the Fiscal Agent not less than 60 days prior to the redemption date directing the Fiscal Agent to utilize the Special Tax Revenues transferred to the Redemption Fund pursuant to the Indenture to redeem the 2022 Bonds. Such extraordinary mandatory redemption of the 2022 Bonds will be at the following redemption prices (expressed as percentages of the principal amount of the 2022 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 March 1, 2030	103%
September 1, 2030 and March 1, 2031	102
September 1, 2031 and March 1, 2032	101
September 1, 2032 and any Interest Payment Date thereafter	100

Whenever provision is made for the extraordinary mandatory redemption of less than all of the 2022 Bonds, the Fiscal Agent will select the 2022 Bonds to be redeemed, pro rata among maturities as directed in writing by an Authorized Representative. The Fiscal Agent will select 2022 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

*Mandatory Sinking Fund Redemption.* The 2022 Bonds, maturing on September 1, 2042, September 1, 2047, and September 1, 2052, are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2038, September 1, 2043, and September 1, 2048, respectively, at a redemption price equal to the principal amount of the 2022 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, 2042**

Sinking Fund Redemption Date (September 1)	Principal Amount
2038	\$445,000
2039	485,000
2040	520,000
2041	565,000
2042 (maturity)	605,000

**Bonds Maturing on September 1, 2047**

Sinking Fund Redemption Date (September 1)	Principal Amount
2043	\$655,000
2044	700,000
2045	755,000
2046	805,000
2047 (maturity)	865,000

**Bonds Maturing on September 1, 2052**

Sinking Fund Redemption Date (September 1)	Principal Amount
2048	\$925,000
2049	995,000
2050	1,075,000
2051	1,155,000
2052 (final maturity)	1,240,000

The amounts in the foregoing tables shall be reduced as specified in written instructions from an Authorized Representative to the Fiscal Agent as a result of any prior partial redemption of the 2022 Bonds pursuant to an optional redemption or redemption from proceeds of 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 redemption from Special Tax prepayments, or mandatory sinking fund redemption, the Community Facilities District may elect to purchase such 2022 Bonds at public or private sale at such prices as the Community Facilities District may in its discretion determine; *provided*, that, unless otherwise authorized by law, the purchase price (including brokerage and other charges) thereof shall not exceed the principal amount thereof, plus accrued interest accrued to the purchase date and any premium which would otherwise be due if the 2022 Bonds were to be redeemed in accordance with the Indenture.

*Notice of Redemption.* The Fiscal Agent will 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 2022 Bonds appearing on the 2022 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 2022 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 2022 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 2022 Bonds to be redeemed, and in the

case of 2022 Bonds to be redeemed in part, the respective principal portions to be redeemed; *provided, however*, that whenever any call includes all 2022 Bonds of a maturity, the numbers of the 2022 Bonds of such maturity need not be stated; (d) state that such 2022 Bonds must be surrendered at the Principal Corporate Trust Office of the Fiscal Agent; (e) state that further interest on the 2022 Bonds will not accrue from and after the designated redemption date; (f) state the date of the issue of the 2022 Bonds as originally issued; (g) state the rate of interest borne by each 2022 Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the 2022 Bonds being redeemed as the Community Facilities District shall direct.

*Conditional Notice of Optional Redemption.* Any notice of optional redemption of the 2022 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 2022 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 2022 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 2022 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 2022 Bonds called for redemption is set aside for that purpose in the Redemption Fund, the 2022 Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said 2022 Bonds at the place specified in the notice of redemption, said 2022 Bonds shall be redeemed and paid at the redemption price out of the Redemption Fund and no interest will accrue on such 2022 Bonds or portions of 2022 Bonds called for redemption from and after the redemption date specified in said notice, and the Owners of such 2022 Bonds so called for redemption after such redemption date shall look for the payment of principal and premium, if any, of such 2022 Bonds or portions of 2022 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 2022 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 2022 Bonds. 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 2022 Bond for all purposes under the Indenture.

*Transfers of 2022 Bonds.* The transfer of any 2022 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 2022 Bond or Bonds shall be authenticated and delivered in exchange for such 2022 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 2022 Bond or Bonds so surrendered. The Fiscal Agent may make a charge for every such exchange or registration of transfer of 2022 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) 2022 Bonds for a period of 15 days next preceding the date of any selection of the 2022 Bonds for redemption, or (ii) any 2022 Bonds chosen for redemption.

*Exchange of 2022 Bonds.* 2022 Bonds may be exchanged at the Principal Corporate Trust Office of the Fiscal Agent for a like aggregate principal amount of 2022 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 2022 Bond.

### **Book-Entry and DTC**

DTC will act as securities depository for the 2022 Bonds. The 2022 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 2022 Bond certificate will be issued for each maturity of the 2022 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX F – "Book-Entry System."

## **SECURITY FOR THE 2022 BONDS**

### **General**

The 2022 Bonds and all Parity Bonds (as defined below) are secured by a first lien on all of the Net Special Tax Revenues and on the moneys deposited in the Bond Service Fund and in the Reserve Fund and, until disbursed as provided in the Indenture, in the Special Tax Fund. Pursuant to the Act and the Indenture, the Community Facilities District will annually levy the Special Taxes in an amount required for the payment of principal of, and interest on, any outstanding 2022 Bonds becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund, as well an amount estimated to be sufficient to pay the Administrative Expenses during such year. The Net Special Tax Revenues and all moneys deposited into the applicable accounts (until disbursed as provided in the Indenture) are pledged to the payment of the principal of, and interest and any premium on, the 2022 Bonds as provided in the Indenture and in the Act until all of the 2022 Bonds have been paid and retired or until moneys or non-callable federal securities as described in paragraph 1 of the definition of Permitted Investments have been set aside irrevocably for that purpose.

Amounts in the Administrative Expense Fund, the Costs of Issuance Fund, and the Rebate Fund are not pledged to the repayment of the 2022 Bonds. The Infrastructure Improvements constructed and acquired with the proceeds of the 2022 Bonds are not in any way pledged to pay the debt service on the 2022 Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the 2022 Bonds are not pledged to pay the debt service on the 2022 Bonds.



## Special Taxes

The Community Facilities District will covenant in the Indenture to comply with all requirements of the Act so as to assure the timely collection of Special Taxes, including without limitation, the enforcement of delinquent Special Taxes as described in “ – Proceeds of Foreclosure Sales” below. The Rate and Method provides that the 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 Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

**Because the Special Tax levy is limited to the maximum Special Tax rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipt of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the 2022 Bonds. The Special Taxes levied pursuant to the Rate and Method are not available to pay principal of or interest on the bonds issued with respect to Improvement Area A, Improvement Area B or Improvement Area C 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 2022 Bonds.**

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

**THE 2022 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2022 BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NONE OF 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 2022 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 2022 BONDS. OTHER THAN THE SPECIAL TAXES LEVIED PURSUANT TO THE RATE AND METHOD, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2022 BONDS. THE 2022 BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES LEVIED PURSUANT TO THE RATE AND METHOD MORE FULLY DESCRIBED HEREIN.**

## Rate and Method

**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 1,179 taxable units (1,558 including all tax-exempt senior/affordable units) are included 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 “Rate and Method” below. As indicated above, Improvement Area D relates to 392 of the 506 lots developed within the boundaries of Improvement Area D (there are 114 affordable units that are not subject to the Special Tax in accordance with the Rate and Method). Additionally, a total of 73 homes prepaid their Special Tax obligation and are not subject to the Special Tax as of July 15, 2021. The remaining 319 homes which are subject to the Special Taxes have been completed and closed escrow. Between July 15, 2021, and May 1, 2022, six of the 319 homes prepaid their Special Tax obligation and will no longer be subject to the Special Tax starting in Fiscal Year 2022-23.

Black Mountain Ranch LLC participated in the proceedings for formation of the Community Facilities District and for formation of Improvement Area D. 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.

The qualified electors of Improvement Area D approved the rate and method of apportionment of special taxes for Improvement Area D (defined above as the “**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 Rate and Method.

**Rate and Method.** The Rate and Method provides the means by which the Board of Education may annually levy the Special Taxes within Improvement Area D up to the applicable Maximum Special Tax to pay for Infrastructure Improvements. The 2022 Bonds, when issued, will be secured by any annual Special Taxes levied pursuant to the Rate and Method. The 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 have been issued, but in no event later than Fiscal Year 2055-56. A copy of the Rate and Method is included in Appendix B hereto.

*Minimum Annual Special Tax Requirement.* Annually, at the time of levying the Special Tax for Improvement Area D, 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 Rate and Method);
- (ii) the Administrative Expenses of Improvement Area D;
- (iii) the costs associated with the release of funds from an escrow account(s) established in association with the 2022 Bonds (no escrow account has been established in association with the 2022 Bonds);
- (iv) any amount required to establish or replenish any reserve funds (or accounts thereof) established in association with the 2022 Bonds;
- (v) less any amount(s) available to pay debt service or other periodic costs on the 2022 Bonds pursuant to any applicable bond indenture, fiscal agent agreement, trust agreement, or equivalent agreement or document.

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

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

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

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

(b) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization;

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

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

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

(f) Any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the Net Taxable Acreage to less than 44.27 Acres.

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

In Fiscal Year 2021-22, the Assigned Annual Special Tax ranges from \$2,497 to \$3,111 for Detached Units, ranges from \$2,138 to \$2,497 for Attached Units, and ranges from \$2,292 to \$2,522 for Senior Citizen Units. There are no parcels categorized as 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 D 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 2” herein for a listing of the Assigned Annual Special Tax rates for Fiscal Year 2021-22.

*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 in 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 Special Taxes.* The Annual Special Tax obligation for 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 Special Tax obligation would be prepaid. Subsequent to the issuance of the 2022 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 Rate and Method, all as specified in Section G of the Rate and Method set forth in APPENDIX B – “Rate and Method of Apportionment for Improvement Area D 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 noted in “ – Special Tax Levy” below, there have been prepayments of Special Taxes with respect to parcels within Improvement Area D.

*[Remainder of Page Intentionally Left Blank]*

## Special Tax Levy

\$831,935 of Special Taxes were levied on 319 of the 433 units within Improvement Area D for Fiscal Year 2021-22 (there are 114 affordable units that are not subject to the Special Tax in accordance with the Rate and Method). Between July 15, 2021, and May 1, 2022, six of the 319 homes prepaid their Special Tax obligation and will no longer be subject to the Special Tax starting Fiscal Year 2022-23. Table 2 below summarize the Fiscal Year 2021-22 Special Tax levy to be made in accordance with the Rate and Method:

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

### Fiscal Year 2021-22 Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	Number of Units <sup>(1)(2)</sup>	Assigned Special Tax per Unit <sup>(3)</sup>	Fiscal Year 2021-22 Special Tax Levy	Percentage of Special Tax Levy
1	Detached	≤ 1,550	0	\$0	\$0	0.00%
2	Detached	1,551 - 1,750	0	0	0	0.00
3	Detached	1,751 - 1,950	14	2,497	34,963	4.20
4	Detached	1,951 - 2,150	17	2,779	47,245	5.68
5	Detached	2,151 - 2,350	41	2,901	118,927	14.30
6	Detached	2,351 - 2,550	38	3,111	118,204	14.21
7	Detached	2,551 - 2,750	0	0	0	0.00
8	Detached	2,751 - 2,950	0	0	0	0.00
9	Detached	2,951 - 3,150	0	0	0	0.00
10	Detached	3,151 - 3,350	0	0	0	0.00
11	Detached	3,351 - 3,550	0	0	0	0.00
12	Detached	3,551 - 3,750	0	0	0	0.00
13	Detached	3,751 - 3,950	0	0	0	0.00
14	Detached	3,951 - 4,150	0	0	0	0.00
15	Detached	> 4,150	0	0	0	0.00
16	Attached	≤ 1,200	0	0	0	0.00
17	Attached	1,201 - 1,350	0	0	0	0.00
18	Attached	1,351 - 1,500	2	2,138	4,276	0.51
19	Attached	1,501 - 1,650	35	2,282	79,866	9.60
20	Attached	1,651 - 1,800	21	2,401	50,413	6.06
21	Attached	> 1,800	104	2,497	259,725	31.22
22	Affordable	N/A	114 <sup>(4)</sup>	0	0	0.00
23	Senior Citizen	≤ 1,400	1	2,292	2,292	0.28
24	Senior Citizen	1,401 - 1,800	46	2,522	116,023	13.95
25	Senior Citizen	1,801 - 2,200	0	0	0	0.00
26	Senior Citizen	> 2,200	0	0	0	0.00
<b>Total <sup>(5)</sup></b>	<b>N/A</b>	<b>N/A</b>	<b>433</b>	<b>N/A</b>	<b>\$831,935</b>	<b>100.00%</b>

(1) Improvement Area D is built out and all property is classified as Developed Property as of May 1, 2021.

(2) Excludes 73 units that prepaid their Special Tax obligation as of July 15, 2021. Between July 15, 2021, and May 1, 2022, six additional units prepaid their Special Tax obligation and will no longer be subject to the Special Tax starting in Fiscal Year 2022-23.

(3) Fiscal Year 2021-22 Special Tax levy equal to 100.00% of the Assigned Special Tax rates for Developed Property. The Assigned Special Tax rates escalate each year by 2.00%.

(4) There are 114 affordable units that are not subject to the Special Tax in accordance with the Rate and Method.

(5) Totals may not sum due to rounding.

Source: David Taussig & Associates, Inc.

As indicated above, under the Rate and Method, the Community Facilities District levies on Developed Property in an amount equal to the Assigned Special Tax. In the event the Community Facilities District were to levy 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 D 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 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 October 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 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 Special Tax is delinquent in the payment of the Special Taxes in the aggregate amount of \$7,500 or more or (ii) any single parcel or parcels under common ownership subject to the Special Taxes are delinquent in the payment of the 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 Special Taxes remain delinquent.

*Aggregate Delinquencies.* If the Community Facilities District determines that it has collected less than 95% of the 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 Special Taxes remain delinquent if the aggregate amount collected remains less than 95% of the Special Taxes levied in such Fiscal Year. Notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Fund is at least equal to the Reserve Requirement.

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 2022 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 for *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 future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the 2022 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 2022 Bonds by the Indenture. The levy of Special Taxes is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of Improvement Area D and the limitation imposed by Section 53321 of the Act as applied to Improvement Area D. See “SECURITY FOR THE 2022 BONDS – Special Tax Levy.”

### **Special Tax Fund**

Pursuant to the Indenture, the Special Tax Revenues received by the Community Facilities District, excluding only Special Tax Revenues representing prepayments, will be deposited in the Special Tax Fund, which will be held by the Fiscal Agent on behalf of the Community Facilities District. 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 2022 Bonds to be redeemed. Moneys in the 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 2022 Bonds. Pending disbursement, moneys in the Special Tax Fund will be subject to a lien in favor of the Bondowners of the 2022 Bonds as established under the Indenture.

*Disbursements.* Moneys in the Special Tax Fund will be transferred to the following other funds and accounts on the dates and in the amounts set forth below and in the following priority: (i) to the Administrative Expense Fund an amount equal to the Administrative Expense Requirement; (ii) to the Interest Account of the Bond Service Fund, on each Interest Payment Date and date for redemption of 2022 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 2022 Bonds or to be paid on the 2022 Bonds being redeemed on such date; (iii) to the Principal Account of the Bond Service Fund, on each Interest Payment Date and date for redemption of 2022 Bonds, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the 2022 Bonds coming due and payable on such Interest Payment Date; (iv) on or after March 2 and September 2 of each year after making the transfer and deposits required under (i) through (iii) above, the Fiscal Agent will 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 (as defined below); (v) on or after September 2, of each year after making the deposits required above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Rebate Fund the amount specified in such request; and (vi) on or after September 2 of each year after making the deposits and transfers required above, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Administrative Expense Fund the amounts specified in such request to pay 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 Special Tax Fund, such moneys shall remain on deposit in the Special Tax Fund and shall be subsequently deposited or transferred pursuant to the provisions of (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 constituting Surplus Special Taxes to the School District to be utilized pursuant to the Second Supplement to Mitigation Agreement to finance the acquisition or construction of Supplemental School Facilities or School Facilities.

*Investment.* Moneys in the Special Tax Fund will be invested and deposited by the Community Facilities District as described in “Investment of Moneys in Funds” below. Income realized from such investment and deposit will be retained in the 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 2022 Bonds the principal, interest and any premium then due and payable on the 2022 Bonds, including any amounts due on the 2022 Bonds by reason of the sinking payments or a redemption of the 2022 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 2022 Bonds, the Community Facilities District will purchase and deposit in the Reserve Fund the Reserve Policy in an amount equal to the Reserve Requirement for the 2022 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. The Reserve Requirement is defined in the Indenture to mean an amount initially equal to \$1,239,327.94 which amount shall as of the date of calculation be equal to the least of (i) maximum annual debt service on the 2022 Bonds, (ii) 125% of average annual debt service on the 2022 Bonds, or (iii)



10% of the original issue price of the 2022 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 2022 Bonds when due, in the event that moneys in the Bond Service Fund are insufficient therefor, or (ii) defeasance of the 2022 Bonds. In connection with any optional redemption or an extraordinary mandatory redemption from Special Tax prepayments or a defeasance of the 2022 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 2022 Bonds.

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

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

### **Administrative Expense Fund**

The Fiscal Agent will receive the transfer of Special Taxes from the Community Facilities District from the 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 2022 Bonds and will not be available for the payment of debt service on the 2022 Bonds.**

### **Investment of Moneys in Funds**

Moneys in any fund or account, except for the Reserve Fund, 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, 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 each 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 2022 Bonds.

In the absence of written investment instructions from the Community Facilities District, the Fiscal Agent will invest any such moneys in money market funds rated “AAM-1” by Moody’s Investors Service or “AAM-G” by S&P Global Ratings, or better (including those of the Fiscal Agent or its affiliates). See APPENDIX C – “Summary of Certain Provisions of the Indenture” for a definition of “Permitted Investments.”

### **Payment of Rebate Obligation**

The Community Facilities District is required to calculate excess investment earnings in accordance with the requirements set forth in the Indenture. If necessary, the Community Facilities District may use amounts in the 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 2022 Bonds) to satisfy rebate obligations.

**Parity Bonds for Refunding Purposes Only**

Bonds issued on a parity with the 2022 Bonds (“**Parity Bonds**”) may be issued for refunding purposes only. See APPENDIX C – “Summary of Certain Provisions of the Indenture.”

**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 Special Taxes are not included in the County’s Teeter Program.

See “BONDOWNERS’ RISKS – Emergency Preparedness; Coronavirus (COVID-19)” regarding actions by the County Treasurer and by Governor Newsom to provide financial relief to taxpayers by granting waivers of penalties for taxpayers that did not make timely payment of property taxes, including the Special Taxes, due to the COVID-19 virus.

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## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the 2022 Bonds, Build America Mutual Assurance Company (“**BAM**”) will issue its Municipal Bond Insurance Policy for the 2022 Bonds (the “**Policy**”). The Policy guarantees the scheduled payment of principal of and interest on the 2022 Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“**S&P**”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the 2022 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the 2022 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the 2022 Bonds, nor does it guarantee that the rating on the 2022 Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$466.8 million, \$172.1 million and \$294.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the 2022 Bonds or the advisability of investing in the 2022 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

*Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the 2022 Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the 2022 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the 2022 Bonds, whether at the initial offering or otherwise.

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

### 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 D 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 includes approximately 1,179 taxable units (1,558 including all tax-exempt senior/affordable units) upon build-out.

All 506 homes (110 detached units, 163 attached units, 119 senior citizen units, and 114 affordable units) within Improvement Area D have been completed.

Drainage is within master-planned facilities constructed throughout the community and the Del Sur Town Center drainage is generally to the north. None of the developable areas in Improvement Area D 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). 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 2022 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 D and authorizing issuance of the 2022 Bonds:

*Resolutions 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 Rate and Method will finance Infrastructure Improvements. On November 13, 2012, the Board of Education adopted Resolution No. 19-2013 stating its intention to incur bonded indebtedness of the Community Facilities District and the Improvement Areas.

*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 the Community Facilities District and to each Improvement Area and authorized the levy of the applicable Special Taxes within the Community Facilities District and 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 the Community Facilities District and each such Improvement Area, as applicable. On December 17, 2012, the Board of Education adopted Resolution No. 31-2013, which

determined the necessity to incur bonded indebtedness of the Community Facilities District and each Improvement Area.

*Landowner Elections and Declaration of Results:* On December 17, 2012, elections were 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 D 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 the Community Facilities District and each Improvement Area, as applicable, also approved the levy of a special tax within the Community Facilities District and each such Improvement Area, as applicable, 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.

*Special Tax Lien and Levy:* Notice of Special Tax Lien for Improvement Area D was recorded in the real property records of San Diego County on December 27, 2012, as Document No. 2012-0818725 (the “Notice of Special Tax Lien”).

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

*Resolution Authorizing Issuance of the 2022 Bonds:* On May 12, 2022, the Board of Education adopted Resolution No. 52-2022, approving issuance of the 2022 Bonds.

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## Special Tax Collections and Delinquencies

Table 3 below sets forth the Special Tax collections and delinquencies for Fiscal Year 2015-16 through Fiscal Year 2021-22. Special Taxes were first levied in Improvement Area D in Fiscal Year 2015-16, in the amount of \$55,084 on 13 parcels, and Special Taxes in the amount of \$831,935 were levied on 306 parcels in Fiscal Year 2021-22. 299 of such parcels had paid the second installment of Special Taxes as of May 5, 2022.

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

### Special Tax Delinquency History

<u>Fiscal Year</u>	<u>Total Special Tax Levy</u>	<u>Number of Parcels Levied</u>	<u>Number of Delinquent Parcels at Fiscal Year End <sup>(2)</sup></u>	<u>Fiscal Year Amount Collected <sup>(2)</sup></u>	<u>Fiscal Year Amount Delinquent <sup>(2)</sup></u>	<u>Fiscal Year Delinquency Rate <sup>(2)</sup></u>	<u>Number of Delinquent Parcels as of 5/25/2022 <sup>(3)</sup></u>	<u>Remaining Delinquency as of 5/25/2022 <sup>(3)</sup></u>	<u>Remaining Delinquency Rate as of 5/25/2022 <sup>(3)</sup></u>
2015-16 <sup>(1)</sup>	\$55,084	13	1	\$54,071	\$1,013	1.84%	0	\$0	0.00%
2016-17	153,415	59	1	151,349	2,067	1.35	0	0	0.00
2017-18	289,100	73	0	289,100	0	0.00	0	0	0.00
2018-19	534,215	124	0	534,215	0	0.00	0	0	0.00
2019-20	924,167	373	3	918,166	6,001	0.65	0	0	0.00
2020-21	908,033	359	3	901,274	6,759	0.74	0	0	0.00
2021-22	831,935	306	N/A	N/A	N/A	N/A	6	9,391	1.13

<sup>(1)</sup> First Year of Special Tax levy for Improvement Area D .

<sup>(2)</sup> As of approximately June 30 of the Fiscal Year in which special taxes were levied.

<sup>(3)</sup> Delinquency data as of May 25, 2022, provided by the County of San Diego.

Source: David Taussig & Associates, Inc.

## Property Ownership

As noted below in Table 5, Improvement Area D is built out and all property has been classified as Developed Property as of May 1, 2021.

## Historical Assessed Values

Property within Improvement Area D has a total assessed valuation for Fiscal Year 2021-22 of \$239,109,016. The following table represents a five-year history of assessed valuations for Improvement Area D.

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

### Historical Assessed Values

<u>Fiscal Year</u>	<u>Developed Property Assessed Value <sup>(1)</sup></u>	<u>Percent Change (Overall)</u>	<u>Number of Units Levied <sup>(2)</sup></u>	<u>Developed Property Assessed Value Per Unit</u>	<u>Percent Change (Developed Parcel)</u>
2017-18	\$62,259,743	N/A	120	\$518,831	N/A
2018-19	97,342,551	56.35%	215	452,756	-12.74% <sup>(3)</sup>
2019-20	181,224,502	86.17	373	485,857	7.31
2020-21	240,754,315	32.85	359	670,625	38.03
2021-22	239,109,016	-0.68	319	749,558	11.77

<sup>(1)</sup> Based on assessed values as of January 1 provided by the County of San Diego Assessor. Assessed value is calculated as the sum of land value and improvement value.

<sup>(2)</sup> As of July 15, 2021, a total of 73 units had prepaid their Special Tax obligation. Such prepayments began as early as June 2019.

<sup>(3)</sup> For Fiscal Year 2018-19, 91 out of the 95 newly permitted parcels did not have improvement values as of January 1, 2018, provided by the County of San Diego Assessor. Building permits for such parcels were issued between August 2017 and April 2018.

Source: David Taussig & Associates, Inc.

See “BONDOWNERS’ RISKS” generally for discussions of certain potential causes of property tax delinquencies.

See “BONDOWNERS’ RISKS – Emergency Preparedness; Coronavirus (COVID-19)” regarding actions by the County Treasurer and by Governor Newsom to provide financial relief to taxpayers by granting waivers of penalties for taxpayers that did not make timely payment of property taxes, including the Special Taxes, due to the COVID-19 virus.

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## Value-to-Burden Ratios

Based on the County’s Fiscal Year 2021-22 assessor’s roll, the aggregate assessed value of Taxable Property within Improvement Area D was \$239,109,016. The Fiscal Year 2021-22 Special Tax levy billed to the properties within Improvement Area D which were entered on the Assessment Roll of the County equaled \$831,935. Table 5 below sets forth assessed value-to-burden category ratios for the 319 units utilizing the assessed values of \$239,109,016 as of January 1, 2021.

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

### Assessed Value-to-Burden Ratio (By Ratios)

Assessed Value-to-Burden Ratio	Number of Units Levied <sup>(1)(2)</sup>	Fiscal Year 2021-22 Special Tax Levy	Percentage of Special Tax Levy	Assessed Value <sup>(3)</sup>	CFD No. 15, IA D Outstanding Bond Amount <sup>(4)</sup>	Total Overlapping Debt <sup>(5)</sup>	Total Direct and Overlapping Debt
Less than 3:1 <sup>(6)</sup>	15	\$44,392	5.34%	\$1,184,480	\$794,521	\$647,521	\$1,442,042
Between 3:1 and 6.99:1	5	12,746	1.53	1,800,709	228,137	86,740	314,877
Between 7:1 and 10:1	250	650,488	78.19	197,167,432	11,642,452	10,753,958	22,396,410
Greater than 10:1	49	124,309	14.94	38,956,395	2,224,890	875,478	3,100,468
<b>Total <sup>(7)</sup></b>	<b>319</b>	<b>\$831,935</b>	<b>100.00%</b>	<b>\$239,109,016</b>	<b>\$14,890,000</b>	<b>\$12,363,697</b>	<b>\$27,253,697</b>

- (1) Improvement Area D is built out and all property has been classified as Developed Property as of May 1, 2021.
- (2) Excludes 73 units that prepaid their Special Tax obligation as of July 15, 2021. Between July 15, 2021, and May 1, 2022, six additional units prepaid their Special Tax obligation and will no longer be subject to the Special Tax starting in Fiscal Year 2022-23.
- (3) Based on Fiscal Year 2021-22 assessed values provided by the San Diego County Assessor. Assessed value is calculated as the sum of land value and improvement value.
- (4) Based on final bond sizing dated May 25, 2022, provided by Piper Sandler & Co. Allocated based on Fiscal Year 2021-22 Special Tax levy.
- (5) As of March 2, 2022. Allocated based on Fiscal Year 2021-22 levy.
- (6) Includes 14 units currently owned by individual (previously owned by Lennar Homes of California, Inc.) for which a building permit was issued but did not have improvement values as of January 1, 2021. Also, includes one unit currently owned by an individual with a Proposition 60/90 value reduction. Proposition 60/90 allows a person who is over age 55 to sell his or her principal place of residence and transfer its base year value to a replacement dwelling of equal or lesser value that is purchased or newly constructed within two years of the sale.
- (7) Totals may not sum due to rounding.

Source: David Taussig & Associates, Inc.

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## Direct and Overlapping Debt

Table 6 below sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied within Improvement Area D, prepared by David Taussig & Associates, Inc., and prepared as of March 2, 2022 (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.

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 D 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 D. 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 D for purposes of its Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See APPENDIX D hereto for the form of the Continuing Disclosure Agreement.

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

**Direct and Overlapping Debt Summary**

<b>Overlapping District</b>	<b>Actual Fiscal Year 2021-22 Total Levy</b>	<b>Amount of Levy on Parcels in District <sup>(1)</sup></b>	<b>Percent of Levy on Parcels in District</b>	<b>Total Debt Outstanding <sup>(2)</sup></b>	<b>District Share of Total Debt Outstanding</b>
Poway Unified School District CFD No. 15	\$2,680,021	\$706,570	26.3643%	\$38,500,000	\$10,150,268
Metropolitan Water District G.O. Bonds	164,714,077	8,315	0.0050	20,175,000	1,018
Palomar Pomerado Health Election of 2004 G.O. Bonds	35,217,879	90,273	0.2563	408,228,081	1,046,401
Palomar Community College Bond Prop M Series 2006B	3,287,664	5,749	0.1749	74,835,154	130,861
Palomar Community College Bond Series 2015 Refunding	5,257,545	9,194	0.1749	25,825,000	45,159
Palomar Community College Bond Prop M Series 2006C	1,603,078	2,803	0.1749	10,210,000	17,854
Palomar Community College Bond Prop M Series 2006D	5,556,426	9,716	0.1749	134,035,000	234,380
Palomar Community College Bond Series 2017 Refunding	3,246,909	5,678	0.1749	101,770,000	177,960
Palomar Community College Bond Series 2020 Refunding	7,458,381	13,042	0.1749	197,990,000	346,215
Palomar Community College Bond Series 2021 Refunding	0	0	0.000	122,140,000	213,580 <sup>(3)</sup>
PACE Programs	N/A	N/A	N/A	N/A	0 <sup>(4)</sup>
Estimated Share of Overlapping Debt Allocable to the District					\$12,363,697
Plus the CFD No. 15, Impv Area D Series 2022 Bonds					\$14,890,000 <sup>(5)</sup>

Estimated Share of Direct and Overlapping Debt Allocable to the District	<b>\$27,253,697</b>
Fiscal Year 2021-22 Assessed Value <sup>(6)</sup>	<b>\$239,109,016</b>
Estimated Assessed Value to Direct and Overlapping Debt Ratio	<b>8.77</b>

- <sup>(1)</sup> Based on share of total levy for Fiscal Year 2021-22. Excludes 73 units that prepaid their Special Tax obligation as of July 15, 2021. Between July 15, 2021, and May 1, 2022, six additional units prepaid their Special Tax obligation and will no longer be subject to the Special Tax starting in Fiscal Year 2022-23.
- <sup>(2)</sup> As of March 2, 2022.
- <sup>(3)</sup> As there was no levy for Fiscal Year 2021-22, “District Share of Total Debt Outstanding” was calculated by multiplying Overlapping District’s Total Debt Outstanding by 0.1749%.
- <sup>(4)</sup> DTA is not aware of any property owners in Improvement Area D that are participating in any active PACE programs.
- <sup>(5)</sup> Based on final bond sizing dated May 25, 2022, provided by Piper Sandler & Co.
- <sup>(6)</sup> Based on Fiscal Year 2021-22 assessed values provided by the San Diego Assessor. Assessed value is calculated as the sum of land value and improvement value.

Source: David Taussig & Associates, Inc.

The following Table 7A sets forth estimated Fiscal Year 2021-22 overall tax rates estimated to be applicable to a Detached Unit in Tax Class 4. The following Table 7B sets forth estimated Fiscal Year 2021-22 overall tax rates estimated to be applicable to an Attached Unit in Tax Class 20. The following Table 7C sets forth estimated Fiscal Year 2021-22 overall tax rates estimated to be applicable to a Senior Citizen Unit in Tax Class 24. Tables 7A, 7B and 7C also set forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

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**Table 7A**  
**Poway Unified School District**  
**Community Facilities District No. 15 (Del Sur East)**  
**Improvement Area D**

**Estimated Fiscal Year 2021-22 Tax Bill**  
**(Detached Unit Tax Class 4 Containing 1,951 – 2,150 Building Square Feet)**  
**TRA 08050**

Assessed Valuation and Property Taxes	Percent of Net AV	Expected Amount
TOTAL ASSESSED VALUE <sup>(1)</sup>	\$864,336	
NET ASSESSED VALUE <sup>(1)</sup>	\$857,336	
Average Unit Size for Detached Property <sup>(2)</sup>	2,021 Square Feet	
<b>AD VALOREM PROPERTY TAXES <sup>(3)</sup></b>		
Basic Levy	1.00000%	\$8,573.36
Palomar Community College Prop M, 2006B	0.00242	20.75
Palomar Community College Prop M, 2006C	0.00118	10.12
Palomar Community College Prop M, 2006D	0.00409	35.07
Palomar Community College Prop M, 2015	0.00387	33.18
Palomar Community College Prop M, 2017	0.00239	20.49
Palomar Community College Prop M, 2020	0.00549	47.07
San Diego City Zoological Exhibits - Maintenance	0.00500	42.87
Palomar Health 2005A - Debt Service	0.03800	325.79
<u>Metropolitan Water District Debt Service of San Diego County Water Authority</u>	<u>0.00350</u>	<u>30.01</u>
Total General Property Taxes and Overrides	1.06594%	\$9,138.69
<b>ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES</b>		
Mosquito Surveillance - Zone B <sup>(4)</sup>		\$2.28
Black Mountain Ranch North Maintenance Assessment District <sup>(5)</sup>		5.22
CWA Water Availability <sup>(6)</sup>		10.00
Vector Disease Control <sup>(7)</sup>		5.86
Metropolitan Water District Water Standby Charge <sup>(8)</sup>		11.50
Poway Unified School District CFD No. 15 IA D <sup>(9)</sup>		2,779.12
<u>Poway Unified School District CFD No. 15 <sup>(10)</sup></u>	-	<u>2,694.12</u>
Total Assessments and Parcel Charges		\$5,508.10
<b><u>PROJECTED TOTAL PROPERTY TAXES</u></b>	-	<b><u>\$14,646.79</u></b>
<b><u>Projected Total Effective Tax Rate (as % of Total Assessed Value)</u></b>	-	<b><u>1.69457%</u></b>

(1) Based on average assessed value for all Tax Class 4 detached units (17 units) within Improvement Area D as of January 1, 2021, provided by the County of San Diego Assessor. Net Assessed Value includes \$7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.

(2) Based on the average unit size for all Tax Class 4 detached units.

(3) Based on actual Fiscal Year 2021-22 *ad valorem* rates.

(4) Based on the Fiscal Year 2021-22 rate of \$2.28 per benefit unit.

(5) Based on the Fiscal Year 2021-22 rate of \$5.22 per single-family residential unit.

(6) Based on the Fiscal Year 2021-22 rate of \$10.00 per parcel or per acre, whichever is greater.

(7) Based on the Fiscal Year 2021-22 rate of \$5.36 per single-family residential unit.

(8) Based on the Fiscal Year 2021-22 rate of \$11.50 per parcel.

(9) Based on the Fiscal Year 2021-22 IA Assigned Special Tax of \$2,779.12 per unit for Tax Class 4 property. The Assigned Special Tax escalates at 2% per year.

(10) Based on average Fiscal Year 2021-22 CFD Assigned Special Tax of \$2,694.12 per unit for Tax Class 4 property within Improvement Area D. The Assigned Special Tax escalates each year at a rate equal to the Inflation for the first year in which the parcel is classified as Developed Property and then by 2% each year thereafter.

Source: DTA; Metropolitan Water District of Southern California; SCI Consulting Group; San Diego County Water Authority.

**Table 7B  
Poway Unified School District  
Community Facilities District No. 15 (Del Sur East)  
Improvement Area D**

**Fiscal Year 2021-22 Tax Rates  
(Attached Unit Tax Class 20 Containing 1,651 – 1,800 Building Square Feet)  
TRA 08050**

Assessed Valuation and Property Taxes	Percent of Net AV	Expected Amount
TOTAL ASSESSED VALUE <sup>(1)</sup>	\$705,241	
NET ASSESSED VALUE <sup>(1)</sup>	\$698,241	
Average Unit Size for Attached Property <sup>(2)</sup>	1,689 Square Feet	
<b>AD VALOREM PROPERTY TAXES <sup>(3)</sup></b>		
Basic Levy	1.00000%	\$6,982.41
Palomar Community College Prop M, 2006B	0.00242	16.90
Palomar Community College Prop M, 2006C	0.00118	8.24
Palomar Community College Prop M, 2006D	0.00409	28.56
Palomar Community College Prop M, 2015	0.00387	27.02
Palomar Community College Prop M, 2017	0.00239	16.69
Palomar Community College Prop M, 2020	0.00549	38.33
San Diego City Zoological Exhibits - Maintenance	0.00500	34.91
Palomar Health 2005A - Debt Service	0.03800	265.33
<u>Metropolitan Water District Debt Service of San Diego County Water Authority</u>	<u>0.00350</u>	<u>24.44</u>
Total General Property Taxes and Overrides	1.06594%	\$7,442.84
<b>ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES</b>		
Mosquito Surveillance - Zone B <sup>(4)</sup>		\$2.28
Black Mountain Ranch North Maintenance Assessment District <sup>(5)</sup>		5.22
CWA Water Availability <sup>(6)</sup>		10.00
Vector Disease Control <sup>(7)</sup>		5.86
Metropolitan Water District Water Standby Charge <sup>(8)</sup>		11.50
Poway Unified School District CFD No. 15 IA D <sup>(9)</sup>		2,400.64
<u>Poway Unified School District CFD No. 15 <sup>(10)</sup></u>		<u>2,432.02</u>
Total Assessments and Parcel Charges	-	\$4,867.52
<b><u>PROJECTED TOTAL PROPERTY TAXES</u></b>	-	<b><u>\$12,310.36</u></b>
-	-	
<b>Projected Total Effective Tax Rate (as % of Total Assessed Value)</b>		<b>1.74555%</b>

(1) Based on average assessed value for all Tax Class 20 detached units (21 units) within Improvement Area D as of January 1, 2021, provided by the County of San Diego Assessor. Net Assessed Value includes \$7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.

(2) Based on the average unit size for all Tax Class 20 attached units.

(3) Based on actual Fiscal Year 2021-22 *ad valorem* rates.

(4) Based on the Fiscal Year 2021-22 rate of \$2.28 per benefit unit.

(5) Based on the Fiscal Year 2021-22 rate of \$5.22 per multi-family residential unit.

(6) Based on the Fiscal Year 2021-22 rate of \$10.00 per parcel or per acre, whichever is greater.

(7) Based on the Fiscal Year 2021-22 rate of \$5.86 per multi-family residential unit.

(8) Based on the Fiscal Year 2021-22 rate of \$11.50 per parcel.

(9) Based on the Fiscal Year 2021-22 IA Assigned Special Tax of \$2,400.64 per unit for Tax Class 20 property. The Assigned Special Tax escalates at 2% per year.

(10) Based on average Fiscal Year 2021-22 CFD Assigned Special Tax of \$2,432.02 per unit for Tax Class 20 property within Improvement Area D. The Assigned Special Tax escalates each year at a rate equal to the Inflation for the first year in which the parcel is classified as Developed Property and then by 2% each year thereafter.

Source: DTA; Metropolitan Water District of Southern California; SCI Consulting Group; San Diego County Water Authority.

**Table 7C**  
**Poway Unified School District**  
**Community Facilities District No. 15 (Del Sur East)**  
**Improvement Area D**

**Fiscal Year 2021-22 Tax Rates**  
**(Senior Citizen Unit Tax Class 24 Containing 1,401 – 1,800 Building Square Feet)**  
**TRA 08050**

Assessed Valuation and Property Taxes	Percent of Net AV	Expected Amount
TOTAL ASSESSED VALUE <sup>(1)</sup>	\$624,572	
NET ASSESSED VALUE <sup>(1)</sup>	\$617,572	
Average Unit Size for Senior Citizen Property <sup>(2)</sup>	1,688 Square Feet	
<b>AD VALOREM PROPERTY TAXES <sup>(3)</sup></b>		
Basic Levy	1.00000%	\$6,175.72
Palomar Community College Prop M, 2006B	0.00242	14.95
Palomar Community College Prop M, 2006C	0.00118	7.29
Palomar Community College Prop M, 2006D	0.00409	25.26
Palomar Community College Prop M, 2015	0.00387	23.90
Palomar Community College Prop M, 2017	0.00239	14.76
Palomar Community College Prop M, 2020	0.00549	33.90
San Diego City Zoological Exhibits - Maintenance	0.00500	30.88
Palomar Health 2005A - Debt Service	0.03800	234.68
<u>Metropolitan Water District Debt Service of San Diego County Water Authority</u>	<u>0.00350</u>	<u>21.62</u>
Total General Property Taxes and Overrides	1.06594%	\$6,582.95
<b>ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES</b>		
Mosquito Surveillance - Zone A <sup>(4)</sup>		\$3.00
Black Mountain Ranch North Maintenance Assessment District <sup>(5)</sup>		4.36
CWA Water Availability <sup>(6)</sup>		10.00
Vector Disease Control <sup>(7)</sup>		5.86
Metropolitan Water District Water Standby Charge <sup>(8)</sup>		11.50
<u>Poway Unified School District CFD No. 15 IA D <sup>(9)</sup></u>	-	<u>2,522.24</u>
Total Assessments and Parcel Charges	-	\$2,556.96
<b><u>PROJECTED TOTAL PROPERTY TAXES</u></b>	-	<b><u>\$9,139.91</u></b>
<b>Projected Total Effective Tax Rate (as % of Total Assessed Value)</b>	-	<b>1.46339%</b>

(1) Based on average assessed value for all Tax Class 24 Senior Citizen units (46 units) within Improvement Area D as of January 1, 2021, provided by the County of San Diego Assessor. Net Assessed Value includes \$7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.

(2) Based on the average unit size for all Tax Class 24 Senior Citizen units.

(3) Based on actual Fiscal Year 2021-22 *ad valorem* rates.

(4) Based on the Fiscal Year 2021-22 rate of \$3.00 per benefit unit.

(5) Based on the Fiscal Year 2021-22 rate of \$4.36 per Senior Citizen residential unit.

(6) Based on the Fiscal Year 2021-22 rate of \$10.00 per parcel or per acre, whichever is greater.

(7) Based on the Fiscal Year 2021-22 rate of \$5.86 per multi-family residential unit.

(8) Based on the Fiscal Year 2021-22 rate of \$11.50 per parcel.

(9) Based on the Fiscal Year 2021-22 IA Assigned Special Tax of \$2,522.24 per unit for Tax Class 24 property. The Assigned Special Tax escalates at 2% per year.

Source: DTA; Metropolitan Water District of Southern California; SCI Consulting Group; San Diego County Water Authority.

## **Overlapping Direct Assessments**

As indicated in the tables above, properties within the Community Facilities District are subject to a variety of standby charges, direct assessments, maintenance assessments, special assessments and service charges. Most of these charges are in amounts less than \$500 per annum. Other than the Special Taxes levied with respect to the 2022 Bonds and the Community Facilities District Special Taxes, the Community Facilities District is not aware of whether the properties within Improvement Area D are subject to sewer service charges or special taxes in excess of \$500 per year.

The Community Facilities District has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within a special district which may be incurred in the future by other governmental agencies, including, but not limited to, the County or any other governmental agency having jurisdiction over all or a portion of the property within the Community Facilities District. Furthermore, nothing prevents the owners of property within the Community Facilities District from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within a district on a parity with a lien of the Special Taxes.

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 2022 Bonds are issued between the value of the property and the debt secured by the Special Taxes and other taxes and assessments which may be levied on such property. The incurring of such additional indebtedness could also affect the ability and willingness of the property owners within the Community Facilities District to pay the Special Taxes when due.

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

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## **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 2022 Bonds. The 2022 Bonds have not been rated by a rating agency. 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 2022 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 D to pay their Special Taxes when due. Any such failure to pay Special Taxes could result in the inability of the Community Facilities District to make full and punctual payments of debt service on the 2022 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 D, and the value of the 2022 Bonds in the secondary market. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any risk.*

### **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 D, 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, droughts, and pandemics), which may result in uninsured losses. For example, in May 2014, wildfires occurred in the San Diego area, including within a graded portion of a community facilities district of the Poway Unified School District. No homes were damaged by the wildfire.

### **Special Taxes Are Not Personal Obligations**

The current and future owners of land within Improvement Area D are not personally liable for the payment of the Special Taxes. Rather, the Special Tax is an obligation only of the land within Improvement Area D. If the value of the land within Improvement Area D is not sufficient to fully secure the Special Tax, then Improvement Area D has no recourse against the landowner under the laws by which the Special Tax has been levied and the 2022 Bonds have been issued.

### **The 2022 Bonds Are Limited Obligations of the Community Facilities District**

The Community Facilities District has no obligation to pay principal of and interest on the 2022 Bonds in the event Special Tax collections are delinquent or insufficient, 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 Special Tax are delinquent, nor is the Community Facilities District or the School District obligated to advance funds to pay such debt service on the 2022 Bonds.

Neither the faith and credit nor the taxing power of the School District, the State or any political subdivision thereof other than the Special Taxes is pledged to the payment of the 2022 Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the 2022 Bonds. The 2022 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 Indenture.

## **Concentration of Ownership**

As of April 1, 2022, all homes were owned by individual homeowners.

Failure of the homeowners to pay the annual Special Taxes when due could result in a draw on the Reserve Fund, and potentially a default in payments of the principal of, and interest on, the 2022 Bonds. Neither the faith and credit nor the taxing power of the School District, the State or any political subdivision thereof other than the Special Taxes is pledged to the payment of the 2022 Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the 2022 Bonds. The 2022 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 Indenture.

## **Assessed Values**

Prospective purchasers of the 2022 Bonds should not assume that the land within Improvement Area D could be sold for the assessed amount described in this Official Statement at a foreclosure sale for delinquent Special Taxes.

The assessed values summarized hereto estimate the fee simple interest assessed value of the property within Improvement Area D. This value is merely the amount of the assessed value in the records maintained by the County Assessor. The assessed value relates to sale by a willing seller to a willing buyer at a point in time, as adjusted by State law. Consequently, the assessed value is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

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

## **Value-to-Burden Ratios**

Value-to-burden 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-burden 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 “burden” of the assessments or special taxes as represented by the principal amount of bonds repaid by such assessment or special tax. A value-to-burden 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-burden ratios. Further, the value-to-burden 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 ratio below 1:1, 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 another entity can dilute value-to-burden ratios. See “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA D – Direct and Overlapping Debt.”

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

While the Special Taxes are secured by the Taxable Property, the security only extends to the value of such Taxable Property that is not subject to priority and parity liens and similar claims.

The table in the section entitled “COMMUNITY FACILITIES DISTRICT NO. 15 (DEL SUR EAST) IMPROVEMENT AREA D – 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 Special Tax securing the 2022 Bonds.

In general, as long as the Special Tax is collected on the County tax roll, the 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 Special Taxes securing the 2022 Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special 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 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 a Notice of Special Tax Lien for the territory included in Improvement Area D in the Office of the San Diego County Recorder as Document No. 2012-0818725 with respect to the 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 Special Tax obligation in the purchase of a parcel of land or a home in Improvement Area D or the lending of money thereon. The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers, other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

## Special Tax Delinquencies

In order to pay debt service on the 2022 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 2022 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 Special Tax

The principal source of payment of principal of and interest on the 2022 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within Improvement Area D. The annual levy of the 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 Special Tax, together with other available funds, will not be sufficient to pay debt service on the 2022 Bonds. Other funds which might be available include funds derived from the payment of penalties on delinquent Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent.

The levy of the 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 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 2022 Bonds, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a Taxable Property is based upon the revenue needs and application of the Rate and Method. Application of the 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 D. Thus, in addition to annual variations of the revenue needs from the Special Tax, the following are some of the factors which might cause the levy of the Special Tax on any particular Taxable Property to vary from the 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 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 Special Tax and delays in the collection of or inability to collect the 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 2022 BONDS – Special Taxes” and “– Rate and Method” herein, the Indenture provides that the 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 2022 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 2022 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 2022 BONDS – Proceeds of Foreclosure Sales.”

In addition, the Rate and Method limits the increase of Special Taxes levied on parcels of Developed Property to cure delinquencies of other property owners in Improvement Area D. See “SECURITY FOR THE 2022 BONDS – Rate and Method” herein.

### **Exempt Properties**

Certain properties are exempt from the Special Tax in accordance with the Rate and Method (see “SECURITY FOR THE 2022 BONDS – Rate and Method” herein). In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Special Tax; *provided, however*, that property within Improvement Area D 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 Special Tax, will continue to be subject to the 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 Special Tax. In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the 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 Special Tax.

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

### **Depletion of Reserve Fund**

The Community Facilities District will purchase and deposit in the Reserve Fund the Reserve Policy in an amount equal to the Reserve Requirement applicable to the 2022 Bonds. The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement (see “SECURITY FOR THE 2022 BONDS – Reserve Fund” herein). Funds in the Reserve Fund may be used to pay principal of and interest on the 2022 Bonds, in the event the proceeds of the levy and collection of the 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 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 a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property within Improvement Area D, 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 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 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 2022 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 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. The FDIC would obtain such an interest by taking over a financial institution which has made a loan which is secured by property within the Community Facilities District. See "BONDOWNERS' RISKS – Ownership or Mortgage Interests by, 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 Special Taxes or the timing of enforcement of Special Taxes. For example, the Service Members Civil Relief Act (SCRA) of 2003 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 D 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 Special Taxes may take up to two or three years from initiation to the lien foreclosure sale. At a Special Tax lien foreclosure sale, each parcel will be sold for not less than the "minimum bid amount" which is equal to the sum of all delinquent Special Tax installments, penalties and interest thereon, costs of collection (including reasonable attorneys' fees), post-judgment interest and costs of sale. Each parcel is sold at foreclosure for the amounts secured by the Special Tax lien on such parcel and multiple parcels may not be aggregated in a single "bulk" foreclosure sale. If any parcel fails to obtain a "minimum bid," the 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 2022 Bonds.

Delays and uncertainties in the Special Tax lien foreclosure process create significant risks for Bondowners. High rates of special tax payment delinquencies which continue during the pendency of

protracted 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 2022 Bonds. See “ – Special Taxes Are Not Personal Obligations.”

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 2022 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 D in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the 2022 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 2022 Bonds by the Indenture. The levy of Special Taxes is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of Improvement Area D and the limitation imposed by Section 53321 of the Act as applied to Improvement Area D. See “SECURITY FOR THE 2022 BONDS – Special Tax Levy.”

### **Bankruptcy and Foreclosure Delay**

The payment of Special Taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent Special Taxes as discussed in the section herein entitled “SECURITY FOR THE 2022 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 2022 Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the obligation to pay the Special Tax to become extinguished, bankruptcy of a property owner or of a partner or other equity owner of a property owner, could result in a stay of enforcement of the lien for the Special Taxes, a delay in prosecuting superior court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Special Taxes and could result in the possibility of delinquent Special Taxes not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the 2022 Bonds and the possibility of delinquent Special Taxes not being paid in full. Moreover, amounts received upon foreclosure sales may not be sufficient to fully discharge delinquent installments. To the extent that a significant percentage of the property in Improvement Area D is owned by any property owner, and Special Taxes have been levied on such property, and such owner is the subject of bankruptcy proceedings, the payment of the Special Tax and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid 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 Special Taxes are secured by a continuing lien, which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Taxes levied after the filing of a petition in bankruptcy. *Glasply* is controlling precedent for bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of Special Tax received from parcels whose owners declare bankruptcy could be reduced.

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



## **Ownership or Mortgage Interests 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 Special Taxes may be limited in certain respects with regard to properties in which the FDIC, Fannie Mae, 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 a 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 D 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 2022 Bonds should assume that the Community Facilities District will be unable to collect Special Taxes or to foreclose on any parcel within Improvement Area D owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the 2022 Bonds. Based upon the secured tax roll as of January 1, 2013, the FDIC did not own any of the property in Improvement Area D. The Community Facilities District expresses no view concerning the likelihood that the risks described above will materialize while the 2022 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 D 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 D 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 pandemics, such as the COVID-19 pandemic, 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 a community facilities district formed by the School 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 D is located in a seismically active region in Southern California. Active faults which could cause significant ground shaking over Improvement Area D 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 D. As a result, the property owners may be unable or unwilling to pay the Special Taxes when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in Improvement Area D could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes. Development within Improvement Area D 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 D.

*Drought Conditions.* During the October 1, 2020, through September 30, 2021, rainfall season, most areas in California experienced below normal levels of rainfall. On May 10, 2021, Governor Newsom expanded a drought emergency declaration to include 41 counties that encompass the Klamath River, Sacramento-San Joaquin Delta and Tulare Lake watersheds due to an acute water supply shortage in the northern and central parts of the State. On July 8, 2021, the Governor expanded the drought emergency to include 50 of the State's 58 counties. On October 19, 2021, the Governor expanded the drought emergency to include all of the State's 58 counties and requires local water suppliers to implement water shortage contingency plans that are responsive to local conditions and prepare for the possibility of a third dry year. The Governor's office indicated at that time that the State was experiencing its worst drought since the late 1800's, as measured by both lack of precipitation and high temperatures. The State's prior five-year drought underscored the need for permanent improvements in long-term efficient water use and drought preparedness, as called for in a previous executive order made by then Governor Brown. The State has implemented various actions which are intended to help to ensure all communities have sufficient water supplies and are conserving water regardless of the conditions of any one year. Rainfall in many areas of the State since October 1, 2021, through April 1, 2022, has been below average for that period in normal years. The Community Facilities District cannot predict whether recent drought conditions will continue, or if and when the State will experience drought conditions again in the future, what effect such conditions may have on property values or whether or to what extent any water reduction requirements may affect homeowners within Improvement Area D or their ability or willingness to pay Special Taxes.

*Wildfires.* In recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures, even in areas not previously thought to be prone to wildfires. Such areas affected by wildfires are more prone to flooding and mudslides that can lead to the destruction of homes. For example, the seven largest recorded wildfires to occur in California since 1932, when more accurate records began being kept, have occurred in northern and central California since 2017. In November 2018, the Camp Fire, in Butte County, northern California, destroyed over 18,000 structures, and the towns of Paradise and Concow were almost completely destroyed. While the Community Facilities District is not aware of any particular risk of wildfire within the Community Facilities District, there can be no assurances that wildfires will not occur within or near the Community Facilities District. Property damage due to wildfire could result in a significant decrease in the assessed value and/or market value of property in the Community Facilities District and in the ability or willingness of property owners to pay Special Taxes when due. State law requires that all local jurisdictions identify very high fire hazard severity zones within their areas of jurisdiction ("VHFSZ"). Inclusion within these zones is based on vegetation density, slope severity and other relevant factors that contribute to fire severity. Improvement Area D is located within a VHFSZ. In October 2007, a wildfire known as the Witch Fire burned to the north and east of the properties in Improvement Area D. In 2014, wildfires occurred in the San Diego area, one of which was in a graded portion of a nearby property, but there was no resulting damage other than brush which burned. There has been no damage to the property in Improvement Area D from wildfires.

*Hazardous Substances.* While government taxes, assessments and charges are a common claim against the value of a taxed parcel, other less common claims can occur. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Taxes is a claim with regard to hazardous substances. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) 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 D 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 D 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 it. All of these possibilities could significantly adversely affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

### **Potential Early Redemption of Bonds from Prepayments**

Property owners within Improvement Area D are permitted to prepay their Special Taxes at any time. Such payments will result in a redemption of the 2022 Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the prepayment. The resulting redemption of 2022 Bonds purchased at a price greater than par could reduce the otherwise expected yield on such 2022 Bonds.

### **No Acceleration Provisions**

The 2022 Bonds do not contain a provision allowing for the acceleration of the 2022 Bonds in the event of a payment default or other default under the terms of the 2022 Bonds or the Indenture. Pursuant to the Indenture, a Bondowner is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies (see APPENDIX C – “Summary of Certain Provisions of the Indenture” herein). So long as the 2022 Bonds are in book-entry form, DTC will be the sole Bondowner. See APPENDIX F – “Book-Entry System.”

### **Tax Cuts and Jobs Act of 2017**

Changes enacted by federal tax legislation (the Public Law No. 115-97, also referred to as the “**Tax Cuts and Jobs Act of 2017**”) were enacted into law on December 22, 2017. The Tax Cuts and Jobs Act of 2017 made significant changes to many aspects of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”). For example, the Tax Cuts and Jobs Act of 2017 reduced the amount of mortgage interest deduction to the first \$750,000 of a home loan on new purchases (existing loans are grandfathered in), increased the standard deduction, and put a limit of \$10,000 on deductions for state and local income tax, sales tax and property tax expenses that individuals may deduct from their gross income for federal income

tax purposes. The changes made by the Tax Cuts and Jobs Act of 2017 could increase the cost of home ownership within Improvement Area D.

None of the School District or the Community Facilities District can predict the effect that the Tax Cuts and Jobs Act of 2017 may have on the cost of home ownership or the price of homes in Improvement Area D, or the ability or willingness of homeowners to pay Special Taxes or property taxes.

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

### **Billing of Special Taxes**

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts the taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by the community facilities district.

Under provisions of the Act, the Special Taxes are billed to the properties within 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 Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See “SECURITY FOR THE 2022 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 Special Taxes.

### **Inability to Collect Special Taxes**

In order to pay debt service on the 2022 Bonds, it is necessary that the Special Tax levied against land within Improvement Area D be paid in a timely manner. The Community Facilities District will covenant in the Indenture under certain conditions to institute foreclosure proceedings against property with delinquent Special Tax in order to obtain funds to pay debt service on the 2022 Bonds. If foreclosure

proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the 2022 Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the Board 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 2022 BONDS – Proceeds of Foreclosure Sales.”

### **Voter Initiatives and State Constitutional Provisions**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

*Proposition 218.* Proposition 218 Voter Approval for Local Government Taxes – Limitation on Fees, Assessments, and Charges – Initiative Constitutional Amendment, added Articles XIIIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

Among other things, Section 3 of Article XIIIIC 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 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.

*Proposition 26.* On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIIIIA and XIIIIC of the State Constitution. The amendments to Article XIIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature.

Article XIIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote. The Special Taxes and the 2022 Bonds were each authorized by not less than a two-thirds vote of the landowners within the Community Facilities District who constituted the qualified electors at the time of such voted authorization, and the statute of limitations period for any challenges to the formation of the Community Facilities District and the levy of the Special Taxes has expired. The Community Facilities District believes, therefore, that issuance of the 2022 Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 have undergone, are likely to undergo, both judicial and legislative scrutiny.

For example, in August 2014, in *City of San Diego. v. Melvin Shapiro*, an Appellate Court invalidated an election held by the City of San Diego to authorize the levying of special taxes on hotels City-wide pursuant to a City charter ordinance creating a convention center facilities district 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. The court held that such landowners and lessees are neither “qualified electors” of the City for purposes of Articles XIII A, Section 4 of the California Constitution, nor a proper “electorate” under Article XIII C, Section 2(d) of the California Constitution. 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 under Section 53326(b) of the Act (which was the nature of the voter approval through which the Community Facilities District was formed) violates the California Constitution in districts that lack sufficient registered voters to conduct an election among registered voters. Accordingly, this case should have no effect on the levy of the Special Taxes by the Community Facilities District.

The School District and the Community Facilities District cannot predict the ultimate outcome or effect of any such judicial scrutiny, legislative actions, or future initiatives. These initiatives, and any future initiatives, may affect the collection of fees, taxes and other types of revenue by local agencies such as the Community Facilities District. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the 2022 Bonds.

### **Bond Insurance Risk Factors**

The Community Facilities District will acquire the Policy to guarantee the scheduled payment of principal and interest on the 2022 Bonds. The following are risk factors relating to the municipal bond insurance policy.

In the event of default of the payment of principal or interest with respect to the 2022 Bonds when all or a portion becomes due, any Owner of the 2022 Bonds would have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of redemption, other than sinking fund redemption, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will not insure against redemption premium. The payment of principal and interest in connection with mandatory or optional redemption of the 2022 Bonds by the Community Facilities District which is recovered by the Community Facilities District from the Owner as a voidable preference under applicable bankruptcy law will be covered by the Policy; however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such redemption by the Community Facilities District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer’s consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest on the 2022 Bonds as such payments become due under the Policy, the 2022 Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the 2022 Bonds, no assurance is given that such event will not adversely affect the market price of the 2022 Bonds or the marketability (liquidity) for the 2022 Bonds.

The long-term ratings on the 2022 Bonds will be dependent in part on the financial strength of the Bond Insurer and its claims-paying ability. The Bond Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the 2022 Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the 2022 Bonds or the marketability (liquidity) for the 2022 Bonds. See "INSURED RATING OF THE BONDS; NO UNDERLYING RATING" herein.

The obligations of the Bond Insurer will be contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

None of the Community Facilities District, the School District or the Underwriter has made independent investigation into the claims-paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Community Facilities District to pay principal and interest on the 2022 Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" for further information provided by the Bond Insurer regarding the Bond Insurer and the Policy and for instructions for obtaining current financial information concerning the Bond Insurer.

### **Limited Secondary Market**

There can be no guarantee that there will be a secondary market for the 2022 Bonds or, if a secondary market exists, that such 2022 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 2022 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 2022 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2022 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 2022 Bonds, the Community Facilities District will covenant 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 2022 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the 2022 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2022 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 2022 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 2022 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 2022 Bonds will be selected for audit or examination by the IRS. It is also possible that the market value of such 2022 Bonds might be affected as a result of such an audit of such 2022 Bonds (or by an audit of similar bonds or securities).

### **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 2022 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 2022 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 2022 Bonds. In 2013 and 2014, legislative changes were proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Series 2022 Bonds. Prospective purchasers of the 2022 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 2022 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2022 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 2022 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 2022 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 2022 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 2022 Bonds or to preserve the tax-exempt status of the 2022 Bonds. See “Ownership or Mortgage Interests by, Fannie Mae, Freddie Mac, and other Federal Agencies,” “No Acceleration Provisions,” and “Billing of Special Taxes” herein.

## **Cyber Security**

The School District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the School District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The School District has never had a major cyber breach that resulted in a financial loss. The School District maintains insurance coverage for cyber security losses should a successful breach ever occur.

In connection with the transition to distance learning due to the COVID-19 pandemic, the School District is aware of online safety, such as arises in connection with utilization of programs which are used to run live classroom sessions and meetings. The School District has provided teachers with the recommended settings for certain programs in order to facilitate student safety and security. Teachers also have access to detailed tutorials and live virtual professional development sessions regarding safety measures that should be taken when setting up online meetings for students.

No assurance can be given that the School District's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the School District or the Community Facilities District. The School District is also reliant on other entities and service providers, such as the County Treasurer for the levy and collection of Special Taxes securing payment of the 2022 Bonds, the Fiscal Agent in its role as paying agent, and the Dissemination Agent in connection with compliance with its disclosure undertakings. No assurance can be given that the School District or the Community Facilities District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Bond owners, e.g., systems related to the timeliness of payments to Bond owners or compliance with disclosure filings pursuant to the Continuing Disclosure Agreement.

## **Emergency Preparedness; Coronavirus (COVID-19)**

The impacts of COVID-19 have raised awareness that the ability or willingness of property owners to pay the Special Tax on property in the Community Facilities District when due, the value of the property in the Community Facilities District and sale of homes within the Community Facilities District or the ability of the Community Facilities District to collect delinquent Special Taxes through judicial foreclosure could be adversely affected by a global, national or localized outbreak of an infectious disease, such as the COVID-19 virus, or by the fear of such an outbreak including such things as (i) the grant of waivers of penalties for late payment of property taxes, including Special Taxes, to taxpayers that do not make timely payment of such property taxes, (ii) loss of employment due to supply chain slowdowns, or shutdowns resulting from the unavailability of workers in location producing construction materials, or (iii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation or other services and activities related to tax payments or real estate development. Further, alterations in the behavior of businesses and people due to an infectious disease can occur in a manner ultimately resulting in negative impacts on global and/or local economies, and which results in a volatile stock market response. Such events and other factors resulting from such an outbreak, particularly if prolonged, could result in, or increase the likelihood of, the occurrence of certain of the potential adverse effects described in this Official Statement, including those relating to declines in the value of property, slowing of development and/or sale of homes within the Community Facilities District, the inability or unwillingness to pay the Special Tax, and delays in (or insufficient

funds received from) the collection of delinquent Special Taxes through judicial foreclosure. A future outbreak of the COVID-19 virus or another infectious disease or the fear of any such outbreak could have similar or additional adverse effects. The Community Facilities District cannot predict the ultimate effects of the COVID-19 virus outbreak or any future outbreak or potential future outbreak of an infectious disease, or whether any such effects would have a material adverse effect on the ability or willingness of property owners to pay Special Taxes when due, or the ability of the Community Facilities District to pay debt service on the 2022 Bonds when due.

Likewise, the School District's financial results could be harmed by a national or localized outbreak of a highly contagious or epidemic disease, such as the COVID-19 virus. School districts in California are funded based on the Local Control Funding Formula (the "**Local Control Funding Formula**" or "**LCFF**"), which allocates a base grant per unit of average daily attendance with additional supplemental grants based on certain factors. The outbreak of a highly contagious disease at one of the School District's facilities may result in a temporary shutdown of a school or an entire school district, which would reduce the average daily attendance and could impact the funding a school district receives unless the State legislature or California Department of Education takes action to exclude such days from the calculations for funding purposes. Furthermore, any impact on the State's tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the School District receives from the State. In addition, the School District may incur increased operational costs to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease. Neither the School District nor the Community Facilities District can predict any costs associated with the potential outbreak of an infectious disease. See "*Impacts to School District Finances*" below for information regarding State and federal funding in connection with the COVID-19 virus.

Since the COVID-19 health crisis, the State of California has experienced wide variations in its projected budgets and the expenses it incurs. The Governor signed the Fiscal Year 2019-20 State Budget (the "**2019-20 State Budget**") on June 27, 2019. In March 2020, following the outbreak of the COVID-19 pandemic, the Governor declared a state of emergency, and the State Legislature subsequently authorized an amendment to the 2019-20 State Budget providing for an appropriation of up to \$1 billion from the State's General Fund to be used for any purpose consistent with the requirements of the emergency declaration. On June 29, 2020, the Governor signed into law the State budget for Fiscal Year 2020-21 (the "**2020-21 State Budget**"). Since the 2019-20 State Budget preceded the COVID-19 pandemic, the 2020-21 State Budget did not take into account the significant adverse impacts the COVID-19 pandemic had on the State's financial condition beginning in Fiscal Year 2019-20. The 2020-21 State Budget significantly revised the projections of revenues and expenditures in the 2019-20 State Budget. Further, the 2020-21 State Budget deferred \$1.9 billion of LCFF apportionments due in Fiscal Year 2019-20 to Fiscal Year 2020-21. Subsequent budgets have projected more revenues and the proposed budget for Fiscal Year 2022-23 projects a surplus. Per-pupil funding has recovered from initial reductions implemented after the outbreak of COVID-19. There has been substantial federal financial assistance to the State, and substantial federal and State financial assistance to school districts in the State, including the School District, as a result of the current pandemic. The School District estimates it has received approximately \$62 million in one-time funding through various federal and State programs through June 30, 2022, and estimates it will receive approximately \$18 million in additional one-time funding through June 30, 2024, to help mitigate the impacts of COVID-19 on student achievement.

*Additional Information.* The COVID-19 health crisis is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the health crisis, and the economic and other actions that may be taken by governmental authorities to contain the health crisis or to treat its impact are uncertain. The School District is unable to predict at this time if there will be any new proposals enacted or in what form they may take, or whether any new requirements related to reducing the spread of COVID-19 will

materially impact its finances or operations. Additional information with respect to events surround the health crisis of COVID-19 and responses thereto can be found on federal, State and local government websites, including but not limited to: the CDC (<https://www.cdc.gov>), the Governor's office (<http://www.gov.ca.gov>), the California Department of Public Health (<https://covid19.ca.gov/>) and the local County health agency (<https://rivcoph.org/coronavirus>). *The information on these websites are not incorporated by reference herein, and none of the Community Facilities District, the School District, or the Underwriter can take any responsibility for the continued accuracy of this internet address or for the accuracy, completeness, or timeliness of information posted therein.*

The ultimate long-term impact of COVID-19 on the School District's operations and finances is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, State and national economies or the assessed valuation of property within the School District, or adversely impact enrollment or average daily attendance within the School District or materially adversely impact the financial condition or operations of the School District.

## LEGAL MATTERS

### Legal Opinion

The legal opinion of Chapman and Cutler LLP, San Francisco, California, Bond Counsel, approving the validity of the 2022 Bonds will be made available to purchasers at the time of original delivery and is attached hereto as Appendix E. A copy of the legal opinion will be printed on each 2022 Bond. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is serving as Disclosure Counsel. Chapman and Cutler 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

Federal tax law contains a number of requirements and restrictions which apply to the 2022 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Community Facilities District has covenanted to comply with all requirements that must be satisfied in order for the interest on the 2022 Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the 2022 Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the 2022 Bonds.

Subject to the Community Facilities District's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the 2022 Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the "**Code**").

In rendering its opinion, Bond Counsel will rely upon certifications of the Community Facilities District, the School District, and the City of San Diego with respect to certain material facts within the Community Facilities District's, the School District's, and the City of San Diego's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the 2022 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 2022 Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price for original issue discount (as further discussed below) and market discount purposes (the “**OID Issue Price**”) for each maturity of the 2022 Bonds is the price at which a substantial amount of such maturity of the 2022 Bonds is first sold to the public (excluding bond houses and brokers and similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The OID Issue Price of a maturity of the 2022 Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the OID Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the OID Issue Price of each such maturity, if any, of the Bonds (the “**OID Bonds**”) and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the OID Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the Issuer complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Code; and (d) the accretion of original issue discount in each year may result in certain collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of 2022 Bonds who dispose of 2022 Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase 2022 Bonds in the initial public offering, but at a price different from the OID Issue Price or purchase 2022 Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2022 Bond is purchased at any time for a price that is less than the 2022 Bond’s stated redemption price at maturity or in the case of an OID Bond, its OID Issue Price plus accreted original issue discount (the “**Revised Issue Price**”), the purchaser will be treated as having purchased a 2022 Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a 2022 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such 2022 Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2022 Bonds.

An investor may purchase a 2022 Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the 2022 Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to

a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the 2022 Bond. Investors who purchase a 2022 Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the 2022 Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the 2022 Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the 2022 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the 2022 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "**Service**") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the 2022 Bonds. If an audit is commenced, under current procedures the Service may treat the Community Facilities District as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the 2022 Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the 2022 Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any 2022 Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2022 Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Under the laws of the State of California, as presently enacted and construed, interest on the 2022 Bonds is exempt from the Personal Income Tax Law imposed by the State of California under Section 17001 through 18181 of the California Revenue and Taxation Code. Bond Counsel expresses no opinion regarding the taxation of interest on the 2022 Bonds under any other provisions of California law. Ownership of the 2022 Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the 2022 Bonds. Prospective purchasers of the 2022 Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

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

### **Certain Legal Matters**

Certain legal matters incident to the authorization, issuance and sale of the 2022 Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, San Francisco, California, as Bond Counsel ("**Bond Counsel**"), who has been retained by, and acts as, Bond Counsel to the Community Facilities District. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the 2022 Bonds and assumes no responsibility for the statements or information

contained in or incorporated by reference in this Official Statement except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the Community Facilities District, reviewed only those sections of this Official Statement involving the description of the 2022 Bonds, the security for the 2022 Bonds and the description of the federal tax exemption of interest on the 2022 Bonds. This review was undertaken solely at the request and for the benefit of the Community Facilities District and did not include any obligation to establish or confirm factual matters set forth herein.

### **Absence of Litigation**

No litigation is pending or threatened concerning the validity of the 2022 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 2022 Bonds or in any way contesting or affecting the validity of the 2022 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 2022 Bonds.

### **No General Obligation of School District or Community Facilities District**

The 2022 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 Special Tax and proceeds of the 2022 Bonds, including amounts in the Reserve Fund, 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 2022 Bonds shall be limited to the Special Taxes to be collected within Improvement Area D.

### **INSURED RATING OF THE 2022 BONDS: NO UNDERLYING RATING**

S&P is expected to assign a rating of “AA/Stable” to the 2022 Bonds with the understanding that, upon delivery of the 2022 Bonds, the Policy will be issued by the Bond Insurer. See “BOND INSURANCE.” The rating agency may have obtained and considered information and material which has not been included in this Official Statement. Generally, a rating agency bases its ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agency. Some information provided to the rating agency by the Community Facilities District may not appear in this Official Statement. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the 2022 Bonds.

***No Underlying Rating of the 2022 Bonds.*** The Community Facilities District did not apply to S&P for an underlying rating of the 2022 Bonds. The Community Facilities District has not made any application to a rating agency for an underlying rating on the 2022 Bonds. No such rating should be assumed from any credit rating that the Community Facilities District may obtain for other purposes. Prospective purchasers of the 2022 Bonds are required to make independent determinations as to the credit quality of the 2022 Bonds and their appropriateness as an investment.

***Rating Downgrades of Municipal Bond Insurers.*** In the past, Moody’s Investors Service, S&P and Fitch Ratings (the “*Rating Agencies*”) have each downgraded the claims-paying ability and financial strength of various bond insurance companies. Additional downgrades or negative changes in the rating

outlook are possible. In addition, in the past, certain events in the credit markets have had a substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of any potential Bond Insurer. The Community Facilities District, the School District and the Underwriter have not made an independent investigation into the claims-paying ability of any potential Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength thereof can be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Community Facilities District to pay the principal of and interest on the 2022 Bonds and the claims-paying ability of the Bond Insurer, particularly over the life of the investment.

## **UNDERWRITING**

The 2022 Bonds are being purchased by Piper Sandler & Co. (the “**Underwriter**”) at a purchase price of \$15,115,820.15 (which represents the aggregate principal amount of the 2022 Bonds of \$14,890,000.00, plus a net original issue premium of \$359,830.15 and less an underwriter’s discount of \$134,010.00).

The purchase agreement relating to the 2022 Bonds provides that the Underwriter will purchase all of the 2022 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 2022 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.

## **FINANCIAL INTERESTS**

In connection with the issuance of the 2022 Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the 2022 Bonds. Those professionals include:

- the Underwriter,
- Chapman and Cutler LLP, as Bond Counsel and counsel to the Community Facilities District and the School District,
- James F. Anderson Law Firm, A Professional Corporation, as Disclosure Counsel,
- A portion of the fees of Fieldman, Rolapp & Associates, Inc., as Municipal Advisor,
- A portion of the fees of David Taussig & Associates, Inc., as Special Tax Consultant,
- Kutak Rock LLP, as Underwriter’s Counsel, and
- Zions Bancorporation, National Association, as the Fiscal Agent.

Bond Counsel has in the past worked as, and is currently working as, counsel to the Underwriter on matters unrelated to the 2022 Bonds. Disclosure Counsel has in the past worked as, and is currently working as, counsel to the Underwriter on matters unrelated to the 2022 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 2022 Bonds.

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

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

By: /s/ Ronald D. Little II  
Ronald D. Little II, Associate Superintendent,  
Business Support Services of the  
Poway Unified School District,  
on behalf of Poway Unified School District  
Community Facilities District No. 15 (Del Sur East)

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## APPENDIX A

### GENERAL INFORMATION ABOUT THE CITIES OF SAN DIEGO AND POWAY AND SAN DIEGO COUNTY

*The 2022 Bonds are not a debt of the Poway Unified School District (the “**School District**”) or the County of San Diego (the “**County**”). The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect Special Taxes for payment of the 2022 Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on Bonds at the time such payment is due.*

*The Community Facilities District is contiguous, Neighborhoods One and Two being located south of Camino Del Norte and on both sides of 4S Ranch Parkway, and Neighborhoods Three and Four being located north of Camino Del Norte. This location is in an area in the northern unincorporated portion of the County, just under 2 miles west of the 15 Freeway. The following information is included only for the purpose of supplying general information regarding the Cities of San Diego and Poway (the “**Cities**”) and the County. This information is provided only for general informational purposes, and provides prospective investors limited information about the Cities, the County and their economic base. The 2022 Bonds are not a debt of the County, the State or any of its political subdivisions, and none of the School District, the City of San Diego, the City of Poway, the County, the State or any of its political subdivisions is liable therefor.*

*The financial information in Appendix A may not reflect all fiscal or economic impacts of the COVID-19 pandemic.*

#### **General**

The Poway Unified School District (the “**School District**”) is located in northern San Diego County (the “**County**”). The School District was established in 1962. The School District provides educational instruction for grades TK-12 within an approximately 100 square mile area in the central portion of the County 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), one combination elementary and middle school, six middle schools (6-8), six high schools (9-12), one continuation high school and one adult education school serving over 35,000 students in Fiscal Year 2021-22. 24 schools are located in the City of San Diego, 12 schools are located in the City of Poway, and 3 schools are located in the unincorporated County.

#### **City of San Diego**

The City of San Diego was incorporated on March 27, 1850, and located in the southwest corner of San Diego County, approximately 120 miles south of the City of Los Angeles and immediately adjacent to the border with Mexico. The City spans nearly 372 square miles and has a population estimated at approximately 1,374,790.

## **City of Poway**

The City of Poway was incorporated on December 12, 1980, and is east of the I-15 Freeway in western San Diego County, approximately 15 miles south of the City of Escondido, and 27 miles north of the City of San Diego. The City of Poway spans nearly 36 square miles and has a population estimated at approximately 48,759.

## **History and Location of San Diego County**

The County, which encompasses 4,526 square miles, was formed February 18, 1850 as a result of the Treaty of Guadalupe Hidalgo in 1848, ending the Mexican-American War. Located in the southwestern corner of California, the County is bordered on the north by Orange and Riverside Counties, on the east by Imperial County, on the south by the Country of Mexico and on the west by 70 miles of Pacific Ocean. There are 18 incorporated cities in San Diego County.

The County's varying topology includes hills, mesas and small canyons. In the winter, snow-capped mountains rise to the east, with the Sonoran Desert farther to the east. Cleveland National Forest is spread across the central portion of the county, while the Anza-Borrego Desert State Park occupies most of the eastern portion. The climate is often described as "arid Mediterranean" and "semi-arid steppe." There are seven official wilderness areas in the County and 236 mountain summits and peaks. Residents and visitors alike enjoy attractions like SeaWorld, Legoland, Torrey Pines and Balboa Park Golf Courses, museums, wildlife refuges, hiking, biking, and surfing. The County has mild, mostly dry weather and low rainfall. The dry summers and moderate to cool winters make it possible to enjoy these and other recreational and cultural facilities on a year-round basis.

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## County Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 3,287,306 as of January 1, 2022. The largest cities in the County are the cities of San Diego, Chula Vista, Oceanside, Escondido, Carlsbad, El Cajon, Vista, San Marcos, Encinitas and National City. The areas of most rapid population growth continue to be those more populated and industrialized cities in the eastern and central regions of the County.

The following table sets forth annual population figures as of January 1, 2022, for cities located within the County for each of the years listed:

### COUNTY OF SAN DIEGO

#### Population Estimates

	2018	2019	2020	2021	2022
Carlsbad	113,994	113,986	114,664	115,680	115,585
Chula Vista	268,588	271,362	273,384	276,922	276,785
Coronado	21,416	23,880	21,422	22,611	22,277
Del Mar	4,289	4,288	4,271	3,957	3,929
El Cajon	103,954	103,741	103,576	106,447	105,638
Encinitas	62,394	62,296	62,243	61,724	61,515
Escondido	151,068	151,311	151,803	151,389	150,679
Imperial Beach	27,599	27,869	27,978	26,448	26,243
La Mesa	60,057	59,833	59,621	60,608	60,472
Lemon Grove	26,575	26,515	26,432	27,422	27,242
National City	62,673	62,701	62,496	61,755	61,471
Oceanside	176,569	177,365	176,969	173,932	173,048
Poway	49,518	49,343	49,096	48,850	48,759
San Diego	1,416,956	1,421,675	1,421,462	1,371,832	1,374,790
San Marcos	95,032	96,865	97,281	92,958	93,585
Santee	56,450	57,308	57,430	59,146	59,015
Solana Beach	13,866	13,876	13,872	12,909	12,812
Vista	102,498	102,277	102,570	99,536	100,291
Balance of County	507,622	506,828	504,709	514,377	513,170
Incorporated	2,813,496	2,826,491	2,826,570	2,774,126	2,658,551
County Total	3,321,118	3,333,319	3,331,279	3,288,503	3,287,306

*Source: State Department of Finance Estimates (as of January 1, 2022).*

## County Employment

The following table shows the average annual estimated numbers of wage and salary workers by industry in the County for which data is available. The data does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households and persons in labor management disputes.

### SAN DIEGO COUNTY Civilian Labor Force, Employment and Unemployment (Annual Averages)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>Civilian Labor Force</u> <sup>(1)</sup>	1,571,800	1,579,600	1,582,900	1,542,000	1,543,700
Employment	1,507,200	1,526,100	1,531,000	1,395,700	1,443,800
Unemployment	63,600	53,500	51,800	146,200	99,900
Unemployment Rate	4.0%	3.4%	3.3%	9.5%	6.5%
<u>Wage and Salary Employment</u> <sup>(2)</sup>					
Agriculture	8,700	9,300	9,700	9,200	8,800
Mining and Logging	300	400	400	300	300
Construction	79,500	83,700	84,000	81,300	83,400
Manufacturing	109,400	112,300	115,700	113,800	114,100
Wholesale Trade	43,800	43,800	44,000	41,000	41,700
Retail Trade	148,900	147,900	145,600	133,200	137,800
Transportation, Warehousing and Utilities	32,000	33,300	34,300	33,300	36,800
Information	23,400	23,600	23,500	22,100	22,200
Finance and Insurance	46,300	46,700	46,400	45,200	46,500
Real Estate and Rental and Leasing	28,400	29,300	30,200	28,600	28,900
Professional and Business Services	239,100	249,000	255,800	248,300	264,900
Educational and Health Services	204,300	208,900	216,600	210,900	215,700
Leisure and Hospitality	195,600	199,600	201,700	144,800	161,600
Other Services	55,000	55,500	56,400	44,800	47,300
Federal Government	46,900	47,100	47,600	48,600	47,700
State Government	49,300	50,700	50,400	48,200	50,300
Local Government	<u>150,100</u>	<u>150,300</u>	<u>150,600</u>	<u>140,200</u>	<u>139,400</u>
Total All Industries	1,460,900	1,491,400	1,512,800	1,394,900	1,447,300

<sup>(1)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department, March 2021 Benchmark.

## Largest Employers

The following table lists the largest employers within the City of San Diego:

### CITY OF SAN DIEGO Major Employers as of June 2021

<u>Employer Name</u>	<u>Industry</u>	<u>Employees</u>	<u>% of City Employment</u>
Naval Base San Diego	Military	43,003	6.17%
University of California, San Diego	University	35,807	5.14
Sharp Health Care	Medical Center	19,321	2.77
County of San Diego	Government	17,285	2.48
Scripps Health	Medical Center	14,001	2.01
San Diego Unified School District	Education	13,559	1.95
Qualcomm Inc.	Wireless Technology	11,200	1.61
City of San Diego	Local Government	11,295	1.41
Kaiser Permanente	Medical Center	9,166	1.32
Northrop Gruman Corporation	Aerospace Technology	5,652	0.81

*Source: City of San Diego Comprehensive Annual Financial Report (CAFR), fiscal year ended June 30, 2021.*

The following table lists the largest employers within the City of Poway:

### CITY OF POWAY Major Employers as of June 2021

<u>Employer Name</u>	<u>Industry</u>	<u>Employees</u>	<u>% of City Employment</u>
Hahn Electric Inc	Electrical Design	20,670	80.43%
Jim Kilgore, Consulting Services	Land Development	12,739	49.57
General Atomics Aeronautical Sys	Energy Technology	3,967	15.44
Brian Cox Mechanical, Inc.	HVAC Solutions	1,859	7.23
GEICO Direct	Insurance	1,720	6.69
Poway Unified School District	Education	1,294	5.04
Woodard and Curran Inc	Water Treatment	1,100	4.28
BluSky Restoration	Commercial/Residential Restoration	900	3.50
Delta Design, Inc	Testing Chambers	750	2.92
Underground Construction Co.	Pipeline Construction	500	1.95
San Diego Humane	Animal Shelter	500	1.95

*Source: City of Poway Comprehensive Annual Financial Report (CAFR), fiscal year ended June 30, 2021.*

The following table shows the largest employers located in the County as of Fiscal Year ending June 30, 2021.

**COUNTY OF SAN DIEGO  
Largest Employers  
as of June 30, 2021**

<u>Name of Business</u>	<u>Type of Business</u>	<u>Employees</u>	<u>% of County Employment</u>
University of California, San Diego	University	35,802	2.52%
Sharp HealthCare	Medical Center	19,468	1.37
County of San Diego	County Government	17,954	1.26
City of San Diego	Government	11,820	0.83
General Atomics	Energy Technology	6,745	0.47
San Diego State University	University	6,454	0.45
Rady Children’s Hospital – San Diego	Health Care	5,711	0.40
San Diego Community College District	Education	5,400	0.38
Sempra Energy	Electric and Natural Gas	5,063	0.36
	Distributor		
YMCA of San Diego County	Nonprofit	5,057	0.36

*Source: County of San Diego ‘Comprehensive Annual Financial Report’ (CAFR) for the year ending June 30, 2021.*

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## Construction Trends

Provided below are the building permits and valuations for the City of San Diego for calendar years 2017 through 2021.

**CITY OF SAN DIEGO**  
**Building Permit Valuation**  
**2017-2021**  
**(Valuation in Thousands of Dollars)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Permit Valuation					
New Single-family	\$358,926.6	\$230,440.3	\$262,205.1	\$173,907.7	\$178,501.3
New Multi-family	614,984.4	584,277.8	430,900.7	805,007.6	959,467.4
Res. Alterations/Additions	<u>190,270.1</u>	<u>247,965.1</u>	<u>239,717.4</u>	<u>177,663.2</u>	<u>148,370.2</u>
Total Residential	\$1,164,181.0	\$1,062,683.1	\$932,823.2	\$1,156,578.5	\$1,286,338.9
New Commercial	\$1,050,840.7	\$257,975.3	\$445,953.8	\$197,820.0	\$354,114.1
New Industrial	26,184.8	14,084.6	12,061.4	20,548.7	80,274.3
New Other	0.0	129,811.0	104,563.5	214,725.8	136,046.6
Com. Alterations/Additions	<u>0.0</u>	<u>845,293.2</u>	<u>781,830.0</u>	<u>739,167.5</u>	<u>549,360.2</u>
Total Nonresidential	\$1,077,025.5	\$1,247,164.0	\$1,344,408.7	\$1,172,262.0	\$1,119,795.1
New Dwelling Units					
Single-family	1,096	724	798	577	708
Multiple Family	<u>4,134</u>	<u>3,561</u>	<u>2,791</u>	<u>4,157</u>	<u>3,725</u>
TOTAL	5,230	4,285	3,589	4,734	4,433

Note: Totals may not add to sums because of rounding.

Source: California Homebuilding Foundation/Construction Industry Research Board.

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Provided below are the building permits and valuations for the City of Poway for calendar years 2017 through 2021.

**CITY OF POWAY**  
**Building Permit Valuation**  
**2017-2021**  
**(Valuation in Thousands of Dollars)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Permit Valuation					
New Single-family	\$10,910.9	\$9,599.4	\$4,672.8	\$7,591.3	\$6,460.3
New Multi-family	0.0	0.0	0.0	8,081.5	8,294.5
Res. Alterations/Additions	<u>8,544.6</u>	<u>7,748.5</u>	<u>6,430.4</u>	<u>951.8</u>	<u>725.2</u>
Total Residential	\$19,455.5	\$17,347.9	\$11,103.2	\$16,624.6	\$15,480.1
New Commercial	\$12,906.7	\$333.4	\$18,048.3	\$550.0	\$0.0
New Industrial	359.9	195.1	24,481.6	0.0	0.0
New Other	0.0	2,497.0	7,161.8	1,084.2	1,425.0
Com. Alterations/Additions	<u>0.0</u>	<u>19,896.8</u>	<u>13,392.7</u>	<u>27,627.8</u>	<u>228.9</u>
Total Nonresidential	\$13,266.6	\$22,922.3	\$63,084.3	\$29,262.0	\$1,653.9
New Dwelling Units					
Single-family	20	15	17	38	29
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>65</u>	<u>29</u>
TOTAL	20	15	17	103	58

Note: Totals may not add to sums because of rounding.

Source: California Homebuilding Foundation/Construction Industry Research Board.

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Provided below are the building permits and valuations for the County for calendar years 2017 through 2021.

**COUNTY OF SAN DIEGO**  
**Building Permit Valuation**  
**2017-2021**  
**(Valuation in Thousands of Dollars)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>Permit Valuation</u>					
New Single-family	\$1,378,079.4	\$1,201,187.4	\$1,022,156.9	\$880,186.3	\$973,581.3
New Multi-family	912,036.6	992,359.0	668,849.0	1,131,395.7	1,359,647.5
Res. Alterations/Additions	<u>342,709.7</u>	<u>480,326.9</u>	<u>393,649.1</u>	<u>636,336.6</u>	<u>277,526.0</u>
Total Residential	\$2,632,825.7	\$2,673,873.3	\$2,084,655.1	\$2,647,918.6	\$2,610,754.7
New Commercial	\$1,532,184.0	\$526,398.8	\$883,155.0	\$591,548.5	\$748,452.6
New Industrial	37,749.1	25,882.0	40,892.2	39,461.0	125,270.1
New Other	0.0	223,356.5	201,295.7	371,461.0	270,184.7
Com. Alterations/Additions	<u>0.0</u>	<u>1,126,206.2</u>	<u>1,234,198.2</u>	<u>971,566.6</u>	<u>1,361,364.4</u>
Total Nonresidential	\$1,569,933.1	\$1,901,843.5	\$2,359,541.1	\$1,973,806.0	\$2,505,421.9
<u>New Dwelling Units</u>					
Single-family	3,960	3,438	3,045	3,160	3,546
Multiple Family	<u>6,056</u>	<u>6,132</u>	<u>4,405</u>	<u>6,326</u>	<u>6,646</u>
TOTAL	10,016	9,570	7,450	9,486	10,192

Note: Totals may not add to sums because of rounding.

Source: *California Homebuilding Foundation/Construction Industry Research Board.*

**San Diego County Commercial Activity**

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are approximately 12 regional shopping malls in the County (many outdoors and open air): Bazaar Del Mundo Shops, Belmont Park, Coronado Ferry Landing Marketplace, Del Mar Highlands Town Center, Fashion Valley, Fiesta De Reyes, Flower Hill Promenade, Hazard Center, One Paseo, Westfield Horton Plaza and Westfield UTC Plaza, as well as 17 local malls and shopping centers. There are also three factory outlet malls (Carlsbad Premium Outlets, Las Americas Premium Outlets and Outlets at the Border).

## Taxable Retail Sales

A summary of taxable sales within the cities of San Diego and Poway and the County from 2017 through 2021, the most recent data available, is shown in the following tables.

### CITY OF SAN DIEGO Taxable Sales 2017-2021 (Dollars in thousands)

	Retail Stores		Total All Outlets	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2017	26,996	\$17,189,186	43,324	\$23,755,424
2018	27,131	17,972,681	45,255	24,971,814
2019	26,859	18,225,468	45,748	25,527,552
2020	28,424	14,788,991	49,095	20,851,560
2021	25,280	19,182,403	44,165	27,021,966

*Source: California Department of Tax and Fee Administration, Open Data Portal.*

### CITY OF POWAY Taxable Sales 2017-2021 (Dollars in thousands)

	Retail Stores		Total All Outlets	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2017	888	\$862,152	1,642	\$1,205,406
2018	893	863,106	1,706	1,241,757
2019	869	850,732	1,728	1,243,466
2020	878	785,758	1,780	1,227,940
2021	749	964,735	1,586	1,356,931

*Source: California Department of Tax and Fee Administration, Open Data Portal.*

**COUNTY OF SAN DIEGO**  
**Taxable Retail Sales**  
**(Dollars in thousands)**  
**2017-2021**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2017	59,798	\$40,371,715	97,412	\$57,551,360
2018	59,836	41,886,825	100,674	59,041,042
2019	59,447	42,748,210	101,901	61,106,480
2020	62,897	40,893,921	109,428	58,183,066
2021	55,683	49,817,135	98,392	71,588,741

*Source: California Department of Tax and Fee Administration, Open Data Portal.*

**County Agriculture**

Based on the County of San Diego 2020 Crop Statistics & Annual Report, principal agricultural products are ornamental trees and shrubs, bedding plants, indoor flowering and foliage plants, avocados, vegetables and vine crops, lemons, livestock and poultry products, oranges, cut flowers and bulbs, and citrus, avocado and subtropical fruit trees. Principal areas in the County account for the major portion of agricultural activity: Valley Center/Fallbrook, Escondido, and the eastern unincorporated area of the County.

**County Transportation**

Easy access to job opportunities in the County and nearby Los Angeles, Orange and Riverside Counties is important to the County’s employment picture. Several major freeways and highways provide access between the County and all parts of Southern California. The Interstate 5, Interstate 8, Interstate 15, and Interstate 215 freeways connect the County with surrounding counties. Interstates 15 and 215 extend north and then east to Las Vegas.

Currently, Metrolink provides commuter rail service to Los Angeles, Orange and Riverside Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with 4 stops in the County: Oceanside, Solana Beach, San Diego-Old Town and Downtown San Diego. Freight service to major west coast and national markets is provided by one transcontinental railroad: Burlington Northern/Santa Fe. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the San Diego Metropolitan Transit System to County cities and communities, including trolleys, busses, trains and shuttles.

San Diego International Airport, located in downtown San Diego, is operated by the San Diego County Regional Airport Authority. The cities of Agua Caliente, Borrego Springs, Fallbrook, El Cajon, Jacumba Hot Springs, Ocotillo, Carlsbad, and Ramona offer general aviation airports.

## **County Environmental Control Services**

*Water Supply.* On average, about thirty percent of the water used within San Diego County comes from local sources. The remaining water must be imported. The Water Authority is actively pursuing local supply and conservation projects that will increase local water use. At the present time, imported water is provided by the Colorado River Aqueduct, water recycling projects, seawater desalination and collection of stream runoff into 24 local reservoirs.

A number of water and wastewater agencies in San Diego County are implementing and expanding their water recycling projects. Approximately 30,000 acre feet of recycled water is beneficially reused within the Water Authority's service area annually. This number is expected to grow as new and expanded plants come online.

*Flood Control.* The Flood Control Section is responsible for the maintenance of existing stormwater drainage facilities, construction of new district facilities, flood warning, hydrologic data collection and assuring private development projects meet flood Control objectives and compliance with Federal Emergency Management Association (FEMA) guidelines.

*Sewage.* The Department of Public Works San Diego County Sanitation District owns and operates three wastewater treatment plants and eight pump stations. The District provides sewer service to nearly 36,000 customers in the unincorporated areas of the county.

## **County Education**

The San Diego Unified School District, also known as San Diego City Schools, is the school district that serves the majority of the city; it includes 117 elementary schools, 24 middle schools, 4 atypical schools, 13 alternative schools, 22 high schools and 25 charter schools. In the northern part of the city, Poway Unified School District and San Dieguito Union High School District are districts outside the city limits, but serve several schools within city limits. In the southern part of the city, Sweetwater Union High School District serves multiple schools within city limits, although it is headquartered outside city limits.

There are eight two-year community college campuses located in the communities of San Diego, El Cajon, Oceanside, San Marcos and Chula Vista. There are also 11 universities, two 4-year colleges and two law schools located in the County of San Diego.

**APPENDIX B**

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

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**RATE AND METHOD OF APPORTIONMENT FOR  
IMPROVEMENT AREA D 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 D ("IA D") 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 D 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 D 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 D 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 D of CFD No. 15, and reasonable costs otherwise incurred in order to carry out the authorized purposes of IA D 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 D 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 D 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 1<sup>st</sup> 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 D 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 D 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 D 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 D 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 D 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 D 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 D 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**

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

**TABLE 1 (CONTINUED)**

**SPECIAL TAX CLASSIFICATION FOR  
DEVELOPED PROPERTY**

<b>Tax Classification</b>	<b>Unit Type</b>	<b>Building Square Footage</b>
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**

<b>Tax Classification</b>	<b>Unit Type</b>	<b>Building Square Footage</b>	<b>Assigned Annual Special Tax</b>
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**

<b>Tax Classification</b>	<b>Unit Type</b>	<b>Building Square Footage</b>	<b>Assigned Annual Special Tax</b>
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 \$18,363.10 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 D 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 D for a period of time, not to exceed sixty (60) days, prior to the scheduled issuance of Bonds by IA D 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**

<b>Tax Classification</b>	<b>Unit Type</b>	<b>Building Square Footage</b>	<b>Prepayment Amount</b>
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**

<b>Tax Classification</b>	<b>Unit Type</b>	<b>Building Square Footage</b>	<b>Prepayment Amount</b>
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 D 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<sub>G</sub> = 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 D 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 D 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**

<b>Taxable Acres</b>
44.27 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 D 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 D 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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## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

### DEFINITIONS

#### Definitions

For purposes of this summary and except as specified below, the capitalized terms set forth in the Indenture are defined therein as set forth below.

“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 \$22,407.99 for the Bond Year ending September 1, 2022 and escalating at 2% each Bond Year thereafter commencing in the Bond Year ending September 1, 2023; provided, however, such amount may be reduced in any Bond Year at the direction of the District through written instructions from an Authorized Representative.

“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 D Special Taxes and preparing the annual Improvement Area D Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Improvement Area D Special Taxes (whether by the County of San Diego, the School District or otherwise); the costs of remitting the Improvement Area D 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 D Special Tax disclosure statements and responding to public inquiries regarding the Improvement Area D Special Taxes; the costs of the School District, District or any designee thereof related to an appeal of the Improvement Area D Special Tax; and the costs of any credit enhancement obtained by the School District or the District. Administrative Expenses shall also include Delinquency Collection Expenses.

“Annual Debt Service” means, 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 D 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 D Special Tax RMA.

“Associate Superintendent” means the Associate Superintendent, Business Support Services, of the District.

“Authorized Representative” of the District means the Superintendent, the Associate Superintendent, or any other person designated in writing by the Superintendent or Associate Superintendent acting on behalf of the District under or with respect to the Indenture and all other agreements related to the Indenture.

“Average Annual Debt Service” means, 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.

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

“Bonds” means the \$14,890,000 Poway Unified School District Community Facilities District No. 15 (Del Sur East) Improvement Area D 2022 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, 2022.

“Building Permit” shall have the meaning given such term in the Improvement Area D 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 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 D Special Taxes.

“Delinquency Proceeds” means the net amounts collected from the redemption of delinquent Improvement Area D 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 D Special Tax resulting from the delinquency in the payment of Improvement Area D Special Taxes due and payable on such property and net of County of San Diego fees, foreclosure counsel fees and other fees and expenses incurred by or on behalf of the District or the School District in undertaking such foreclosure proceedings.

“Delivery Date” means the date on which 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 D 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 Bancorporation, 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 calendar year, or any other annual accounting period 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 D” means Improvement Area D of the District.

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

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

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

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

“Improvement Area D Special Tax Revenues” means (a) the proceeds of the Improvement Area D 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 of the Indenture.

“Independent Accountant” means any certified public accountant or firm of such certified public accountants appointed and paid by the District, and who, or each of whom:

1. is in fact independent and not under domination of the District or the School District;
2. does not have any substantial interest, direct or indirect, in the District or the School District; and
3. is not an officer or employee of the District or the School District, but who may be regularly retained to make annual or other audits of the books of or reports to the School District or the District.

“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.

“Insurance Policy” means the Municipal Bond Insurance Policy issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

“Insurer” means Build America Mutual Assurance Company, or any successor thereto.

“Insured Obligations” means the Bonds.

“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, 2022.

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“*Prime Rate*”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 5%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“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 D Special Tax RMA.

“Minimum Annual Special Tax Requirement” shall have the meaning given such term in the Second Supplement to Mitigation Agreement.

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

“Net Improvement Area D Special Tax Revenues” means Improvement Area D 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 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 moneys shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or any applicable Supplemental Indenture.

“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 (including those of the Fiscal Agent and any affiliate thereof).

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 (including the Fiscal Agent and any affiliate thereof).

6. Commercial paper having original maturities of not more than 270 days rated at least "A-1" by S&P and "Prime-1" by Moody's.

7. Money market funds rated "AAm-1" by Moody's or "AAm-G" by S&P, or better (including those managed by the Fiscal Agent or any affiliate thereof).

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 Collateral") has possession of the collateral or the collateral has been transferred to the Holder of Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

C. The Holder of Collateral has a perfected first priority security interest in the collateral, any substituted collateral in the name of the Fiscal Agent and all proceeds thereof (in the case of bearer securities, this means the Holder of Collateral is in possession); and

D. The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must 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 agrees 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 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) as evidenced in writing by S&P and Moody's; 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 Collateral has a perfected first priority security interest in the name of the Fiscal Agent in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of Collateral is in possession); and

F. the investment agreement must provide that if during its term

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Fiscal Agent on behalf of the District, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent on behalf of the District, 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 D Special Tax Revenues identified to the Fiscal Agent by an Authorized Representative as representing a prepayment of the Improvement Area D 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.

"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 Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Insurer and held in the Reserve Fund securing the Bonds.

“Reserve Requirement” means an amount initially equal to \$1,239,327.94 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 of the Bonds calculated in accordance with Treasury Regulations Section 1.148-2(f)(1).

“School District” means the Poway Unified School District.

“School Facilities” shall have the meaning given to 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, 55 Water Street, New York, New York 10041; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the District may designate in a certificate of the District delivered to the Trustee.

“*Security Documents*” shall mean the resolution, trust agreement, indenture, ordinance, loan agreement, lease agreement, bond, note, certificate and/or any additional or supplemental document executed in connection with the Insured Obligations.

“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 S&P Global Ratings, its successors and assigns.

“State” means the State of California.

“Superintendent” means the Superintendent of the School District, acting for and on behalf of the District.

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

“Supplemental School Facilities” shall have the meaning given to 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 D pursuant to the Improvement Area D Special Tax RMA exceeds the Minimum Annual Special Tax Requirement for any Fiscal Year in which (a) all of the Taxable Property in Improvement Area D is Developed Property, (b) the Bonds have been issued in the maximum principal amount authorized to be issued for Improvement Area D or the Property Owner and District have agreed that no additional bonds, excluding parity bonds, secured by the Improvement Area D Special Taxes shall be issued for Improvement Area D, (c) Improvement Area D has funded the Purchase Price of City Improvements from all moneys deposited in the Improvement Fund established pursuant to 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 D Special Tax RMA.

“Term Bonds” means the Bonds maturing on September 1, 2042, September 1, 2047 and September 1, 2052.

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

## **GENERAL AUTHORIZATION AND TERMS**

### **Issuance of Parity Bonds**

The District may at any time after the issuance and delivery of the Bonds under the Indenture issue parity bonds payable from the Net Improvement Area D Special Tax Revenues and other amounts deposited in the Improvement Area D Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other parity bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that parity bonds may only be issued for the purpose of refunding all or a portion of the Bonds then outstanding.

## **FUNDS AND ACCOUNTS**

### **Establishment of Special Funds**

The following funds and accounts are created and established under the Indenture or will be established when required under the Indenture and shall be maintained by the Fiscal Agent:

- A. Improvement Area D Special Tax Fund;
- B. Bond Service Fund, and within the Bond Service Fund, the Interest Account and the Principal Account;
- C. Rebate Fund;
- D. Redemption Fund;
- E. Improvement Area D Improvement Fund;
- F. Reserve Fund;
- G. Administrative Expense Fund; and
- H. Costs of Issuance Fund.

The District may, through written instructions from an Authorized Representative, direct the Fiscal Agent to establish such other accounts or sub-accounts, as may be necessary to carry out the administration of the Bonds and the proceeds of the Bonds.

### **Improvement Area D Special Tax Fund**

A. The District shall, no later than the tenth (10th) Business Day after which Improvement Area D 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 D 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 D Special Tax Fund.

B. With the exception of Improvement Area D Special Tax Revenues representing Prepayments which shall be transferred pursuant to the provisions of the Indenture, the Improvement Area D Special Tax Revenues deposited in the Improvement Area D 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 D 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 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 the Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date, or required to be redeemed on such date pursuant to the Indenture.

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 written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Improvement Area D Special Tax Fund to the Rebate Fund the amount specified in such request.

6. On or after September 2 of each year after making the deposits and transfers required under 1. through 5. above, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Improvement Area D Special Tax Fund to the Administrative Expense Fund the amounts specified in such 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, moneys remain in the Improvement Area D Special Tax Fund, such moneys shall remain on deposit in the Improvement Area D 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 moneys 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 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.

C. The Fiscal Agent shall, upon receipt of Improvement Area D Special Tax Revenues representing Prepayments together with written instructions of the District executed by an Authorized Representative, immediately transfer such Prepayments pursuant to such written instructions into the Interest Account of the Bond Service Fund and the Redemption Fund, as applicable, and utilize such funds to pay the interest and premium, if any, on and principal of Bonds to be redeemed pursuant to the Indenture. The Fiscal Agent may conclusively rely upon such instructions.

D. When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Improvement Area D 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**

A. Interest Account. All moneys in the Interest Account, shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity).

B. Principal Account. All moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of (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 the Costs of Issuance related to the Bonds. Any amounts remaining on deposit in the Costs of Issuance Fund on the earlier of the date on which all Costs of Issuance have been paid as stated in writing by an Authorized Representative delivered to the Fiscal Agent or six months after the Delivery Date of the Bonds shall be transferred to the Improvement Area D Improvement Fund. Upon such transfer, the Costs of Issuance Fund shall be closed.

## **Improvement Area D Improvement Fund**

The Fiscal Agent shall, from time to time, disburse moneys from the Improvement Area D 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 D Improvement Fund directly to the contractor or such other person, corporation or entity entitled to payment under the Indenture (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 as certified by delivery of a written notice from an Authorized Representative to the Fiscal Agent, the Fiscal Agent shall transfer excess moneys, if any, on deposit in, or subsequently deposited in, the Improvement Area D Improvement Fund to the Improvement Area D Special Tax Fund and the Fiscal Agent shall apply the amount so transferred in accordance with the Indenture. Upon such transfer, the Improvement Area D 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 D 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**

On the Delivery Date, the District will acquire and cause to be deposited with the Fiscal Agent, the Reserve Policy with a stated amount of \$1,239,327.94 to be held in the Reserve Fund. The Reserve Requirement will be satisfied by the delivery of the Reserve Policy. The District will have no obligation to replace the Reserve Policy or to fund the Reserve Fund with cash, at any time that the Bonds are Outstanding, in the event of a downgrade of the Insurer or if amounts are not available under the Reserve Policy other than in connection with a draw on the Reserve Policy. The Reserve Policy shall be held as security for the Bonds. Proceeds of the Reserve Policy shall be applied to pay principal of and interest on the Bonds when due in the event that moneys in the Interest Account and/or the Principal Account of the Bond Service Fund are insufficient therefore.

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 D Special Tax Fund and the Bond Service Fund for such purpose are insufficient

therefor 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 for such purpose.

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

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

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

Moneys shall be deposited into the Redemption Fund by the Fiscal Agent pursuant to the terms of the Indenture and shall be set aside and used solely for the purpose of redeeming Bonds in accordance with written instructions of the District executed by an Authorized Representative given in accordance with the Indenture, as applicable. Following the redemption of any Bonds, if any funds remain in the Redemption Fund, such funds shall be transferred to the Improvement Area D 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, moneys in the Improvement Area D Special Tax Fund, the Bond Service Fund, the Improvement Area D Improvement Fund, the Reserve Fund, the Costs of Issuance Fund and the Administrative Expense Fund, shall, at the written direction of the District executed by an Authorized Representative given at least two (2) days prior, be invested and reinvested in Permitted Investments (including investments with the Fiscal Agent or an affiliate of the Fiscal Agent or investments for which the Fiscal Agent or an affiliate of the Fiscal Agent acts as investment advisor or provides other services so long as the investments are Permitted Investments). Moneys in the Redemption Fund 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 in the Indenture 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, provided, however, that any such investment shall be made by the Fiscal Agent only if, prior to the date on which such investment is to be made and, if no such written direction is so received, the Fiscal Agent shall hold such moneys uninvested. 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 moneys in any fund or account shall be deemed at all times to be a part of such fund or account. Except where provided otherwise in the Indenture, any income realized on or losses resulting from investments in any fund or account shall be credited or charged to such fund or account.

Moneys in all funds and accounts may be aggregated for purposes of investing in 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 moneys to meet any payment or transfer for such funds and accounts or from such funds and accounts. The Fiscal Agent shall not be liable for any loss from any investments made or sold by it in accordance with the provisions of the Indenture.

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

## **SUPPLEMENTAL INDENTURES**

### **Amendments or Supplements**

The Legislative Body may, by adoption of a resolution from time to time, and at any time but without notice to or consent of any of the Bondholders, approve a Supplemental Indenture to the Indenture for any of the following purposes:

- (a) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture, or to make any other provision with respect to matters or questions arising under the Indenture or in any Supplemental Indenture, provided that such action shall not have a material adverse effect on the interests of the Bondholders;
- (b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (c) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the interests of the Bondholders;
- (d) to amend any provision of the Indenture relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds; or
- (e) to authorize the issuance of Parity Bonds issued pursuant to the Indenture.

Exclusive of the Supplemental Indentures provided for in (a) through (e) above, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however,

that nothing 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 D Special Tax Revenues superior to the pledge provided for in the Indenture, without the consent of the Owners of all Bonds then Outstanding.

If at any time the District shall desire to approve a Supplemental Indenture, which pursuant to the terms of the Indenture shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The District shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the principal office of the District for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved as 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 and the receipt of consent to any such Supplemental Indenture from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced 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 in the Indenture, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for that purpose at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation as to such action shall be made on such Bonds. If the District shall so determine, new Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond at such effective date such new Bonds shall be exchanged at the corporate trust office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, without cost to each Owner of Outstanding Bonds, upon surrender of such Outstanding Bonds.

## MISCELLANEOUS CONDITIONS

### **Ownership of Bonds**

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

### **Mutilated, Lost, Destroyed or Stolen Bonds**

If any Bond shall become mutilated, the Fiscal Agent shall authenticate and deliver a new Bond of like tenor, date and maturity in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence is satisfactory to the Fiscal Agent and, if an indemnity satisfactory to the Fiscal Agent shall be given, the Fiscal Agent shall authenticate and deliver a new Bond of like tenor and maturity, numbered and dated as the Fiscal Agent shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued under the provisions of the Indenture in lieu of any Bond alleged to have been lost, destroyed or stolen shall be equally and proportionately entitled to the benefits 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**

As long as the Bonds are Outstanding and unpaid, the District shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants and agreements set forth in the Indenture; provided, however, that said covenants do not require the District to expend any funds other than the Improvement Area D Special Tax Revenues.

A. On or before October 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 D Special Tax levied in such Fiscal Year to determine the amount of Improvement Area D Special Tax actually collected in such Fiscal Year. If the District determines that (a) any single parcel subject to the Improvement Area D Special Tax is delinquent in the payment of Improvement Area D Special Taxes in the aggregate of \$7,500 or more or (b) any single parcel or parcels under common ownership subject to the Improvement Area D Special Tax are delinquent in the payment of Improvement Area D 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 the Indenture and for which the Improvement Area D Special Taxes remain delinquent. With respect to aggregate delinquencies throughout Improvement Area D, if the District determines that it has collected less than 95% of the Improvement Area D Special Taxes levied in such Fiscal Year, then the District shall, not later than forty-five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The District will cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to the Indenture and for which the Improvement Area D Special Taxes remain delinquent if the aggregate amount collected remains less than 95% of the Improvement Area D Special Taxes levied for such Fiscal Year. Notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Fund is at least equal to the Reserve Requirement.

B. The District shall preserve and protect the security of the Bonds and the rights of the Bondowners and defend their rights against all claims and demands of all persons. Until such time as an amount has been set aside sufficient to pay Outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity, plus unpaid interest thereon and premium, if any, to maturity or to the date of redemption if redeemed prior to maturity, the District will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued under the Indenture.

C. The District will not issue any other obligations payable, principal or interest, from the Improvement Area D Special Taxes which have, or purport to have, any lien upon the Improvement Area D Special Taxes superior to or on a parity with the lien of the Bonds authorized in the Indenture. Nothing in the Indenture shall prevent the District from issuing and selling, pursuant to law, refunding bonds or other refunding obligations payable from and having a first lien upon the Improvement Area D Special Taxes on a parity with the Outstanding Bonds so long as the issuance of such refunding bonds or other refunding obligations results in a reduction in the Annual Debt Service on the Bonds and such refunding bonds or other refunding obligations taken together.

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

E. The District shall comply with all requirements of the Act so as to assure the timely collection of the Improvement Area D Special Taxes. The District shall annually ascertain the parcels on which the Improvement Area D 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 D Special Tax in accordance with the Improvement Area D 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 D Special Tax for the parcels within Improvement Area D for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Improvement Area D 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 D 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 does covenant, that it shall not initiate proceedings to reduce the Maximum Special Tax, unless, in connection therewith, (i) the District receives a certificate from one or more Special Tax Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in Improvement Area D as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels of Developed Property in each Fiscal Year will equal at least 110% of the gross debt service on all Bonds to remain Outstanding after the reduction is approved and will not reduce the Maximum Special Tax payable from Assessor's Parcels of Developed Property to less than 110% of Maximum Annual Debt Service, and (ii) the Legislative Body finds pursuant to the Indenture that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. Any reduction in the Maximum Special Tax approved pursuant to the preceding sentence may be approved without the consent of the Owners of the Bonds.

The 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 D Special Tax RMA or to limit the power or authority of the District to levy Improvement Area D Special Taxes pursuant to the Improvement Area D Special Tax RMA, the District shall, from funds available under the Indenture, commence and pursue legal action in order to preserve the authority and power of the District to levy Improvement Area D Special Taxes pursuant to the Improvement Area D Special Tax RMA.

F. The District will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Improvement Area D Special Tax Revenues and other funds provided for in the Indenture.

G. The District will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the District or take or omit to take any action that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, or obligations which are "federally guaranteed" within the meaning of Section 149(b) of the Code. The District will not allow five percent (5%) or more of the proceeds of the Bonds to be used in the trade or business of any non-governmental units and will not loan five percent (5%) or more of the proceeds of the Bonds to any non-governmental units.

H. The District covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code. The District will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the District, or take or omit to take any action, that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the District will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds. In the event that at any time the District is of the opinion that for purposes of the Indenture it is necessary to restrict or limit the yield on the investment of any moneys held under the Indenture or otherwise the District shall so instruct the Fiscal Agent in writing, and the Fiscal Agent shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds. The District specifically covenants to pay or cause to be paid to the United States of America at the times and in the amounts determined under the Indenture.

Notwithstanding any provision of the Indenture, if the District shall obtain an opinion of Bond Counsel to the effect that any action required under this covenant is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the Fiscal Agent may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenant under the Indenture shall be deemed to be modified to that extent.

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

J. Not later than October 30th of each year, commencing October 30, 2022, and until October 30th following the final maturity of the Bonds, the District shall supply or cause to be supplied to the California Debt and Investment Advisory Commission by mail, postage prepaid, the information, if any, then required by Government Code Section 53359.5 to be submitted to such agency.

K. The District covenants that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting tender of Bonds in full payment or partial payment of any Improvement Area D 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 D Special Tax Revenues to pay the principal of and interest on the Bonds when due.

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

### **Arbitrage Certificate**

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

### **Defeasance**

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture, then the Owner of such Bond shall cease to be entitled to the pledge of the Improvement Area D Special Tax Revenues, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond under the Indenture shall thereupon cease, terminate and become void and discharged and satisfied. In the event of the defeasance of all Outstanding Bonds and after payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the District all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds.

Any Outstanding Bond shall be deemed to have been paid within the meaning expressed in the preceding paragraph if such Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds established pursuant to the Indenture (exclusive of the Rebate Fund) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable; or

(c) by depositing with an escrow bank appointed by the District, in trust, 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 paragraph (c) above (the "*Verification Report*") and (ii) an opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding. The Verification Report and opinion of Bond Counsel shall be acceptable in form and substance, and addressed to the District and the Fiscal Agent.

### **Fiscal Agent**

The District appoints Zions Bancorporation, National Association as Fiscal Agent for the Bonds under the Indenture. The Fiscal Agent is authorized to and shall mail or otherwise provide for the payment of interest payments to the Bondholders, and upon written instruction of the District shall select Bonds for redemption, give notice of redemption of Bonds and maintain the Bond Register. The Fiscal Agent is authorized to pay the principal of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds all as provided in the Indenture, and to provide for the authentication of Bonds, and shall perform all other duties assigned to or imposed on it as provided in the Indenture. The Fiscal Agent shall keep accurate records of all Bonds paid and discharged by it. The Fiscal Agent shall deliver to the District a monthly accounting of the funds and accounts it holds under the Indenture; provided, however, that the Fiscal Agent shall not be obligated to deliver such accounting for any fund or account that has a balance of zero. The Fiscal Agent may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under the Indenture.

The District shall from time to time, subject to any agreement between the District and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for

all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties under the Indenture, and indemnify and hold the Fiscal Agent, its officers, directors, agents and employees, harmless from and against losses, claims, expenses and liabilities not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties under the Indenture. Such obligations shall survive the termination or discharge of the Indenture.

The District may at any time at its sole discretion remove the Fiscal Agent initially appointed, and any successor thereto, by delivering to the Fiscal Agent a written notice of its decision to remove the Fiscal Agent and may appoint a successor or successors thereto, provided that any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or State authority. Any removal shall become effective only upon acceptance of appointment by the successor Fiscal Agent or the Associate Superintendent. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the Bond Register in the office of the Fiscal Agent. Upon receiving such notice of resignation, the District shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent. If the District fails to appoint a successor Fiscal Agent within sixty (60) days from the effective date of such notice of resignation, the Fiscal Agent shall have the right to apply to a court of competent jurisdiction for the appointment of a successor Fiscal Agent.

### **Liability of Fiscal Agent**

The recitals of fact and all promises, covenants and agreements contained in the Indenture and in the Bonds shall be taken as statements, promises, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Indenture or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations in the Indenture or in the Bonds or in the certificate of authentication on the Bonds. The Fiscal Agent shall be under no responsibility or duty with respect to the issuance of the Bonds. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct.

The Fiscal Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered under the Indenture in good faith and in accordance therewith.

Whenever in the administration of its duties under the Indenture, the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may, in the absence of bad faith on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a written certificate of the District, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may



require such additional evidence of such matter or may require such additional evidence as to it may deem reasonable.

The Fiscal Agent shall have no duty or obligation to enforce the collection of funds to be deposited with it under the Indenture or as to the correctness of any amounts received, and its liability shall be limited to the proper accounting for such funds as it actually receives.

No provision of the Indenture or any other document related to the Indenture shall require the Fiscal Agent to risk or advance its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of its rights under the Indenture.

The permissive right of the Fiscal Agent to do things enumerated in the Indenture shall not be construed as a duty.

The Fiscal Agent may execute any of the duties of the Fiscal Agent or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

The Fiscal Agent shall be responsible for only those duties expressly set forth in the Indenture and no implied duties or obligations shall be read into the Indenture against the Fiscal Agent.

The Fiscal Agent agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; provided, however, that the Fiscal Agent shall have received an incumbency certificate listing person designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Fiscal Agent email or facsimile instructions (or instructions by a similar electronic method) and the Fiscal Agent in its discretion elects to act upon such instruction, the Fiscal Agent's understanding of such instructions shall be deemed controlling. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of electronic methods to submit instructions and directions to the Fiscal Agent, including, without limitation, the risk of the Fiscal Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Fiscal Agent shall not be liable to the parties to the Indenture or deemed in breach or default under the Indenture if and to the extent its performance under the Indenture is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Fiscal Agent and could not have been avoided by exercising due care. Force majeure shall include, but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, pandemics, epidemics or other similar circumstances.

### **Provisions Constitute 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 upon any Bondowner under the Indenture 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 D 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.

After the issuance and delivery of the Bonds, the Indenture shall be irrevocable, but shall be subject to modification to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

### **CUSIP Numbers**

CUSIP identification numbers, if available, will be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and no liability shall hereafter attach to the District or the Fiscal Agent, or any of the officers or agents thereof because of or on account of said numbers.

### **Severability**

If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to any other persons or circumstances, shall be deemed severable and shall not be affected, and the Indenture and the Bonds issued pursuant to the Indenture shall remain valid and the Bondholder shall retain all valid rights and benefits accorded to them under the Indenture and the Constitution and laws of the State of California. If the provisions relating to the appointment and duties of a Fiscal Agent are held to be unconstitutional, invalid or unenforceable, said duties shall be performed by the Associate Superintendent.

### **Unclaimed Money**

All money which the Fiscal Agent shall have received from any source and set aside for the purpose of paying or redeeming any of the Bonds shall be held in trust for the respective owners of such Bonds, but subject to the escheat laws of the State any money which shall be so set aside or deposited by the Fiscal Agent and which shall remain unclaimed by the Owners of such Bonds for a period of one year after the date on which any payment or redemption with respect to such Bonds shall have become due and payable shall be transferred to the General Fund of the District; provided, however, that the Fiscal Agent, before making such payment, shall cause notice to be mailed to the Owners of such Bonds, by first-class mail, postage prepaid, not less than 90 days prior to the date of such payment to the effect that said money has not been claimed and that after a date named therein any unclaimed balance of said money then remaining will be transferred to the General Fund of the District. Thereafter, the Owners of such Bonds shall look only to the General Fund of the District for payment and then only to the extent of the amount so received without any interest thereon.

## **Non-Presentation of Bonds**

Except as otherwise provided in the Indenture, in the event any Bonds shall not be presented for payment when the principal thereof becomes due, if funds sufficient to pay such Bonds shall be held by the Fiscal Agent for the benefit of the Owners thereof, all liability of the District to the Owners thereof shall forthwith cease and be completely discharged and thereupon it shall be the duty of the Fiscal Agent to hold such funds (subject to the Indenture), without liability for interest thereon, for the benefit of the Owners of such Bonds, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on, or with respect to, such Bonds.

## **Continuing Disclosure**

The District covenants and agrees in the Indenture that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Agreement dated as of June 1, 2022 (the “Continuing Disclosure Agreement”), between the District and the Fiscal Agent, and accepted and agreed to by the Dissemination Agent (as defined in the Continuing Disclosure Agreement). Notwithstanding any other provision of the Indenture, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered a breach of the provisions of the Indenture; however, upon the written direction of the owners of at least 25% aggregate principal amount of the Bonds Outstanding, the Fiscal Agent may, or any Bond owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the Indenture.

## **Execution of Documents and Proof of Ownership**

Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds shall be sufficient for the purposes of the Indenture (except as otherwise provided in the Indenture), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which such notary public or other officer purports to act that the person signing such instrument acknowledged to such notary public or other officer the execution thereof, or any an affidavit of a witness of such execution duly sworn before such notary public or other officer, or by such other proof as the Fiscal Agent may accept which it may deem sufficient.

(b) As to any Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond and the interest thereon to the extent of the sum or sums to be paid. The Fiscal Agent shall not be affected by any notice to the contrary.

Nothing contained in the Indenture shall be construed as limiting the Fiscal Agent to such proof, it being intended that the Fiscal Agent may accept any other evidence of the matters stated in the Indenture which the Fiscal Agent may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Fiscal Agent in pursuance of such request or consent.

## **Future Contracts**

Nothing contained in the Indenture shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Improvement Area D Special Tax Revenues which are subordinate to the pledge under the Indenture, the general fund of the District or from taxes or any source other than the Net Improvement Area D Special Tax Revenues as defined in the Indenture.

## **Further Assurances**

The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in the Indenture.

## **Action on Next Business Day**

If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefor in the Indenture.

## **General Authorization**

The President of the Board of Education, the Clerk of the Board and the Superintendent of School District are respectively authorized to do and perform from time to time any and all acts and things consistent with the Indenture necessary or appropriate to carry the same into effect.

## **Liberal Construction**

The Indenture shall be liberally construed to the end that its purpose may be effected. No error, irregularity, informality and no neglect or omission in the Indenture or in any proceeding had pursuant to the Indenture which does not directly affect the jurisdiction of the Board shall void or invalidate the Indenture or such proceeding or any part thereof, or any act or determination made pursuant thereto.

## **EVENT OF DEFAULT**

### **Events of Default**

The following events shall be Events of Default under the Indenture:

A. Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

B. Default in the due and punctual payment of interest on any Bond when and as such interest shall become due and payable.

C. Default by the District in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Fiscal Agent or to the District and the Fiscal Agent

by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; provided that such default (other than a default arising from nonpayment of the Fiscal Agent's fees and expenses, which must be cured within such 30-day period unless waived by the Fiscal Agent) shall not constitute an Event of Default under the Indenture if the District shall commence to cure such default within said thirty (30) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time.

D. The filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the District, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

### **Application of Revenues and Other Funds after Default**

If a default in the payment of the Bonds shall occur and be continuing, all revenues and any other funds then held or thereafter received under any of the provisions of the Indenture shall be applied as follows and in the following order:

A. To the payment of any expenses necessary in the opinion of the District to protect the interest of the owners of the Bonds and payment of reasonable charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

B. To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without discrimination or preference.

### **Remedies of Owners**

Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

A. By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the 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 this paragraph or in any other provision of the Indenture or the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners thereof at the respective dates of maturity, as provided in the Indenture, out of the Net Improvement Area D 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 under the Indenture.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

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

No remedy conferred in the Indenture upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

## **PROVISIONS RELATING TO THE INSURER**

### **Provisions Relating to the Insurance Policy**

While the Insurance Policy is in effect, the following provisions will govern, notwithstanding anything to the contrary set forth in the Indenture.

(a) *Notice and Other Information to be given to the Insurer.* The District will provide the Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement and (ii) to the holders of Insured Obligations or the Fiscal Agent under the Security Documents.

(b) *Defeasance.* The investments in the defeasance escrow relating to Insured Obligation shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by the Insurer.

At least (three) 3 Business Days prior to any defeasance with respect to the Insured Obligations, the District shall deliver to the Insurer draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Insured Obligations, a verification report (a "*Verification Report*") prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such

opinion and Verification Report shall be addressed to the Insurer and shall be in form and substance satisfactory to the Insurer. In addition, the escrow agreement shall provide that:

(i) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Obligations is excludable) from gross income of the holders of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of the Insurer, which consent will not be unreasonably withheld.

(ii) The District will not exercise any prior optional redemption of Insured Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to the Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(iii) The District shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Insurer.

(c) *Fiscal Agent.*

(i) The Insurer shall receive prior written notice of any name change of the Fiscal Agent for the Insured Obligations or the resignation or removal of the Fiscal Agent. Any Fiscal Agent must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by the Insurer in writing.

(ii) No removal, resignation or termination of the Fiscal Agent shall take effect until a successor, meeting the requirements above or acceptable to the Insurer, shall be qualified and appointed.

(d) *Amendments, Supplements and Consents.* The Insurer's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The District shall send copies of any such amendments or supplements to the Insurer and the rating agencies which have assigned a rating to the Insured Obligations.

(i) *Consent of the Insurer.* Any amendments or supplements to the Security Documents shall require the prior written consent of the Insurer with the exception of amendments or supplements:

a. To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

b. To grant or confer upon the holders of the Insured Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Obligations, or

c. To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or

d. To add to the covenants and agreements of the District in the Security Documents other covenants and agreements thereafter to be observed by the District or to surrender any right or power therein reserved to or conferred upon the District.

e. To issue additional parity debt in accordance with the requirements set forth in the Security Documents (unless otherwise specified herein).

(ii) *Consent of the Insurer in Addition to Bondholder Consent.* Whenever any Security Document requires the consent of holders of Insured Obligations, the Insurer's consent shall also be required. In addition, any amendment, supplement, modification to, or waiver of, any of the Security Documents that adversely affects the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer.

(iii) *Insolvency.* Any reorganization or liquidation plan with respect to the District must be acceptable to the Insurer. The Fiscal Agent and each owner of the Insured Obligations hereby appoint the Insurer as their agent and attorney-in-fact with respect to the Insured Obligations and agree that the Insurer may at any time during the continuation of any proceeding by or against the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "*Insolvency Proceeding*") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "*Claim*"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Fiscal Agent and each owner of the Insured Obligations delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Fiscal Agent and each owner of the Insured Obligations with respect to the Insured Obligations in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(iv) *Control by the Insurer Upon Default.* Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations or the Fiscal Agent for the benefit of the holders of the Insured Obligations under any Security Document. No default or event of default may be waived without the Insurer's written consent.

(v) *The Insurer as Owner.* Upon the occurrence and continuance of a default or an event of default, the Insurer shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(vi) *Grace Period for Payment Defaults.* No grace period shall be permitted for payment defaults on the Insured Obligations. No grace period for a covenant default shall exceed 30 days without the prior written consent of the Insurer.

(vii) *Special Provisions for Insurer Default.* If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs 4(a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Insurance Policy, to the extent of such payment the Insurer shall be treated like any other holder of the Insured Obligations for all purposes, including giving of consents, and (2) if the Insurer has not made any payment under the Insurance Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this



paragraph, “*Insurer Default*” means: (A) the Insurer has failed to make any payment under the Insurance Policy when due and owing in accordance with its terms; or (B) the Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, Fiscal Agent, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

(e) *The Insurer As Third Party Beneficiary.* The Insurer is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

(f) *Payment Procedure Under the Insurance Policy.* In the event that principal and/or interest due on the Insured Obligations shall be paid by the Insurer pursuant to the Insurance Policy, the Insured Obligations shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the registered owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.

In the event that on the second (2nd) business day prior to any payment date on the Insured Obligations, the Fiscal Agent has not received sufficient moneys to pay all principal of and interest on the Insured Obligations due on such payment date, the Fiscal Agent shall immediately notify the Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Fiscal Agent shall so notify the Insurer or its designee.

In addition, if the Fiscal Agent has notice that any holder of the Insured Obligations has been required to disgorge payments of principal of or interest on the Insured Obligations pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Fiscal Agent shall notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

The Fiscal Agent shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Obligations as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Obligations, the Fiscal Agent shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holders of the Insured Obligations in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the Insured Obligations, (ii) receive as designee of the respective holders (and not as paying agent) in accordance with the tenor of the Insurance Policy payment from the Insurer with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the “Insurer Insurance Policy Payment Account”) to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such respective holders; and

(ii) If there is a deficiency in amounts required to pay principal of the Insured Obligations, the Fiscal Agent shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holder of the Insured Obligations in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Insured Obligations surrendered to the Insurer, (ii) receive as designee of the respective holders (and not as paying agent) in accordance with the tenor of the Insurance Policy payment therefore from the Insurer, (iii) segregate all such payments in the Insurer Insurance Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such holders.

The Fiscal Agent shall designate any portion of payment of principal on Insured Obligations paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Obligations registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Fiscal Agent's failure to so designate any payment or issue any replacement Insured Obligation shall have no effect on the amount of principal or interest payable by the District on any Insured Obligation or the subrogation or assignment rights of the Insurer.

Payments with respect to claims for interest on and principal of Insured Obligations disbursed by the Fiscal Agent from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the District with respect to such Insured Obligations, and the Insurer shall become the owner of such unpaid Insured Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Security Documents shall not be discharged or terminated unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the District and the Fiscal Agent agree for the benefit of the Insurer that:

(i) They recognize that to the extent the Insurer makes payments directly or indirectly (e.g., by paying through the Fiscal Agent), on account of principal of or interest on the Insured Obligations, the Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the District, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Insured Obligations; and

(ii) They will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Insured Obligations, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Obligations to holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(g) *Additional Payments.* The District agrees unconditionally that it will pay or reimburse the Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("*Administrative Costs*"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence. The District agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full.

Notwithstanding anything herein to the contrary, the District agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the “*Insurer Insurance Policy Payment*”); and (ii) interest on such the Insurer R Insurance Policy Payments from the date paid by the Insurer until payment thereof in full by the District, payable to the Insurer at the Late Payment Rate per annum (collectively, “the Insurer Reimbursement Amounts”) compounded semi-annually. Notwithstanding anything to the contrary, including without limitation the post default application of revenue provisions, the Insurer Reimbursement Amounts shall be, and the District hereby covenants and agrees that the Insurer Reimbursement Amounts are, payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Insured Obligations on a parity with debt service due on the Insured Obligations.

(h) *Debt Service Reserve Fund.* The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Fund, if any. Amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service due on the Insured Obligations.

(i) *Exercise of Rights by the Insurer.* The rights granted to the Insurer under the Security Documents to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Obligations and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the holders of the Insured Obligations or any other person is required in addition to the consent of the Insurer.

(j) The Insurer shall be entitled to pay principal or interest on the Insured Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Insurance Policy) and any amounts due on the Insured Obligations as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not the Insurer has received a claim upon the Insurance Policy.

(k) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or source of payment of the Insured Obligations may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

(l) If an event of default occurs under any agreement pursuant to which any Obligation of the District has been incurred or issued and that permits the holder of such Obligation or Fiscal Agent to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Insured Obligations or the Insurer, as the Insurer may determine in its sole discretion, then an event of default shall be deemed to have occurred under the Indenture and the related Security Documents for which the Insurer or the Fiscal Agent, at the direction of the Insurer, shall be entitled to exercise all available remedies under the Security Documents, at law and in equity. For purposes of the foregoing “*Obligation*” shall mean any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Insured Obligations.

### **Provisions Relating to the Reserve Policy**

While the Reserve Policy is in effect, the following provisions will govern, notwithstanding anything to the contrary set forth in the Indenture.

(a) The District shall repay the Insurer any draws under the Reserve Policy and pay all related reasonable charges, fees, costs, losses, liabilities and expenses (“*Administrative Expenses*”) that the Insurer may pay or incur. Interest shall accrue and be payable on such draws and Administrative Expenses from the date of payment by the Insurer at the Late Payment Rate.

Repayment of draws and payment of Administrative Expenses and interest accrued thereon at the Late Payment Rate (collectively, the “*Policy Costs*”) shall commence in the first month following each draw and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be reinstated by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Reserve Fund shall be transferred to the Bond Service Fund for payment of the debt service on the Insured Obligations before any drawing may be made on the Reserve Policy or on any alternative credit instrument on deposit in the Reserve Fund in lieu of cash (the “*Alternative Credit Instrument*”).

Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all Alternative Credit Instruments (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the available coverage under each such Alternative Credit Instrument) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Alternative Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(b) Draws on the Reserve Policy may only be used to make payments on the Insured Obligations (and for the avoidance of doubt, not any other obligations of the District, whether issued on parity with the Insured Obligations, or otherwise).

(c) If the District shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Security Documents other than (i) acceleration of the maturity of the Insured Obligations, or (ii) remedies which would adversely affect owners of the Insured Obligations.

(d) The Security Documents shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The District’s obligation to pay such amounts shall expressly survive payment in full of the Insured Obligations.

(e) In order to secure the District’s payment obligations with respect to the Policy Costs, there is hereby granted and perfected in favor of the Insurer a security interest (subordinate only to that of the owners of the Insured Obligations) in all revenues and collateral pledged as security for the Insured Obligations.

(f) The Fiscal Agent shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph (a) hereof and shall provide notice to the Insurer in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due on the Insured Obligations. Where deposits are required to be made by the District with the Fiscal Agent to the debt service fund for the Insured Obligations more often than semi-annually, the Fiscal Agent shall give notice to the Insurer of any failure of the District to make timely payment in full of such deposits within two business days of the date due.

(g) The Reserve Policy shall expire on the earlier of the date the Insured Obligations are no longer outstanding and the final maturity date of the Insured Obligations.

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## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “**Disclosure Agreement**”) is executed and entered into as of June 1, 2022, 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 Bancorporation, 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 David Taussig & Associates, Inc., a California corporation, 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 D 2022 Special Tax Bonds (the “**2022 Bonds**”);

#### W I T N E S S E T H:

**WHEREAS**, pursuant to the Bond Indenture, dated as of June 1, 2022 (the “**Indenture**”), by and between the Community Facilities District and the Fiscal Agent, the Community Facilities District has issued the 2022 Bonds in the aggregate principal amount of \$14,890,000; and

**WHEREAS**, the 2022 Bonds are payable from and secured by special taxes levied on certain of the taxable property within Improvement Area D 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 2022 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.

“**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.

“**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 David Taussig & Associates, Inc., 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).

**“Financial Obligation”** means a: (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of a clause (i) debt obligation or of a clause (ii) a derivative instrument described above; provided, however, that the term **“Financial Obligation”** shall not include **“municipal securities”** (as such term is defined in the Securities Exchange Act of 1934, as amended) as to which a **“final official statement”** (as such term is defined in the Rule) has been provided to the MSRB consistent with the Rule.

**“Improvement Area D”** shall mean Improvement Area D 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.

**“Obligated Person”** means any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement (e.g., the Community Facilities District as to the 2022 Bonds) to support payment of all, or part of the obligations of the municipal securities to be sold (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

**“Official Statement”** means the final official statement dated May 25, 2022, executed by the Community Facilities District in connection with the issuance of the 2022 Bonds.

**“Participating Underwriter”** shall mean Piper Sandler & Co., as the original underwriter of the 2022 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, 2023, 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 fifteen (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, and 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 2022 Bonds and any refunding bonds:
  - (i) Principal amount of the 2022 Bonds, and/or any bonds issued to refund all or a portion of the 2022 Bonds, outstanding as of a date within 60 days preceding the date of the Annual Report and the current debt service schedule for the 2022 Bonds and any such refunding bonds;
  - (ii) Balance in the Special Tax Fund and the Bond Service Fund with respect to the 2022 Bonds 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 with respect to the 2022 Bonds, 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) or (iii) hereof;
  - (iv) A table summarizing assessed value-to-lien ratios for the property in Improvement Area D based on the land use categories under the Rate and Method of Apportionment for Improvement Area D of Community Facilities District No. 15 of Poway Unified School 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 D 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 2022 Bonds outstanding as of a date within 60 days preceding the date of the Annual Report, any refunding bonds relating to the 2022 Bonds and overlapping land secured debt;
  - (v) Information regarding the amount of the annual special taxes levied in Improvement Area D, 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;
  - (vi) A land ownership summary listing property owners, if any, responsible for more than 5% of the Special Tax levy of the Improvement Area D, 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 D owned by such property owners, and the assessed value of such property, as shown on such assessment roll;
  - (vii) Concerning parcels within Improvement Area D 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 in Improvement Area D delinquent in payment of Special Tax,
  - total of such delinquency and percentage of delinquency in relation to total Special Tax levy with respect to Improvement Area D, and
  - status of the actions taken by the School District and/or the Community Facilities District related to any foreclosure proceedings upon delinquent properties in Improvement Area D;
- (viii) Identity of any delinquent taxpayer obligated for greater than 5% of the annual Special Tax levy of Improvement Area D, of the immediately preceding November 1, if applicable, plus;
- assessed value of applicable properties subject to the levy of Special Taxes in Improvement Area D , and
  - summary of results of foreclosure sales, if available;
- (ix) A copy of any report or reports for or concerning Improvement Area D 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
- (x) Any changes to the Rate and Method of Apportionment of Special Tax for the Community Facilities District or for Improvement Area D approved or submitted to the qualified electors of Improvement Area D 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 2022 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;<sup>1</sup>
- (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

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<sup>1</sup> 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.

termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

(b) The Dissemination Agent shall, within three (3) 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), (xiv), or (xv) would not be material under applicable federal securities law, the Community Facilities District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the Community Facilities District to report the occurrence of a Listed Event, and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System.

Section 6. Termination of Reporting Obligation. All of the Community Facilities District’s obligations hereunder with respect to the 2022 Bonds shall terminate upon the earliest to occur of (i) the legal defeasance of the 2022 Bonds, (ii) prior redemption of the 2022 Bonds or (iii) payment in full of all the 2022 Bonds. If such termination occurs prior to the final maturity of the 2022 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 David Taussig & Associates, Inc. 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 2022 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 2022 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 2022 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 2022 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 owners of at least 25% aggregate principal amount of the Outstanding 2022 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent) or any owner or beneficial owner of the 2022 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 2022 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 2022 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 owners and beneficial owners from time to time of the 2022 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 owners, and beneficial owners from time to time of the 2022 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

With a copy to: Poway Unified School District  
Community Facilities District No. 15 (Del Sur East)  
15250 Avenue of Science  
San Diego, California 92128-3406  
Telephone: (858) 521-2800 Ext. 2447  
Telecopier: (858) 485-1388  
Attention: Planning, Assistant Director

If to the Dissemination Agent: David Taussig & Associates, Inc.,  
5000 Birch Street, Suite 6000  
Newport Beach, California 92660  
Telephone: (949) 955-1500  
Telecopier: (949) 480-0034

If to the Fiscal Agent: Zions Bancorporation, National Association  
Attn: Corporate Trust Services  
550 South Hope Street, Suite 2875  
Los Angeles, California 90071  
Telephone: (213) 593-3150  
Telecopier: (866) 870-0209

*provided, however,* that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The parties may, by notice given as aforesaid, specify a different address for any such notices, requests, or other communications.



Section 14. Future Determination of Obligated Persons. In the event the S.E.C. amends, clarifies or supplements the Rule in such a manner that requires any landowner within the Community Facilities District to be an Obligated Person as defined in the Rule, nothing contained herein shall be construed to require the Community Facilities District to meet the continuing disclosure requirements of the Rule with respect to such Obligated Person and nothing in this Disclosure Agreement shall be deemed to obligate the Community Facilities District to disclose information concerning any owner of land within the Community Facilities District except as required as part of the information required to be disclosed by the Community Facilities District pursuant to Section 4 and Section 5 hereof.

Section 15. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof.

Section 16. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

Section 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 18. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's business shall be the successor Dissemination Agent without the filing of any paper or any further act.

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**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: \_\_\_\_\_  
Ronald D. Little II, Associate Superintendent,  
Business Support Services of the  
Poway Unified School District,  
on behalf of Poway Unified School District  
Community Facilities District No. 15 (Del Sur East)

ZIONS BANCORPORATION, NATIONAL  
ASSOCIATION, as Fiscal Agent

By: \_\_\_\_\_  
Mark D. Petrasso  
Senior Vice President  
Zions Bank Division

DAVID TAUSSIG & ASSOCIATES, INC.,  
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 D  
2022 Special Tax Bonds

Date of Issuance: June 16, 2022

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 June 1, 2022, by and between the Community Facilities District and Zions Bancorporation, National Association, as Fiscal Agent, and agreed to and accepted by David Taussig & Associates, Inc., 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)  
Piper Sandler & Co.  
Zions Bancorporation, National Association

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## APPENDIX E

### FORM OF OPINION OF BOND COUNSEL

*Upon delivery of the 2022 Bonds, Chapman and Cutler LLP, Bond Counsel to the Poway Unified School District Community Facilities District No. 15 (Del Sur East), proposes to render their final approving opinion with respect to the 2022 Bonds in substantially the following form:*

June 16, 2022

Poway Unified School District  
Community Facilities District No. 15 (Del Sur East)  
San Diego, California

Re: \$14,890,000  
Poway Unified School District  
Community Facilities District No. 15 (Del Sur East)  
Improvement Area D 2022 Special Tax Bonds

Ladies and Gentlemen:

We have acted as bond counsel to Poway Unified School District Community Facilities District No. 15 (Del Sur East) (the “*Community Facilities District*”) in connection with the issuance by the Community Facilities District of its Poway Unified School District Community Facilities District No. 15 (Del Sur East) Improvement Area D 2022 Special Tax Bonds (the “*Bonds*”) in the aggregate principal amount of \$14,890,000. 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. 52-2022 adopted on May 12, 2022 (the “*Bond Resolution*”) by the Board of Education of the Poway Unified School District (the “*School District*”) acting in its capacity as the legislative body of the Community Facilities District, and the Bond Indenture, dated as of June 1, 2022 (the “*Indenture*”), by and between the Community Facilities District and Zions Bancorporation, 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 correct copies of the proceedings in connection with the formation of the Community Facilities District, the designation of Improvement Area D and the issuance of the Bonds (the “*Community Facilities District Proceedings*”). We have also examined the Indenture, the Tax Certificate, opinions of counsel to the Fiscal Agent, certificates and representations of fact made by public officials and officers of the School District for itself and on behalf of the Community Facilities District, the City of San Diego (the “*City*”) and others as we have deemed necessary to render this opinion.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Community Facilities District, the School District or the City other than the record of the Community Facilities 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.

We have assumed, without independent verification, (i) compliance with all covenants and agreements contained in the Indenture, the Tax Certificate and certificates, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omission or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes; (ii) except with respect to the Community Facilities District, the due authorization, execution and delivery of the Indenture on the parties thereto; (iii) that all documents and certificates submitted to us as copies are true and correct copies of the originals thereof; and (iv) that all factual information submitted to us was accurate and complete.

It is to be understood that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Community Facilities District in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the descriptions contained therein of, or the remedies available to enforce liens on, any such assets.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Based on the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Community Facilities District has, and the Community Facilities District Proceedings show, full power and authority to issue the Bonds. The Bonds constitute the legal, valid and binding obligations of the Community Facilities District, payable in accordance with their terms. The Bonds are limited obligations of the Community Facilities District payable solely from and secured by a pledge of the Net Improvement Area D 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 Community Facilities District).

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

3. Subject to compliance by the Community Facilities District, the School District and the City with certain representations and covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the “Code”). Failure to comply with certain of such representations and covenants of the Community Facilities District, the School District and the City could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

4. Under the laws of the State of California, as presently enacted and construed, interest on the Bonds is exempt from the Personal Income Tax Law imposed by the State of California under Sections 17001 through 18181 of the California Revenue and Taxation Code. No opinion is expressed regarding taxation of interest on the Bonds under any other provisions of California law. Ownership of the Bonds may result in other California tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The opinion set forth above is based on existing law, which is subject to change. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of a result.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in any law that may hereafter occur or become effective.

Respectfully submitted,

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## APPENDIX F

### BOOK-ENTRY SYSTEM

*The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2022 Bonds, payment of principal of and interest on the 2022 Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the 2022 Bonds, confirmation and transfer of beneficial ownership interests in the 2022 Bonds and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the 2022 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. None of the DTC, Direct Participants, Indirect Participants or the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

#### **Procedures and Record Keeping**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2022 Bonds. The 2022 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 2022 Bond will be issued for each maturity of the 2022 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2022 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2022 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2022 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 2022 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 2022 Bonds, except in the event that use of the book-entry system for the 2022 Bonds is discontinued.

To facilitate subsequent transfers, all 2022 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 2022 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 2022 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2022 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 2022 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2022 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2022 Bonds documents. For example, Beneficial Owners of the 2022 Bonds may wish to ascertain that the nominee holding the 2022 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 2022 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 2022 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 2022 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the 2022 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 2022 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 2022 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 2022 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 2022 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 2022 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 2022 Bond for each maturity of the 2022 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 2022 Bonds, then the 2022 Bonds shall no longer be restricted to being registered in the 2022 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 2022 Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the 2022 Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the 2022 Bonds will be payable upon surrender thereof at the trust office of the Fiscal Agent identified in the Indenture, and (iii) the 2022 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 2022 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 2022 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 2022 Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the 2022 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 2022 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 2022 Bonds or any error or delay relating thereto.*

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**APPENDIX G**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN



**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



**BAM**

**CALIFORNIA  
ENDORSEMENT TO  
MUNICIPAL BOND  
INSURANCE POLICY  
NO.**

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

\_\_\_\_\_  
Authorized Officer

**APPENDIX H**

**SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY**

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**MUNICIPAL BOND DEBT  
SERVICE RESERVE  
INSURANCE POLICY**

ISSUER: ISSUER\_NAME, STATE\_NAME

Policy No:

MEMBER: MEMBER\_COMPANY,  
STATE\_NAME

Effective Date:

BONDS: \$ \_\_\_\_\_ in aggregate  
principal amount of

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

Maximum Policy Limit: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above under the Security Documents, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, (a) BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond and (b) BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Security Documents and Debt Service Reserve Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. If the amount payable under this Policy is also payable under another BAM issued policy insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “**Business Day**” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as hereinafter defined) are authorized or required by law or executive order to remain closed. “**Debt Service Reserve Agreement**” means the Debt Service Reserve Agreement, if any, dated as of the effective date hereof, in respect of this Policy, as the same may be amended or supplemented from time to time. “**Due for Payment**” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “**Nonpayment**” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “**Notice**” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “**Owner**” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. “**Policy Limit**” means the dollar amount of the debt service reserve fund required to be maintained for the

Bonds by the Security Documents from time to time (the “Reserve Account Requirement”), or the portion of the Reserve Account Requirement for the Bonds provided by this Policy as specified in the Security Documents or Debt Service Reserve Agreement, if any, but in no event shall the Policy Limit exceed the Maximum Policy Limit set forth above. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of or, if this Policy is only providing a portion of the Reserve Account Requirement, in the same proportion as, each reduction in the Reserve Account Requirement, as provided in the Security Documents or Debt Service Reserve Agreement. “**Security Documents**” means any resolution, ordinance, trust agreement, trust indenture, loan agreement and/or lease agreement and any additional or supplemental document executed in connection with the Bonds. “**Term**” means the period from and including the Effective Date until the earlier of (i) the maturity date for the Bonds and (ii) the date on which the Bonds are no longer outstanding under the Security Documents.

BAM may appoint a fiscal agent (the “Insurer’s Fiscal Agent”) for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer’s Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer’s Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer’s Fiscal Agent on behalf of BAM. The Insurer’s Fiscal Agent is the agent of BAM only, and the Insurer’s Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer’s Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy is being issued under and pursuant to and shall be construed under and governed by the laws of the State of New York, without regard to conflict of law provisions.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE  
COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN



## Schedule

### Notices (Unless Otherwise Specified by BAM)

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27<sup>th</sup> floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE][PAYING AGENT]  
[INSERT ADDRESS]

Reference is made to the Municipal Bond Debt Service Reserve Insurance Policy, Policy No. \_\_\_\_\_ (the "Policy"), issued by Build America Mutual Assurance Company ("BAM"). The terms which are capitalized herein and not otherwise defined shall have the meanings specified in the Policy.

BAM hereby delivers notice that it is in receipt of payment from the [Issuer], or on its behalf, pursuant to the Security Documents or Debt Service Reserve Agreement, if any, and, as of the date hereof, the Policy Limit is \$\_\_\_\_\_, subject to reduction as the Reserve Account Requirement for the Bonds is reduced in accordance with the terms set forth in the Security Documents.

BUILD AMERICA MUTUAL ASSURANCE  
COMPANY

By: \_\_\_\_\_

Name:

Title:



**CALIFORNIA**

**ENDORSEMENT TO**

**MUNICIPAL BOND DEBT  
SERVICE RESERVE  
INSURANCE POLICY**

**NO. @@POLICY\_NO@@**

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

\_\_\_\_\_  
Authorized Officer



