

INSURED BONDS only (as defined herein) S&P: “AA” (stable outlook)
See “INSURED BONDS RATING; NO UNDERLYING RATING” herein.

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject to certain qualifications described herein, under existing statutes, regulations, rules and court decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See the caption “LEGAL MATTERS – Tax Exemption.”

\$15,675,000

**POWAY UNIFIED SCHOOL DISTRICT
 COMMUNITY FACILITIES DISTRICT NO. 16
 (DEL SUR EAST II)
 2020 SPECIAL TAX BONDS**

Dated: Date of Delivery

The Poway Unified School District Community Facilities District No. 16 (Del Sur East II) 2020 Special Tax Bonds (the “**2020 CFD Bonds**”) are being issued under the Mello-Roos Community Facilities Act of 1982 (the “**Act**”) and the Bond Indenture, dated as of May 1, 2020 (the “**CFD Indenture**”), by and between Poway Unified School District Community Facilities District No. 16 (Del Sur East II) (the “**Community Facilities District**”) and Zions Bancorporation, National Association, as fiscal agent (the “**Fiscal Agent**”). The Poway Unified School District Community Facilities District No. 16 (Del Sur East II) 2020 Improvement Area A 2020 Special Tax Bonds (the “**2020 Improvement Area A Bonds**,” and together with the 2020 CFD Bonds, the “**2020 Bonds**”), are being issued under the Act and the Bond Indenture, dated as of May 1, 2020 (the “**Improvement Area A Indenture**”) and together with the CFD Indenture, the “**Indentures**”), by and between the Community Facilities District and the Fiscal Agent. The 2020 CFD Bonds and 2020 Improvement Area A Bonds are payable from proceeds of Net Special Tax Revenues (as defined herein) levied on property within the Community Facilities District and Improvement Area A, respectively, pursuant to the Rate and Method of Apportionment for Community Facilities District No. 16 of Poway Unified School District (the “**Community Facilities District Rate and Method**”) and the Rate and Method of Apportionment for Improvement Area A of Community Facilities District No. 16 of Poway Unified School District (“**Improvement Area A**”) and the “**Improvement Area A Rate and Method**,” respectively) approved by the qualified electors of the Community Facilities District and Improvement Area A and by the Board of Education of the Poway Unified School District (the “**School District**”), acting as the legislative body of the Community Facilities District (the “**Board of Education**”) (collectively, the “**Rate and Method**”).

The 2020 CFD Bonds are being issued (i) to finance, either directly or indirectly, the acquisition and construction of certain school facilities (the “**School Facilities**”), (ii) to pay the costs of issuing the 2020 Bonds and (iii) to fund the deposit to the reserve fund for the 2020 CFD Bonds or to purchase and deposit therein a debt service reserve insurance policy equal to the Reserve Requirement applicable to the 2020 CFD Bonds. The 2020 Improvement Area A Bonds are being issued (i) to finance, either directly or indirectly, the acquisition and construction of certain public improvements of the City of San Diego (the “**City Improvements**”), (ii) to fund the deposit to the separate reserve fund for the 2020 Improvement Area A Bonds or to purchase and deposit therein a debt service reserve insurance policy equal to the Reserve Requirement applicable to the 2020 Improvement Area A Bonds, and (iii) to pay the costs of issuing the 2020 Improvement Area A Bonds. See “**SCHOOL FACILITIES AND CITY IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2020 BONDS**” and “**ESTIMATED SOURCES AND USES OF FUNDS**” herein.

Interest on the 2020 Bonds is payable semiannually on each March 1 and September 1, commencing September 1, 2020. The 2020 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The 2020 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 2020 Bonds as described herein under “**THE 2020 BONDS – Book-Entry and DTC.**”

The 2020 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 2020 CFD Bonds maturing on September 1 of the years 2024 through 2029 and of the years 2032 through 2050 (the “**Insured 2020 CFD Bonds**”) and on the 2020 Improvement Area A Bonds maturing on September 1 of the years 2024 through 2050 (the “**Insured 2020 Improvement Area A Bonds**,” and collectively with the Insured 2020 CFD Bonds, the “**Insured Bonds**”), when due will be guaranteed under insurance policies to be issued concurrently with the delivery of the Insured Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



THE 2020 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2020 BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE 2020 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 2020 BONDS. OTHER THAN THE COMMUNITY FACILITIES DISTRICT SPECIAL TAXES AND IMPROVEMENT AREA A SPECIAL TAXES LEVIED PURSUANT TO THE APPLICABLE RATE AND METHOD, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2020 BONDS. THE 2020 BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE COMMUNITY FACILITIES DISTRICT SPECIAL TAXES AND IMPROVEMENT AREA A SPECIAL TAXES LEVIED PURSUANT TO THE APPLICABLE 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 2020 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 2020 Bonds.*

The 2020 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the School District and the Community Facilities District by Best Best & Krieger LLP, as special counsel, and by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, Disclosure Counsel. Additionally, Kutak Rock LLP, Irvine, California, has reviewed certain matters for the Underwriter. It is anticipated that the 2020 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about May 27, 2020.

PIPER | SANDLER

MATURITY SCHEDULE

\$15,675,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II)
2020 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.†
2020	\$500,000	4.000%	1.62%	100.614%	D85	2031	\$315,000	4.000%	2.72%	111.390% ^(C)	F34
2021	100,000	3.000	1.65	101.676	D93	2032 ⁽¹⁾	345,000	5.000	2.68	120.688 ^(C)	F42
2022	115,000	3.000	1.80	102.645	E27	2033 ⁽¹⁾	380,000	2.875	3.03	98.314	F59
2023	130,000	4.000	1.94	106.476	E35	2034 ⁽¹⁾	405,000	3.000	3.06	99.307	F67
2024 ⁽¹⁾	150,000	4.000	1.90	108.554	E43	2035 ⁽¹⁾	435,000	3.000	3.10	98.788	F75
2025 ⁽¹⁾	170,000	4.000	1.99	109.990	E50	2036 ⁽¹⁾	465,000	3.000	3.11	98.601	F83
2026 ⁽¹⁾	190,000	4.000	2.10	111.090	E68	2037 ⁽¹⁾	500,000	3.000	3.12	98.404	F91
2027 ⁽¹⁾	215,000	4.000	2.22	111.873	E76	2038 ⁽¹⁾	535,000	3.000	3.14	98.062	G25
2028 ⁽¹⁾	240,000	4.000	2.33	112.480	E84	2039 ⁽¹⁾	565,000	3.125	3.18	99.209	G33
2029 ⁽¹⁾	265,000	4.000	2.43	112.946	E92	2040 ⁽¹⁾	605,000	3.125	3.22	98.591	G41
2030	290,000	4.000	2.65	112.056	F26						

\$8,760,000 4.00% Term 2050 Bonds due September 1, 2050⁽¹⁾ – Yield 3.37% Price 105.422^(C) CUSIP® No. † 738855 G58

\$25,415,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II)
IMPROVEMENT AREA A
2020 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.†
2020	\$830,000	4.00%	1.62%	100.614%	G66	2026 ⁽¹⁾	\$275,000	4.00%	2.10%	111.090%	H40
2021	130,000	3.00	1.65	101.676	G74	2027 ⁽¹⁾	315,000	4.00	2.22	111.873	H57
2022	155,000	3.00	1.80	102.645	G82	2028 ⁽¹⁾	350,000	4.00	2.33	112.480	H65
2023	180,000	3.00	1.94	103.332	G90	2029 ⁽¹⁾	390,000	4.00	2.43	112.946	H73
2024 ⁽¹⁾	210,000	4.00	1.90	108.554	H24	2030 ⁽¹⁾	430,000	4.00	2.50	113.499	H81
2025 ⁽¹⁾	245,000	4.00	1.99	109.990	H32						

\$1,000,000 5.00% Term 2032 Bonds due September 1, 2032⁽¹⁾ – Yield 2.68% Price 120.688^(C) CUSIP® No. † 738855 H99
 \$1,215,000 4.00% Term 2034 Bonds due September 1, 2034⁽¹⁾ – Yield 2.93% Price 109.419^(C) CUSIP® No. † 738855 J22
 \$1,430,000 4.00% Term 2036 Bonds due September 1, 2036⁽¹⁾ – Yield 3.02% Price 108.588^(C) CUSIP® No. † 738855 J30
 \$1,670,000 4.00% Term 2038 Bonds due September 1, 2038⁽¹⁾ – Yield 3.11% Price 107.763^(C) CUSIP® No. † 738855 J48
 \$1,935,000 4.00% Term 2040 Bonds due September 1, 2040⁽¹⁾ – Yield 3.19% Price 107.036^(C) CUSIP® No. † 738855 J55
 \$14,655,000 4.00% Term 2050 Bonds due September 1, 2050⁽¹⁾ – Yield 3.37% Price 105.422^(C) CUSIP® No. † 738855 J63

⁽¹⁾ Insured Bonds.

^(C) Priced to optional call at par on September 1, 2030.

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

POWAY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

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

SUPERINTENDENT

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

BOND COUNSEL

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San Diego, California

COMMUNITY FACILITIES DISTRICT & SCHOOL DISTRICT SPECIAL COUNSEL

Best Best & Krieger LLP
San Diego, California

DISCLOSURE COUNSEL

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Laguna Hills, California

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

SPECIAL TAX CONSULTANT, CFD ADMINISTRATOR & DISSEMINATION AGENT

David Taussig & Associates, Inc.
Newport Beach, California

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 2020 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 2020 Bonds. All information for investors regarding the Community Facilities District and the 2020 Bonds is contained in this Official Statement. While the School District maintains an internet website and social media accounts for various purposes, none of the information on the website or media accounts is intended to assist investors in making any investment decision or to provide any continuing information with respect to the 2020 Bonds or any other bonds or obligations of the School District.

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

Authorized Information. No dealer, broker, salesperson or other person has been authorized by the Community Facilities District to give any information or to make any representations in connection with the offer or sale of the 2020 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 2020 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2020 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 2020 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.

Insurance. Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading “BOND INSURANCE” and “APPENDIX G – Specimen Municipal Bond Insurance Policy”.

THE 2020 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 2020 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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OFFICIAL STATEMENT

\$15,675,000 POWAY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II) 2020 SPECIAL TAX BONDS	\$25,415,000 POWAY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II) IMPROVEMENT AREA A 2020 SPECIAL TAX BONDS
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INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover pages and Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2020 Bonds to potential investors is made only by means of the entire Official Statement.

Changes to Preliminary Official Statement; Changes Subsequent to May 7, 2020 Date of Official Statement

In addition to the insertion of pricing information relating to the 2020 Bonds, certain changes have been made to the Preliminary Official Statement dated April 24, 2020 to include some information relating to the release by the Governor on May 14, 2020 of the May revision to the State’s Proposed 2020-21 Budget. See “BONDOWNERS’ RISKS – Emergency Preparedness; Coronavirus (COVID-19).”

General

This Official Statement, including the cover pages and Appendices hereto, is provided to furnish information regarding the Poway Unified School District Community Facilities District No. 16 (Del Sur East II) 2020 Special Tax Bonds (the “**2020 CFD Bonds**”) and the Poway Unified School District Community Facilities District No. 16 (Del Sur East II) Improvement Area A 2020 Special Tax Bonds (the “**2020 Improvement Area A Bonds**,” and together with the 2020 CFD Bonds, the “**2020 Bonds**” and the 2020 CFD Bonds and 2020 Improvement Area A Bonds sometimes referred to as a “**Series**” of the 2020 Bonds).

The 2020 CFD Bonds are being issued pursuant to the Act (as defined below) and the CFD Bond Indenture, dated as of May 1, 2020 (the “**CFD Indenture**”), by and between Poway Unified School District Community Facilities District No. 16 (Del Sur East II) (the “**Community Facilities District**”) and Zions Bancorporation, National Association, as fiscal agent (the “**Fiscal Agent**”). The 2020 Improvement Area A Bonds are being issued pursuant to the Act (as defined below) and the Improvement Area A Indenture, dated as of May 1, 2020 (the “**Improvement Area A Indenture**,” and together with the CFD Indenture, the “**Indentures**”), by and between the Community Facilities District and the Fiscal Agent. See “THE 2020 BONDS – Authority of Issuance” herein.

The Community Facilities District may issue additional bonds payable on a parity with the 2020 CFD Bonds subject to the satisfaction of the specific conditions set forth in the CFD Indenture. See “SECURITY FOR THE 2020 BONDS – Parity Bonds.”

The Community Facilities District may issue additional bonds payable on a parity with the 2020 Improvement Area A Bonds pursuant to the provisions of the applicable Indenture for refunding purposes only. See “SECURITY FOR THE 2020 BONDS – Parity Bonds.”

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), five high schools (9-12), one continuation high school and one adult education school serving approximately 36,450 students. See APPENDIX A – “General Information About the Cities of San Diego and Poway and San Diego County” herein. *The financial information in this Official Statement does not reflect any fiscal or economic impacts of the COVID-19 pandemic.*⁽¹⁾

The Community Facilities District and Improvement Area A

The Community Facilities District and Improvement Area A therein (“**Improvement Area A**”) were formed and established by the School District on November 17, 2014, 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, 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 certain school facilities (the “**School Facilities**”) in the aggregate principal amount of not to exceed \$26,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax (the “**Community Facilities District Rate and Method**”) on property within the Community Facilities District.

In addition, the qualified electors of Improvement Area A, by more than a two-thirds vote, authorized the Community Facilities District to incur a separate bonded indebtedness of the Community Facilities District with respect to Improvement Area A to finance a range of City facilities, including, transportation improvements, park improvements, water/sewer improvement and City approved construction plans and drawings for Camino Del Sur (collectively the “**City Facilities**”) constructed by Black Mountain Ranch LLC,⁽²⁾ a California limited liability company (“**Black Mountain Ranch**”) to be

⁽¹⁾ With respect to school district funding, in connection with governmental actions relating to the Covid-19 virus pandemic on March 17, 2020, Governor Newsom signed Senate Bill 117 (“**SB 117**”) as urgency legislation effective immediately, which for fiscal year 2019-20 limits the average daily attendance reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed A.D.A. period applies to school districts that comply with Governor Newsom’s Executive Order N-26-20. SB 117 further states the intent of the State Legislature that a school district’s employees and contractors are paid during the period of a school closure due to the COVID-19 virus. SB 117 also waives instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the closure due to the COVID-19 virus caused the school district to fall below applicable instructional time requirements. See “Emergency Preparedness Program; Coronavirus (COVID-19)” herein.

⁽²⁾ Black Mountain Ranch is an indirect wholly-owned subsidiary of CalAtlantic Group, Inc., a Delaware corporation (“**CalAtlantic**”). CalAtlantic was created in 2015 when Standard Pacific Corp., a Delaware corporation (“**Standard Pacific**”), the owner of the land within the Community Facilities District at the time of its formation, and The Ryland Group, Inc., a Maryland corporation, merged to create one entity. The surviving entity was Standard Pacific, which subsequently changed its name to CalAtlantic Group, Inc. On February 12, 2018, Lennar Corporation, a Delaware corporation (“**Lennar Corporation**”) completed the acquisition of CalAtlantic through a transaction in which CalAtlantic

owned, operated or maintained by the City of San Diego. Such authorized bonded indebtedness to be in the aggregate not-to-exceed amount of \$25,500,000 and such amount to be payable from special taxes levied pursuant to a separate Improvement Area A Rate and Method of Apportionment of Special Tax (the “**Improvement Area A Rate and Method**”) on property within Improvement Area A. The “Improvement Area A Rate and Method” together with the Community Facilities District Rate and Method, are each referred to herein as a “**Rate and Method**” and together as the “**Rates and Methods.**” No cross-collateralization exists between series of bonds of the Community Facilities District and the series of bonds of Improvement Area A. See “SECURITY FOR THE 2020 BONDS – Rates and Methods” and “COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II).”

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.

The cost of the School Facilities funded by the Community Facilities District is expected to exceed the cost of the City Improvements funded by Improvement Area A. The School Facilities will be financed through the levy of an annual Special Tax on Developed Property and Undeveloped Property, if any, as set forth in the Community Facilities District Rate and Method. See “SECURITY FOR THE 2020 BONDS – Special Taxes” and “– Rates and Methods.” The School District will use such Special Taxes levied pursuant to the Community Facilities District Rate and Method and proceeds of the 2020 CFD Bonds for the acquisition, construction, rehabilitation and improvement of the School Facilities. The 2020 CFD Bonds are secured by or payable from the Special Tax levied to finance the School Facilities. The 2020 CFD Bonds will only finance School Facilities and will not finance City Improvements. The 2020 CFD Bonds will not be secured by or payable from the special tax to be levied within Improvement Area A to finance the City Improvements.

A portion of the costs of the City Improvements will be financed through the levy of an annual Special Tax on Developed Property and Undeveloped Property, if any, if necessary, as set forth in the Improvement Area A Rate and Method. See “SECURITY FOR THE 2020 BONDS – Special Taxes” and “– Rates and Methods.”

The Community Facilities District will use the Improvement Area A Special Taxes levied pursuant to the Improvement Area A Rate and Method and proceeds of the 2020 Improvement Area A Bonds for the acquisition, construction, rehabilitation and improvement of the City Improvements. The 2020 Improvement Area A Bonds are secured by or payable from the Special Tax levied pursuant to the Improvement Area A Rate and Method to finance the City Improvements. The 2020 Improvement Area A Bonds will only finance City Improvements, except as otherwise permitted by the Improvement Area A Rate and Method and the Improvement Area A Indenture. THE 2020 IMPROVEMENT AREA A BONDS WILL NOT BE SECURED BY OR PAYABLE FROM THE COMMUNITY FACILITIES DISTRICT SPECIAL TAX AUTHORIZED TO BE LEVIED TO FINANCE THE SCHOOL FACILITIES.

The Community Facilities District is located at the northerly end of the City of San Diego and west of Interstate 15, approximately eight miles from the coast and 20 miles north of downtown San Diego. The boundaries of the Community Facilities District and Improvement Area A are co-terminus. The boundaries are non-contiguous with the northerly portion generally located south of Camino Del Sur and west of 4S Ranch near the intersection of Camino San Bernardo and Nicole Ridge Road, and the

was merged with and into a wholly-owned subsidiary of Lennar Corporation (“**Merger Sub**”), with Merger Sub continuing as the surviving corporation and subsidiary of Lennar Corporation (the “**Merger**”). Merger Sub then changed its name to CalAtlantic Group, Inc. CalAtlantic is a wholly owned subsidiary of Lennar Corporation.

southerly portion located south of Carmel Valley Road near the intersection of Carmel Valley Road and Dove Canyon Road.

The Community Facilities District is the development referred to as Del Sur East II and is built out with 430 completed homes, consisting of 171 single-family detached homes and 259 attached homes. As of April 1, 2020, Improvement Area A Special Taxes have been prepaid with respect to 3 of the single-family detached homes.

The Community Facilities District and Improvement Area A are located in the east central part of Del Sur. Del Sur comprises the northerly portion and the final phase of development of the 4,677-acre Black Mountain Ranch. Black Mountain Ranch is a mixed use master-planned community that contains approximately 5,400 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 East II was originally approved by the San Diego City Council in 1998. Amendments to the Subarea Plan were approved in 2001, 2002 and 2009. Final tract maps for Del Sur East II were recorded in 2015 and 2017.

See “COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II)” for a description of the Community Facilities District, Improvement Area A and the development within Improvement Area A.

Purpose of the 2020 Bonds

The Community Facilities District was formed pursuant to a Third Supplement to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement (the “**Third Supplement to Mitigation Agreement**”), dated as of September 16, 2014, by and between the School District and then landowner Standard Pacific, which Third Supplement to Mitigation Agreement supplements the Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement, dated as of July 1, 1998, by and between the School District and Black Mountain Ranch Limited Partnership (“**BMR LP**”), as amended by a Supplement to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement, dated January 1, 2006, by and between the School District and BMR LP, as amended by a Second Supplement to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement, dated as of October 1, 2012, by and between the School District and Black Mountain Ranch, assignee of BMR LP (collectively, the “**Impact Mitigation Agreement**”). See “SCHOOL FACILITIES AND CITY IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2020 BONDS,” “SECURITY FOR THE 2020 BONDS – Rates and Methods” and “COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II)” herein.

Sources of Payment for the 2020 Bonds

The 2020 CFD Bonds and the 2020 Improvement Area A Bonds are secured by and payable from a first pledge of “**Net Special Tax Revenues**” of the Community Facilities District and of “**Net Improvement Area A Special Tax Revenues**” of Improvement Area A, respectively, which is defined in each Indenture as (a) proceeds of the Community Facilities District Special Taxes or Improvement Area A Special Taxes, as applicable, levied and received by the Community Facilities District, (b) net amounts (the “**Delinquency Proceeds**”) collected from the redemption of delinquent Community Facilities District Special Taxes or Improvement Area A Special Taxes, respectively, including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the applicable Special Taxes resulting from the delinquency in the payment of the applicable Special Taxes due and payable on such property, and net of County fees, foreclosure counsel fees and other fees and expenses incurred by or on behalf of the Community Facilities District or the School District in undertaking such foreclosure proceedings and (c) less an amount equal to the Administrative Expense Requirement

applicable to the Bonds for such Bond Year (the “**Administrative Expense Requirement**”) as defined in the applicable Indenture as an annual amount equal to \$37,885.13 for the Bond Year ending on September 1, 2020 with respect to the 2020 CFD Bonds and \$37,885.13 for the Bond Year ending on September 1, 2020, with respect to the 2020 Improvement Area A Bonds, and escalating at 2.00% in each Bond Year commencing in the Bond Year beginning on September 2, 2020; provided, however, such amount may be reduced in any Bond Year at the discretion of the Community Facilities District through written instructions from an Authorized Representative (as defined in each Indenture), and (d) less an amount equal to the Surplus Special Taxes (for Improvement Area A only). See “SECURITY FOR THE 2020 BONDS – Special Tax Funds.” “Special Tax” (as used in the CFD Indenture) and “Improvement Area A Special Tax (as used in the Improvement Area A Indenture (each referred to herein as the “**Special Tax**”) is defined in each Indenture as the special tax authorized to be levied in pursuant to the Mello-Roos Act, the applicable Rate and Method and in the case of Improvement Area A, the Third Supplement to Mitigation Agreement.

Pursuant to the applicable Rate and Method, the Resolution of Formation (as defined herein) and the applicable Indenture, so long as the 2020 Bonds are outstanding, the Community Facilities District will annually ascertain the parcels on which 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 Special Taxes in accordance with the applicable 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 the Community Facilities District and Improvement Area A for inclusion on the next real property tax roll. See “SECURITY FOR THE 2020 BONDS –Special Taxes” herein.

Each 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 2020 BONDS – Rates and Methods” and “BONDOWNERS’ RISKS – Exempt Properties.” Each Reserve Fund will be established out of the proceeds of the sale of the 2020 Bonds in an amount equal to the applicable Reserve Requirement.

The 2020 CFD Bonds and the 2020 Improvement Area A Bonds are also secured by a first pledge of all moneys deposited in the applicable Reserve Fund. See “SECURITY FOR THE 2020 BONDS.”

Each Indenture defines each Reserve Requirement as an amount, as of the date of calculation, equal to the least of (i) the then maximum annual debt service on the 2020 CFD Bonds or the 2020 Improvement Area A Bonds, as applicable, (ii) 125% of the then average annual debt service on the 2020 CFD Bonds or the 2020 Improvement Area A Bonds, as applicable, or (iii) 10% of the original issue price of the 2020 CFD Bonds or the 2020 Improvement Area A Bonds, as applicable, calculated in accordance with Treasury Regulations Section 1.148-2(f)(1). The ability of the Board of Education, in its capacity as legislative body of the Community Facilities District (the “**Board of Education**”), to increase the annual Special Taxes levied to replenish each Reserve Fund is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of the Community Facilities District and the qualified voters of Improvement Area A, as applicable. The moneys in the Community Facilities District Reserve Fund will only be used for payment of principal of, interest and any redemption premium on the 2020 CFD Bonds, and at the direction of the Community Facilities District, for payment of rebate obligations related to the 2020 CFD Bonds. The moneys in the Improvement Area A Reserve Fund will only be used for payment of principal of, interest and any redemption premium on, the 2020 Improvement Area A Bonds, and at the direction of the Community Facilities District, for payment of rebate obligation related to the 2020 Improvement Area A Bonds. See “SECURITY FOR THE 2020 BONDS – Rates and Methods” and “ – Reserve Funds.”

The Community Facilities District has also covenanted in the Indentures 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 2020 BONDS – Proceeds of Foreclosure Sales.”

THE 2020 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2020 BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE 2020 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 2020 BONDS. OTHER THAN THE SPECIAL TAXES OF THE COMMUNITY FACILITIES DISTRICT OR IMPROVEMENT AREA A, AS APPLICABLE, LEVIED PURSUANT TO THE APPLICABLE RATES AND METHODS, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2020 BONDS. THE 2020 CFD BONDS AND THE 2020 IMPROVEMENT AREA A 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 OF THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA A, AS APPLICABLE, AS MORE FULLY DESCRIBED HEREIN.

The 2020 CFD Bonds and the 2020 Improvement Area A Bonds are separately secured under their respective Indenture, and the Special Taxes securing one Series of Bonds are not available for or pledged to the payment of debt service on or the replenishment of the Reserve Fund established for the other Series of Bonds.

Municipal Bond Insurance

Concurrently with the issuance of the 2020 CFD Bonds, Assured Guaranty Municipal Corp. (“AGM” or “**Bond Insurer**”) will issue its Municipal Bond Insurance Policy (the “**Insured 2020 CFD Bonds Policy**”) for the Insured 2020 CFD Bonds maturing on September 1 of the years 2024 through 2029, inclusive, and of the years 2032 through 2050, inclusive (the “**Insured 2020 CFD Bonds**”). Concurrently with the issuance of the 2020 Improvement Area A Bonds, the Bond Insurer will issue its Municipal Bond Insurance Policy (the “**Insured 2020 Improvement Area A Bonds Policy**,” and together with the Insured 2020 CFD Bonds Policy, the “**Policies**” or separately, each a “**Policy**”) for the Insured 2020 Improvement Area A Bonds maturing on September 1 of years 2024 through 2050 (the “**Insured 2020 Improvement Area A Bonds**,” and collectively with the Insured 2020 CFD Bonds, the “**Insured Bonds**”), (each a “**Policy**” and together the “**Policies**”). Each Policy guarantees the scheduled payment of principal of and interest on the Insured 2020 CFD Bonds or Insured 2020 Improvement Area A Bonds, as applicable, when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Tax Exemption

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the 2020 Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the 2020 Bonds will be exempt from State personal income taxes. See “LEGAL MATTERS – Tax Exemption” herein.

Risk Factors Associated with Purchasing the 2020 Bonds

Investment in the 2020 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 2020 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. 16 (DEL SUR EAST II)” 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 2020 Bonds and will perform the functions required of it under the Indentures for the payment of the principal of and interest and any premium on the 2020 Bonds and all activities related to the redemption of the 2020 Bonds. Best Best & Krieger LLP, San Diego, California, is serving as Bond Counsel to the Community Facilities District and as special counsel to the School District. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is acting as Disclosure Counsel to the Community Facilities District. Piper Sandler & Co., Los Angeles, California, is acting as Underwriter in connection with the issuance and delivery of the 2020 Bonds. Kutak Rock LLP, Irvine, California, is acting as Underwriter's Counsel.

Fieldman, Rolapp & Associates, Inc., Irvine, California, is acting as Municipal Advisor to the School District and the Community Facilities District, and David Taussig & Associates, Inc., Newport Beach, California, is acting 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 2020 Bonds, certain sections of the Indentures, security for the 2020 Bonds, risk factors, the Community Facilities District, Improvement Area A, 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 2020 Bonds, the Indentures, 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 2020 Bonds, the Indentures, 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. 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 2020 Bonds, to provide certain financial and operating data relating to the Community Facilities District, Improvement Area A and the 2020 Bonds by not later than January 31 in each year commencing on January 31, 2021 (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, with a copy to the Fiscal Agent. Any notice of a listed event will be filed by the Community Facilities District, or the Dissemination Agent on behalf of the Community Facilities District, with the MSRB through the EMMA System. The specific nature of

the information to be contained in the Community Facilities District Annual Report or any notice of a listed event is set forth in the Continuing Disclosure Agreement. The covenants of the Community Facilities District in the Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”); *provided, however*, a default under the Continuing Disclosure Agreement will not, in itself, constitute an event of default under the applicable 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.

No Prior Community Facilities District Undertakings. The Community Facilities District has not entered into any prior undertaking 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 April 15, 2015, indicates that the Authority, the School District or other community facilities districts formed by the School District may not have fully complied with their prior continuing disclosure undertakings under the Rule. Identification of the below described events does not constitute a representation by the Community Facilities District, the Authority, the School District or any other community facilities district formed by the School District that the late filings were material or that the Authority, the School District or any other community facilities district formed by the School District, other than the Community Facilities District, is an obligated person under the Rule for this transaction. The review indicates that a rating change notice required to be filed by a joint powers authority in which the School District is a member with respect to certain bonds issued by such authority was not filed in a timely manner.

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.

SCHOOL FACILITIES AND CITY IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2020 BONDS

Proceeds of the 2020 CFD Bonds will be used to fund the acquisition of School Facilities and related infrastructure required by the School District as a result of development of the property within the Community Facilities District, including classrooms, multi-purpose, administration and auxiliary space at each school, central support and administrative facilities, interim housing, transportation and special education facilities, together with furniture, equipment and technology with a useful life of at least five years and related administrative expenses and the acquisition of land for the construction of School Facilities or land or interests in land required to be provided as mitigation of environmental impacts associated with the development of School Facilities.

Proceeds of the 2020 Improvement Area A Bonds will be used to fund the acquisition of a portion of the City Improvements. The City Improvements include the acquisition, planning, construction, and/or financing of those improvement to be owned and operated by the City. The City Improvements may include road improvements to Camino Del Sur, Carmel Valley Road, Camino Del Sur – south of Camino Del Sur, Rancho Bernardo Road at I-15, West Bernardo Drive spot improvements, West Bernardo Drive at Bernardo Center, Paseo Del Sur, Camino San Bernardo and Paseo Del Sur at Potomac Ridge Road.

A portion of the proceeds of the 2020 Improvement Area A Bonds will be used to pay an obligation owed to Black Mountain Ranch for City Improvements pursuant to the Third Supplement to Mitigation Agreement and the JCFA defined below:

- (i) An agreement entitled “Third Supplement to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement,” by and between the Poway Unified School District and Standard Pacific, entered into as of September 16, 2014 (the “**Third Supplement to the Mitigation Agreement**”),
- (ii) an agreement entitled “Joint Community Facilities Agreement by and among the Poway Unified School District, City of San Diego and Black Mountain Ranch LLC,” by and among the School District, the City of San Diego (the “**City**”) and Black Mountain Ranch, entered into as of the 15th day of September, 2015 (the “**JCFA**”).

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ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2020 CFD Bonds will be deposited into the following respective account and funds established under the CFD Indenture, as follows:

2020 CFD Bonds

SOURCES

Principal Amount of 2020 CFD Bonds	\$15,675,000.00
<i>Plus:</i> Net Original Issue Premium	721,726.20
<i>Less:</i> Underwriter's Discount	<u>(148,912.50)</u>
<i>Total Sources</i>	<u>\$16,247,813.70</u>

USES⁽¹⁾

Costs of Issuance ⁽²⁾	\$247,813.70
Deposit into School Facilities Fund ⁽³⁾	<u>16,000,000.00</u>
<i>Total Uses</i>	<u>\$16,247,813.70</u>

The proceeds from the sale of the 2020 Improvement Area A Bonds will be deposited into the following respective accounts and funds established under the Improvement Area A Indenture, as follows:

2020 Improvement Area A Bonds

SOURCES

Principal Amount of 2020 Improvement Area A Bonds	\$25,415,000.00
<i>Plus:</i> Original Issue Premium	1,784,435.85
<i>Less:</i> Underwriter's Discount	<u>(241,442.50)</u>
<i>Total Sources</i>	<u>\$26,957,993.35</u>

USES⁽¹⁾

Costs of Issuance ⁽²⁾	401,611.08
Deposit into Improvement Area A Improvement Fund	<u>26,556,382.27</u>
<i>Total Uses</i>	<u>\$26,957,993.35</u>

⁽¹⁾ The Community Facilities District has obtained municipal bond insurance policies in amounts equal to the respective Reserve Requirement in lieu of a deposit of moneys from proceeds of the 2020 Bonds.

⁽²⁾ 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/or the Reserve Policy will be paid directly to the Bond Insurer.

THE 2020 BONDS

Authority for Issuance

The 2020 Bonds will be issued pursuant to the Act and the Indentures.

General Provisions

The 2020 CFD Bonds in the aggregate amount of \$15,675,000 and the 2020 Improvement Area A Bonds in the aggregate principal amount of \$25,415,000 will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each March 1 and September 1, commencing on September 1, 2020 (each, an “**Interest Payment Date**”), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2020 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 2020 Bonds. Ownership interests in the 2020 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 2020 Bonds are held in book-entry form, principal of, premium, if any, and interest on the 2020 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2020 Bonds in accordance with the procedures adopted by DTC. See “THE 2020 BONDS – Book-Entry and DTC.”

Each 2020 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, or (ii) the date of authentication is after the 15th calendar day (whether or not such day is a Business Day (as defined in the Indenture) of the month immediately preceding an Interest Payment Date (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, 2020, in which event interest shall be payable from the date of such 2020 Bonds; *provided, however*, that if at the time of authentication of a 2020 Bond, interest is in default, interest on that 2020 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 2020 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed by first-class mail, postage prepaid, on the Interest Payment Date or on the next Business Day following the Interest Payment Date if such Interest Payment Date is not a Business Day to the registered Owner thereof as of the close of business on the Record Date immediately preceding such Interest Payment Date. Such interest shall be paid by check of the Fiscal Agent mailed to such Bondowner at his or her address as it appears on the books of registration maintained by the Fiscal Agent or upon the request in writing prior to the Record Date of a Bond Owner of at least \$1,000,000 in aggregate principal amount of 2020 Bonds by wire transfer in immediately available funds (i) to the DTC (if the 2020 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 2020 Bonds are transferred to a new Owner. The principal of the 2020 Bonds and any premium on the 2020 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 2020 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 2020 CFD Bonds (including sinking fund redemptions), assuming that there are no early redemptions.

Table 1A
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)
Scheduled Annual Debt Service on 2020 CFD Bonds

Year Ending September 1	Principal	Interest	Total Debt Service
2020	\$500,000	\$154,156.74	\$654,156.74
2021	100,000	570,387.50	670,387.50
2022	115,000	567,387.50	682,387.50
2023	130,000	563,937.50	693,937.50
2024	150,000	558,737.50	708,737.50
2025	170,000	552,737.50	722,737.50
2026	190,000	545,937.50	735,937.50
2027	215,000	538,337.50	753,337.50
2028	240,000	529,737.50	769,737.50
2029	265,000	520,137.50	785,137.50
2030	290,000	509,537.50	799,537.50
2031	315,000	497,937.50	812,937.50
2032	345,000	485,337.50	830,337.50
2033	380,000	468,087.50	848,087.50
2034	405,000	457,162.50	862,162.50
2035	435,000	445,012.50	880,012.50
2036	465,000	431,962.50	896,962.50
2037	500,000	418,012.50	918,012.50
2038	535,000	403,012.50	938,012.50
2039	565,000	386,962.50	951,962.50
2040	605,000	369,306.26	974,306.26
2041	640,000	350,400.00	990,400.00
2042	690,000	324,800.00	1,014,800.00
2043	735,000	297,200.00	1,032,200.00
2044	785,000	267,800.00	1,052,800.00
2045	840,000	236,400.00	1,076,400.00
2046	895,000	202,800.00	1,097,800.00
2047	950,000	167,000.00	1,117,000.00
2048	1,010,000	129,000.00	1,139,000.00
2049	1,075,000	88,600.00	1,163,600.00
<u>2050</u>	<u>1,140,000</u>	<u>45,600.00</u>	<u>1,185,600.00</u>
Total	\$15,675,000	\$12,083,425.50	\$27,758,425.50

The following table presents the annual debt service on the 2020 Improvement Area A Bonds (including sinking fund redemptions), assuming that there are no early redemptions.

Table 1B
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)
Improvement Area A

Scheduled Annual Debt Service on 2020 Improvement Area A Bonds

Year Ending September 1	Principal	Interest	Total Debt Service
2020	\$830,000	\$266,842.50	\$1,096,842.50
2021	130,000	988,750.00	1,118,750.00
2022	155,000	984,850.00	1,139,850.00
2023	180,000	980,200.00	1,160,200.00
2024	210,000	974,800.00	1,184,800.00
2025	245,000	966,400.00	1,211,400.00
2026	275,000	956,600.00	1,231,600.00
2027	315,000	945,600.00	1,260,600.00
2028	350,000	933,000.00	1,283,000.00
2029	390,000	919,000.00	1,309,000.00
2030	430,000	903,400.00	1,333,400.00
2031	475,000	886,200.00	1,361,200.00
2032	525,000	862,450.00	1,387,450.00
2033	580,000	836,200.00	1,416,200.00
2034	635,000	813,000.00	1,448,000.00
2035	685,000	787,600.00	1,472,600.00
2036	745,000	760,200.00	1,505,200.00
2037	805,000	730,400.00	1,535,400.00
2038	865,000	698,200.00	1,563,200.00
2039	935,000	663,600.00	1,598,600.00
2040	1,000,000	626,200.00	1,626,200.00
2041	1,075,000	586,200.00	1,661,200.00
2042	1,150,000	543,200.00	1,693,200.00
2043	1,230,000	497,200.00	1,727,200.00
2044	1,315,000	448,000.00	1,763,000.00
2045	1,400,000	395,400.00	1,795,400.00
2046	1,495,000	339,400.00	1,834,400.00
2047	1,590,000	279,600.00	1,869,600.00
2048	1,690,000	216,000.00	1,906,000.00
2049	1,800,000	148,400.00	1,948,400.00
<u>2050</u>	<u>1,910,000</u>	<u>76,400.00</u>	<u>1,986,400.00</u>
Total	\$25,415,000	\$21,013,292.50	\$46,428,292.50

Estimated Debt Service Coverage

The following table presents the estimated Net Special Tax Revenues of the Community Facilities District, annual debt service on the 2020 CFD Bonds (including sinking fund redemptions), assuming that there are no early redemptions, and resulting estimated debt service coverage.

Table 2A
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)

Debt Service Coverage from Net Special Tax Revenues of the Community Facilities District

Bond Year Ending September 1	Developed Special Tax Revenues ⁽¹⁾	Annual Administrative Expenses ⁽²⁾	Net Special Tax Revenues	2020 CFD Bonds Debt Service ⁽³⁾	Debt Service Coverage ⁽⁴⁾
2020	\$1,303,394	\$37,885	\$1,265,509	\$654,157	193.46%
2021	1,329,462	38,643	1,290,819	670,388	192.55
2022	1,356,051	39,416	1,316,635	682,388	192.95
2023	1,383,172	40,204	1,342,968	693,938	193.53
2024	1,410,835	41,008	1,369,827	708,738	193.28
2025	1,439,052	41,828	1,397,224	722,738	193.32
2026	1,467,833	42,665	1,425,168	735,938	193.65
2027	1,497,190	43,518	1,453,672	753,338	192.96
2028	1,527,133	44,388	1,482,745	769,738	192.63
2029	1,557,676	45,276	1,512,400	785,138	192.63
2030	1,588,830	46,182	1,542,648	799,538	192.94
2031	1,620,606	47,105	1,573,501	812,938	193.56
2032	1,653,018	48,047	1,604,971	830,338	193.29
2033	1,686,079	49,008	1,637,070	848,088	193.03
2034	1,719,800	49,989	1,669,812	862,163	193.68
2035	1,754,196	50,988	1,703,208	880,013	193.54
2036	1,789,280	52,008	1,737,272	896,963	193.68
2037	1,825,066	53,048	1,772,018	918,013	193.03
2038	1,861,567	54,109	1,807,458	938,013	192.69
2039	1,898,799	55,191	1,843,607	951,963	193.66
2040	1,936,775	56,295	1,880,479	974,306	193.01
2041	1,975,510	57,421	1,918,089	990,400	193.67
2042	2,015,020	58,570	1,956,451	1,014,800	192.79
2043	2,055,321	59,741	1,995,580	1,032,200	193.33
2044	2,096,427	60,936	2,035,491	1,052,800	193.34
2045	2,138,356	62,155	2,076,201	1,076,400	192.88
2046	2,181,123	63,398	2,117,725	1,097,800	192.91
2047	2,224,745	64,666	2,160,080	1,117,000	193.38
2048	2,269,240	65,959	2,203,281	1,139,000	193.44
2049	2,314,625	67,278	2,247,347	1,163,600	193.14
2050	2,360,917	68,624	2,292,294	1,185,600	193.34

(1) For Fiscal Year 2019-20, Special Tax Revenues equal to 100.00% of the Assigned Special Tax Rates for all 430 units classified as Developed Property as of May 1, 2019. For each year thereafter, Special Tax Revenues escalate by 2.00% annually.

(2) Based on Administrative Expense Requirement equal to \$37,885.13 for the Bond Year ending September 1, 2020, escalated by 2.00% each Bond Year thereafter.

(3) Based on final bond sizing dated May 7, 2020, provided by the Underwriter.

(4) Calculated by dividing "Net Special Tax Revenues" by "2020 CFD Bonds Debt Service."

Sources: David Taussig & Associates, Inc. and the Underwriter.

The following table presents the estimated Net Improvement Area A Special Tax Revenues, annual debt service on the 2020 Improvement Area A Bonds (including sinking fund redemptions), assuming that there are no early redemptions, and resulting estimated debt service coverage.

Table 2B
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)
Improvement Area A

Debt Service Coverage from Net Improvement Area A Special Tax Revenues

Bond Year Ending September 1	Developed Special Tax Revenues ⁽¹⁾	Annual Administrative Expenses ⁽²⁾	Net Improvement Area A Special Tax Revenues	2020 Improvement Area A Bonds Debt Service ⁽³⁾	Debt Service Coverage ⁽⁴⁾
2020	\$1,245,117	\$37,885	\$1,207,232	\$1,096,843	110.06%
2021	1,270,020	38,643	1,231,377	1,118,750	110.07
2022	1,295,420	39,416	1,256,004	1,139,850	110.19
2023	1,321,329	40,204	1,281,125	1,160,200	110.42
2024	1,347,755	41,008	1,306,747	1,184,800	110.29
2025	1,374,710	41,828	1,332,882	1,211,400	110.03
2026	1,402,204	42,665	1,359,540	1,231,600	110.39
2027	1,430,248	43,518	1,386,730	1,260,600	110.01
2028	1,458,853	44,388	1,414,465	1,283,000	110.25
2029	1,488,031	45,276	1,442,754	1,309,000	110.22
2030	1,517,791	46,182	1,471,609	1,333,400	110.37
2031	1,548,147	47,105	1,501,042	1,361,200	110.27
2032	1,579,110	48,047	1,531,062	1,387,450	110.35
2033	1,610,692	49,008	1,561,684	1,416,200	110.27
2034	1,642,906	49,989	1,592,917	1,448,000	110.01
2035	1,675,764	50,988	1,624,776	1,472,600	110.33
2036	1,709,279	52,008	1,657,271	1,505,200	110.10
2037	1,743,465	53,048	1,690,417	1,535,400	110.10
2038	1,778,334	54,109	1,724,225	1,563,200	110.30
2039	1,813,901	55,191	1,758,709	1,598,600	110.02
2040	1,850,179	56,295	1,793,884	1,626,200	110.31
2041	1,887,183	57,421	1,829,761	1,661,200	110.15
2042	1,924,926	58,570	1,866,357	1,693,200	110.23
2043	1,963,425	59,741	1,903,684	1,727,200	110.22
2044	2,002,693	60,936	1,941,757	1,763,000	110.14
2045	2,042,747	62,155	1,980,592	1,795,400	110.31
2046	2,083,602	63,398	2,020,204	1,834,400	110.13
2047	2,125,274	64,666	2,060,608	1,869,600	110.22
2048	2,167,779	65,959	2,101,821	1,906,000	110.27
2049	2,211,135	67,278	2,143,857	1,948,400	110.03
2050	2,255,358	68,624	2,186,734	1,986,400	110.09

(1) For Fiscal Year 2019-20, Special Tax Revenues equal to 100.00% of the Assigned Special Tax Rates for 427 units classified as Developed Property as of May 1, 2019. Excludes Special Tax Revenues for three units that prepaid their special tax obligation in Fiscal Year 2018-19.

(2) Based on Administrative Expense Requirement equal to \$37,885.13 for the Bond Year ending September 1, 2020, escalated by 2.00% each Bond Year thereafter.

(3) Based on final bond sizing dated May 7, 2020, provided by the Underwriter.

(4) Calculated by dividing "Net Improvement Area A Special Tax Revenues" by "2020 Improvement Area A Bonds Debt Service."

Sources: David Taussig & Associates, Inc. and the Underwriter.

Redemption

Optional Redemption. The 2020 Bonds of each Series maturing on or prior to September 1, 2030 are not subject to optional redemption before maturity. The 2020 Bonds of each Series maturing on or after September 1, 2031 are subject to redemption in whole or in part, from such maturities as are selected by the Community Facilities District, and by lot within a maturity, at the option of the Community Facilities District from any source of funds deposited into the applicable Redemption Fund, and not otherwise allocated, on any date on or after September 1, 2030, at a redemption price equal to the principal amount of the 2020 Bonds to be redeemed, plus accrued interest to the redemption date, without premium.

Whenever provision is made for the optional redemption of less than all of a Series of the 2020 Bonds, the Fiscal Agent shall select the 2020 Bonds of the Series to be redeemed pro rata among maturities as directed in writing by an Authorized Representative. The Fiscal Agent shall select 2020 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

Special Mandatory Redemption – Redemption from Proceeds of Special Tax Prepayment. The 2020 Bonds of each Series 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 prepayment of Special Taxes of the Community Facilities District or Special Taxes of the Improvement Area A, as applicable. An Authorized Representative shall deliver written instructions to the Fiscal Agent not less than 60 days prior to the redemption date directing the Fiscal Agent to utilize the applicable Special Tax Revenues transferred to the applicable Redemption Fund pursuant to the applicable Indenture to redeem the applicable Series of 2020 Bonds. Such special mandatory redemption of such Series of the 2020 Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of such Series of the 2020 Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Date	Redemption Price
Any Interest Payment Date through and including March 1, 2028	103%
September 1, 2028 and March 1, 2029	102
September 1, 2029 and March 1, 2030	101
September 1, 2030 and any Interest Payment Date thereafter	100

Whenever provision is made for the special mandatory redemption of less than all of a Series of the 2020 Bonds, the Fiscal Agent shall select the 2020 Bonds of the applicable Series to be redeemed, pro rata among maturities as directed in writing by an Authorized Representative. The Fiscal Agent shall select 2020 Bonds of the applicable Series to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

Mandatory Sinking Fund Redemption. The 2020 CFD Bonds maturing on September 1, 2050 (the “**2050 Insured CFD Term Bonds**”) are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2041, at a redemption price equal to the principal amount of the 2020 CFD Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

2050 INSURED CFD TERM BONDS

Sinking Fund Redemption Date <u>(September 1)</u>	Principal <u>Amount</u>
2041	\$640,000
2042	690,000
2043	735,000
2044	785,000
2045	840,000
2046	895,000
2047	950,000
2048	1,010,000
2049	1,075,000
2050 (final maturity)	1,140,000

The 2020 Improvement Area A Bonds maturing on September 1, 2032 (the “**2032 Insured Improvement Area A Bonds**”) are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2031, at a redemption price equal to the principal amount of the 2020 Improvement Area A Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

2032 INSURED IMPROVEMENT AREA A BONDS

Sinking Fund Redemption Date <u>(September 1)</u>	Principal <u>Amount</u>
2031	\$475,000
2032 (maturity)	525,000

The 2020 Improvement Area A Bonds maturing on September 1, 2034 (the “**2034 Insured Improvement Area A Bonds**”) are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2033, at a redemption price equal to the principal amount of the 2020 Improvement Area A Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

2034 INSURED IMPROVEMENT AREA A BONDS

Sinking Fund Redemption Date (September 1)	Principal Amount
2033	\$580,000
2034 (maturity)	635,000

The 2020 Improvement Area A Bonds maturing on September 1, 2036 (the “**2036 Insured Improvement Area A Bonds**”) are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2035, at a redemption price equal to the principal amount of the 2020 Improvement Area A Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

2036 INSURED IMPROVEMENT AREA A BONDS

Sinking Fund Redemption Date (September 1)	Principal Amount
2035	\$685,000
2036 (maturity)	745,000

The 2020 Improvement Area A Bonds maturing on September 1, 2038 (the “**2038 Insured Improvement Area A Bonds**”) are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2037, at a redemption price equal to the principal amount of the 2020 Improvement Area A Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

2038 INSURED IMPROVEMENT AREA A BONDS

Sinking Fund Redemption Date (September 1)	Principal Amount
2037	\$805,000
2038 (maturity)	865,000

The 2020 Improvement Area A Bonds maturing on September 1, 2040 (the “**2040 Insured Improvement Area A Bonds**”) are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2039, at a redemption price equal to the principal amount of the 2020 Improvement Area A Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

2040 INSURED IMPROVEMENT AREA A BONDS

Sinking Fund Redemption Date (September 1)	Principal Amount
2039	\$935,000
2040 (maturity)	1,000,000

The 2020 Improvement Area A Bonds maturing on September 1, 2050 (the “**2050 Insured Improvement Area A Bonds**”) are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2041, at a redemption price equal to the principal amount of the 2020 Improvement Area A Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

2050 INSURED IMPROVEMENT AREA A BONDS

Sinking Fund Redemption Date (<u>September 1</u>)	Principal <u>Amount</u>
2041	\$1,075,000
2042	1,150,000
2043	1,230,000
2044	1,315,000
2045	1,400,000
2046	1,495,000
2047	1,590,000
2048	1,690,000
2049	1,800,000
2050 (final maturity)	1,910,000

The amounts in the foregoing tables shall be reduced as a result of any prior partial redemption of the 2020 Bonds of the applicable Series 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 or mandatory sinking fund redemption, the Community Facilities District may elect to purchase such 2020 Bonds at public or private sale at such prices as the Community Facilities District may in its discretion determine; *provided*, that, unless otherwise authorized by law, the purchase price (including brokerage and other charges) thereof shall not exceed the principal amount thereof plus accrued interest accrued to the purchase date and any premium which would otherwise be due if such 2020 Bonds were to be redeemed in accordance with the provisions of the applicable Indenture.

Notice of Redemption. The Fiscal Agent shall mail, at least thirty (30) days but not more than sixty (60) days prior to the date of redemption, notice of intended redemption, in accordance with the applicable Depository rules to the respective Registered Owners of the applicable Series of 2020 Bonds appearing on the applicable 2020 Bond register books (each a “**Bond Register**”). The notice of redemption notice shall (a) state the redemption date; (b) state the redemption price; (c) state the bond registration numbers, dates of maturity and CUSIP® numbers of the applicable Series of 2020 Bonds to be redeemed, and in the case of a Series of 2020 Bonds to be redeemed in part, the respective principal portions to be redeemed; *provided, however*, that whenever any call includes all of a maturity of a Series of 2020 Bonds, the numbers of such Series of 2020 Bonds of such maturity need not be stated; (d) state that 2020 Bonds of such Series must be surrendered at the principal corporate trust office of the Fiscal Agent; (e) state that further interest on the 2020 Bonds of such Series will not accrue from and after the designated redemption date; (f) state the date of the issue of such Series of 2020 Bonds as originally issued; (g) state the rate of interest borne by each 2020 Bond of the Series being redeemed; and (h) state any other descriptive information needed to identify accurately the 2020 Bonds of the Series being redeemed as the Community Facilities District shall direct.

So long as notice by first-class mail has been provided as set forth in the applicable Indenture, the actual receipt by the Owner of any 2020 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 2020 Bonds or the cessation of interest on the date fixed for redemption.

Conditional Notice of Optional Redemption. Any notice of optional redemption of the 2020 Bonds delivered in accordance with the applicable 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 2020 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 2020 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 applicable 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 2020 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 applicable Indenture, and when the amount necessary for the redemption of the 2020 Bonds called for redemption has been set aside for that purpose in the applicable Redemption Fund, the 2020 Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said 2020 Bonds at the place specified in the notice of redemption, said 2020 Bonds shall be redeemed and paid at the redemption price out of the applicable Redemption Fund and no interest will accrue on such 2020 Bonds or portions of 2020 Bonds called for redemption from and after the redemption date specified in said notice, and the Owners of such 2020 Bonds so called for redemption after such redemption date shall look for the payment of principal and premium, if any, of such 2020 Bonds or portions of 2020 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 2020 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 2020 Bonds as hereinbefore provided. The Community Facilities District and the Fiscal Agent will treat the owner of any Bond whose name appears on the Bond Register as the holder and absolute Owner of such 2020 Bond for all purposes under the applicable Indenture.

Transfers of 2020 Bonds. The transfer of any 2020 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 2020 Bond or Bonds shall be authenticated and delivered in exchange for such 2020 Bond, in the name of the transferee, of any denomination or denominations authorized by the applicable Indenture, and in an aggregate principal amount equal to the principal amount of such 2020 Bond or

Bonds so surrendered. The Fiscal Agent may make a charge for every such exchange or registration of transfer of 2020 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. The Fiscal Agent shall not be required to register transfers or make exchanges of (i) 2020 Bonds for a period of 15 days next preceding the date of any selection of the 2020 Bonds for redemption, or (ii) any 2020 Bonds chosen for redemption.

Exchange of 2020 Bonds. 2020 Bonds may be exchanged at the Principal Corporate Trust Office of the Fiscal Agent for a like aggregate principal amount of 2020 Bonds of authorized denominations, interest rate and maturity, subject to the terms and conditions of the applicable Indenture, including the payment of certain charges, if any, upon surrender and cancellation of a 2020 Bond.

Book-Entry and DTC

DTC will act as securities depository for the 2020 Bonds. The 2020 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 2020 Bond certificate will be issued for each maturity of the 2020 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 2020 BONDS

General

The 2020 Bonds and all Parity Bonds (as defined below) are secured by a first pledge of all of the Net Special Tax Revenues of the Community Facilities District and Net Improvement Area A Special Tax Revenues, as applicable, and all moneys deposited in the applicable Bond Service Fund and in the applicable Reserve Fund and, until disbursed as provided in the applicable Indenture, in the applicable Special Tax Fund. Pursuant to the Act, the Indentures and the Rates and Methods, the Community Facilities District will annually levy the Special Taxes in the Community Facilities District and in Improvement Area A in an amount required for the payment of principal of, and interest on, any outstanding 2020 Bonds, as applicable, becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the applicable Reserve Fund with respect to the 2020 CFD Bonds and the 2020 Improvement Area A Bonds, as well as Administrative Expenses during such year. The Net Special Tax Revenues of the Community Facilities District and Net Improvement Area A Special Tax Revenues and all moneys deposited into the applicable accounts (until disbursed as provided in the applicable Indenture and excluding the Administrative Expense Funds, the Costs of Issuance Funds, the Rebate Funds, the School Facilities Fund, and the Improvement Area A Improvement Fund, the Rebate Fund and the Administrative Expense Fund, as applicable) are pledged to the payment of the principal of, and interest and any premium on, the 2020 CFD Bonds and the 2020 Improvement Area A Bonds, as applicable, as provided in the applicable Indenture and in the Act until all of the 2020 CFD Bonds and the 2020 Improvement Area A 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 Funds, the Costs of Issuance Funds, the Rebate Funds the School Facilities Fund and the Improvement Area A Improvement Fund are not pledged to the repayment of the 2020 Bonds. The School Facilities and the City Facilities constructed and acquired with the proceeds of the 2020 Bonds are not in any way pledged to pay the debt service on the 2020 Bonds.

Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the 2020 Bonds are not pledged to pay the debt service on the 2020 Bonds.

Special Taxes

The Community Facilities District has covenanted in each Indenture to comply with all requirements of the Act so as to assure the timely collection of Special Taxes in the Community Facilities District and Improvement Area A, including without limitation, the enforcement of delinquent Special Taxes. Each 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 applicable Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies in the Community Facilities District or Improvement Area A, the receipt of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the 2020 Bonds applicable to the Community Facilities District or Improvement Area A. The Special Taxes levied in the Community Facilities District are not available to pay principal of or interest on the 2020 Improvement Area A Bonds and the Improvement Area A Special Taxes are not available to pay principal of or interest on the Community Facilities District 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 2020 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2020 BONDS, ARE NOT AN INDEBTEDNESS OF THE SCHOOL DISTRICT, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE 2020 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 2020 CFD BONDS OR THE 2020 IMPROVEMENT AREA A BONDS, AS APPLICABLE. OTHER THAN THE SPECIAL TAXES OF THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA A, AS APPLICABLE, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2020 CFD BONDS OR THE 2020 IMPROVEMENT AREA A BONDS. THE 2020 CFD BONDS AND THE 2020 IMPROVEMENT AREA A 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 OF THE COMMUNITY FACILITIES DISTRICT AND IMPROVEMENT AREA A LEVIED PURSUANT TO THE APPLICABLE RATE AND METHOD, AS MORE FULLY DESCRIBED HEREIN.

Rates and Methods

General. In 2013, Black Mountain Ranch 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 City Improvements.

In 2014, pursuant to the request of landowners, the School District established the Community Facilities District with respect to approximately 233 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.

Concurrently with the foregoing proceedings, the Community Facilities District conducted proceedings to designate Improvement Area A and authorize this levy of additional special taxes therein pursuant to the Improvement Area A Rate and Method, and authorized the issuance of bonded indebtedness payable from the Improvement Area A Special Taxes to finance City Improvements. See “Community Facilities District Rate and Method” and “Improvement Area A Rate and Method” below. A copy of the Community Facilities District Rate and Method is set forth in APPENDIX B-1 – “Rate and Method of Apportionment for Community Facilities District No. 16 of Poway Unified School District. and a copy of the Improvement Area A Rate and Method is set forth in APPENDIX B-2 – Rate and Method of Apportionment for Improvement Area A of Community Facilities District No. 16 of Poway Unified School District.”

Capitalized terms used in the following paragraphs but not defined herein have the meanings given them in the Community Facilities District Rate and Method.

Community Facilities District Rate and Method. The Community Facilities District Rate and Method provides the means by which the Board of Education may annually levy the Special Taxes within the Community Facilities District up to the maximum Special Tax to pay for School Facilities. The 2020 CFD Bonds, when issued, will be secured by Special Taxes levied pursuant to the Community Facilities District Rate and Method. The Community Facilities District Rate and Method provides that the Special Taxes shall be levied for a term of 33 Fiscal Years after the last series of Community Facilities District bonds have been issued, provided that the Special Taxes shall not be levied after Fiscal Year 2057-58. A copy of the Community Facilities District Rate and Method is included in Appendix B-1 hereto.

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

“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.

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

“Taxable Property” means all Assessor’s Parcels which are not Exempt Property (as defined below).

“Exempt Property” is defined to include the following:

- (a) Assessor’s Parcels owned by the State, federal or other local governments;
- (b) Assessor’s Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization,
- (c) Assessor’s Parcels owned by a homeowners’ association,
- (d) Assessor’s Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, and
- (e) any other Assessor’s Parcels, at the reasonable discretion of the Board.

Property for which a building permit is issued for commercial use or for Senior Citizen Units exclusively is not subject to the Special Tax. The owners of property expected to be developed for such uses are expected to request that the Community Facilities District record a notice of cancellation of the Special Tax for the Community Facilities District for such property. No Senior Citizen Units have been constructed within the Community Facilities District and there is no commercial property within the Community Facilities District.

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

Developed Property: The amount determined by the sum of (i) any portion of the One-Time Special Tax not collected and (ii) the application of the Assigned Annual Special Tax.

The Assigned Annual Special Tax for Taxable Developed Property in Fiscal Year 2019-20 ranges from \$1,754 to \$2,544 per unit with respect to attached units and ranges from \$3,742 to \$4,581 per unit with respect to detached units. Each July 1, the Assigned Annual Special Tax is subject to escalation of 2.00% of the amount in effect in the prior Fiscal Year.

Undeveloped Property: The amount determined by the application of the One-Time Special Tax.

One-Time Special Tax. The One-Time Special Tax shall be collected on an Assessor’s Parcel of Undeveloped Property prior to the time a Building Permit is issued. See APPENDIX B-1 – “Rate and Method of Apportionment for Community Facilities District No. 16 of Poway Unified School District – Table 2” herein for a listing of the One-Time Special Tax rates for various Tax Classifications as of Fiscal Year 2014-15. Each July 1, the One-Time Special Tax for each Assessor’s Parcel of Undeveloped Property shall be increased by the greater of (i) 2.00% or (ii) the percentage change in the Index (as defined in the Community Facilities District Rate and Method).

Assigned Annual Special Tax.

Newly Developed Property – The Assigned Annual Special Tax for all Assessor’s Parcels in the first Fiscal Year in which such Assessor’s Parcel is classified as Developed Property shall be determined by reference to Table 3 in the Community Facilities District Rate and Method, as increased by the Inflator until the first Fiscal Year in which such Assessor’s Parcel is classified as Developed Property. See APPENDIX B-1 – “Rate and Method of Apportionment for Community Facilities District No. 16 of Poway Unified School District – Table 3” for a listing of the Assigned Annual Special Tax for Newly Developed Property rates for various Tax Classifications in Fiscal Year 2014-15.

Existing Developed Property – Each July 1, commencing the July 1 immediately following the Fiscal Year in which the Assessor’s Parcel was first classified as Developed Property, the Assigned Annual Special Tax applicable to such Assessor’s Parcel will be increased by 2.00% of the amount in effect in the prior Fiscal Year.

Method of Apportionment. The Community Facilities District Rate and Method provides that the Board of Education shall levy Annual Special Taxes on each Assessor’s Parcel of Developed Property within the Community Facilities District at the Maximum Special Tax rate applicable to such Assessor’s Parcel. See APPENDIX B-1 – “Rate and Method of Apportionment for Community Facilities District No. 16 of Poway Unified School District – Section C – Maximum Special Taxes” herein.

Prepayment of Annual Special Taxes. The Community Facilities District Annual Special Tax obligation for an Assessor’s Parcel of Developed Property 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. The Prepayment Amount for an applicable Assessor’s Parcel after the issuance of the 2020 Bonds is calculated based on 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 Community Facilities District Rate and Method), all as specified in APPENDIX B-1 – “Rate and Method of Apportionment for the Community Facilities District No. 16 of Poway Unified School District – Section G” herein.

Table 3A below summarizes the Fiscal Year 2019-20 Community Facilities District Special Tax levy based on property classifications as of May 1, 2019.

Table 3A
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)

Fiscal Year 2019-20 Assigned Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	Number of Units Levied ⁽¹⁾	Average Special Tax Per Unit ⁽²⁾	Fiscal Year 2019-20 Special Tax Levy	Fiscal Year 2019-20 Percentage of Special Tax Levy
1	Detached	< 2,500	0	\$0	\$0	0.00%
2	Detached	2,500 – 2,750	5	3,742	18,711	1.44
3	Detached	2,751 – 3,000	53	3,936	208,586	16.00
4	Detached	3,001 – 3,250	47	4,080	191,743	14.71
5	Detached	3,251 – 3,500	10	4,164	41,638	3.19
6	Detached	3,501 – 3,750	9	4,412	39,711	3.05
7	Detached	3,751 – 4,000	30	4,496	134,894	10.35
8	Detached	> 4,000	17	4,581	77,871	5.97
9	Attached	< 1,250	0	0	0	0.00
10	Attached	1,250 – 1,450	56	1,781	99,722	7.65
11	Attached	1,451 – 1,650	0	0	0	0.00
12	Attached	1,651 – 1,850	16	2,182	34,905	2.68
13	Attached	1,851 – 2,050	75	2,395	179,600	13.78
14	Attached	> 2,050	112	2,464	276,013	21.18
15	Senior Citizen	N/A	0	0	0	0.00
16	Commercial/Industrial	N/A	0	0	0	0.00
Totals ⁽³⁾	N/A	N/A	430	N/A	\$1,303,394	100.00%

⁽¹⁾ The Community Facilities District is built out and all property is classified as Developed Property as of May 1, 2019.

⁽²⁾ Fiscal Year 2019-20 Special Tax levy equal to 100.00% of the Assigned Special Tax rates for Developed Property. The Assigned Special Tax rates escalate each year at a rate equal to the Inflation until the first year in which the parcel is classified as Developed Property and then by 2.00% annually for each year thereafter.

⁽³⁾ Totals may not sum due to rounding.

Source: David Taussig & Associates, Inc.

Table 3B below presents the Fiscal Year 2019-20 Community Facilities District Land Ownership Summary. All homes have been sold to individual owners as of January 1, 2019.

Table 3B
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)
Fiscal Year 2019-20 Land Ownership Summary

Property Classification/Owner ^(1,2)	Number of Units Levied ⁽¹⁾	Fiscal Year 2019-20 Special Tax Levy	Percentage of Special Tax Levy
Developed Property			
Individual Owners	430	\$1,303,394	100.00%
Total	430	\$1,303,394	100.00%

⁽¹⁾ The Community Facilities District is built out and all property is classified as Developed Property as of May 1, 2019.

⁽²⁾ Ownership as of January 1, 2019 provided by the County of San Diego Assessor.

Source: David Taussig & Associates, Inc.

Improvement Area A Rate and Method. The Improvement Area A Rate and Method provides the means by which the Board of Education may annually levy the Special Taxes within Improvement Area A of the Community Facilities District up to the maximum Special Tax to pay for City Facilities. The 2020 Improvement Area A Bonds, when issued, will be secured by Special Taxes levied pursuant to the Improvement Area A Rate and Method. The Improvement Area A Rate and Method provides that the Special Taxes shall be levied for a period of 33 Fiscal Years after the last series of 2020 Improvement Area A Bonds have been issued, provided that Special Taxes shall not be levied after Fiscal Year 2057-58. A copy of the Improvement Area A Rate and Method is included in Appendix B-2 hereto.

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

- (i) the debt service or the periodic costs on all outstanding 2020 Improvement Area A Bonds;
- (ii) Administrative Expenses of Improvement Area A,
- (iii) the costs associated with the release of funds from an escrow account(s) established in association with the 2020 Improvement Area A Bonds, and

- (iv) any amount required to establish or replenish any reserve funds (or accounts thereof) established in association with the 2020 Improvement Area A Bonds, *less*
- (v) any amounts available to pay debt service or other periodic costs on the 2020 Improvement Area A Bonds pursuant to any applicable bond indenture, fiscal agent agreement, trust agreement, or equivalent agreement or document.

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

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

“Developed Property” means all Assessor's Parcels 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.

“Approved Property” means all Assessor's Parcels of Taxable Property that (i) are associated with a Lot in a Final Map that was recorded prior to the January 1 preceding the Fiscal Year in which the Special Tax is being levied and (ii) have not been issued a Building Permit prior to the May 1 preceding the Fiscal Year in which the Special Tax is being levied. Building Permits for all Assessor's Parcels were issued prior to May 1, 2019.

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

“Taxable Property” means all Assessor's Parcels which are not Exempt Property (as defined below).

“Exempt Property” is defined to include the following:

- (a) Assessor's Parcels owned by the State, federal or other local governments;
- (b) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization,
- (c) Assessor's Parcels owned by a homeowners' association,
- (d) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement,
- (e) Assessor's Parcels developed or expected to be developed exclusively for non-residential use, including any use directly servicing any non-residential property, such as parking, as reasonably determined by the Board, and

(e) 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 31.03 Acres of Acreage ("**Minimum Taxable Acreage**").

Notwithstanding the above, the Board may not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than the Minimum Taxable Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Minimum Taxable Acreage will be classified as Provisional Undeveloped Property and will continue to be subject to Special Taxes accordingly.

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

Approved Property, Undeveloped Property and Provisional Undeveloped Property: The amount determined by the application of the Assigned Annual Special Tax. The Assigned Annual Special Tax for Taxable Undeveloped Property for Fiscal Year 2014-15 was \$35,447.34 per acre. On each July 1, commencing July 1, 2015, the Assigned Annual Special Tax per acre shall be increased by 2.00% of the amount in effect in the prior Fiscal Year. As of May 1, 2019, all Assessor's Parcels were classified as Developed Property.

Developed Property: The amount determined by the *greater* of (i) the application of the Assigned Annual Special Tax or (ii) the application of the Backup Annual Special Tax for a given Final Map.

The Assigned Annual Special Tax for Taxable Developed Property in Fiscal Year 2019-20 ranges from \$1,744 to \$2,419 per unit with respect to attached units and ranges from \$3,560 to \$4,357 per unit with respect to detached units. Each July 1, the Assigned Annual Special Tax is subject to escalation of 2.00% of the amount in effect in the prior Fiscal Year. See APPENDIX B-2 – "Rate and Method of Apportionment for Improvement Area A of Community Facilities District No. 16 of Poway Unified School District – Table 2" herein for a listing of the Assigned Annual Special Tax rates for various sizes of Units as of Fiscal Year 2014-15.

The "Backup Annual Special Tax" is based on the number of Lots created by each Final Map within Improvement Area A, currently 430. (See "COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II)"). The Backup Annual Special Tax for an Assessor's Parcel of Developed Property in Fiscal Year 2019-20 is estimated to be \$6,405 for detached units within Tract Map 16188 and \$2,862 for attached units within Tract Map 16050.

The minimum taxable acreage is 31.03 acres.

Method of Apportionment. The Improvement Area A Rate and Method provides that commencing Fiscal Year 2014-15 and for each subsequent Fiscal Year, the Board of Education shall levy Annual Special Taxes within Improvement Area A as follows:

Step One: The Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

Step Two: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each

Assessor's Parcel of Approved Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

Step Three: If additional moneys are needed to satisfy the Special Tax Requirement after the second step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

Step Four: If additional moneys are needed to satisfy the Special Tax Requirement after the third step has been completed, the Special Tax on each Assessor's Parcel of Developed Property, whose Maximum Special Tax is the Backup Annual Special Tax, shall be increased Proportionately from the Assigned Annual Special Tax up to 100% of the Backup Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

Step Five: If additional moneys are needed to satisfy the Special Tax Requirement after the fourth step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

Prepayment of Annual Special Taxes. The Improvement Area A 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. The Prepayment Amount for an applicable Assessor's Parcel after the issuance of the 2020 Improvement Area A Bonds is calculated based on a formula which takes into account the present value of Special Taxes, a Reserve Fund credit, and the prepayment of Administrative Fees (as defined in the Improvement Area A Rate and Method), all as specified in APPENDIX B-2 – "Rate and Method of Apportionment for Improvement Area A of Community Facilities District No. 16 of Poway Unified School District – Section G" herein.

Table 4A below summarizes the Fiscal Year 2019-20 Improvement Area A Special Tax levy based on property classifications as of May 1, 2019.

Table 4A
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)
Improvement Area A

Fiscal Year 2019-20 Assigned Special Tax Levy

Special Tax Class	Unit Type	Building Square Footage	Number of Units Levied ⁽¹⁾	Assigned Special Tax Per Unit ⁽²⁾	Fiscal Year 2019-20 Special Tax Levy	Fiscal Year 2019-20 Percentage of Special Tax Levy
1	Detached	< 2,500	0	\$0	\$0	0.00%
2	Detached	2,500 – 2,750	5	3,560	17,798	1.43
3	Detached	2,751 – 3,000	51 ⁽³⁾	3,744	190,924	15.33
4	Detached	3,001 – 3,250	47	3,881	182,391	14.65
5	Detached	3,251 – 3,500	10	3,961	39,608	3.18
6	Detached	3,501 – 3,750	9	4,197	37,774	3.03
7	Detached	3,751 – 4,000	29 ⁽³⁾	4,277	124,041	9.96
8	Detached	> 4,000	17	4,357	74,075	5.95
9	Attached	< 1,250	0	0	0	0.00
10	Attached	1,250 – 1,450	56	1,744	97,657	7.84
11	Attached	1,451 – 1,650	0	0	0	0.00
12	Attached	1,651 – 1,850	16	2,144	34,299	2.75
13	Attached	1,851 – 2,050	75	2,341	175,596	14.10
14	Attached	> 2,050	112	2,419	270,955	21.76
Totals ⁽⁴⁾	N/A	N/A	427	N/A	\$1,245,117	100.00%

⁽¹⁾ Improvement Area A is built out and all property is classified as Developed Property as of May 1, 2019.

⁽²⁾ Fiscal Year 2019-20 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%.

⁽³⁾ Excludes special taxes for two units in Special Tax Class 3 and one unit in Special Tax Class 7 that prepaid their special tax obligation in Fiscal Year 2018-19.

⁽⁴⁾ Totals may not sum due to rounding.

Source: David Taussig & Associates, Inc.

Table 4B below presents the Fiscal Year 2019-20 Improvement Area A Land Ownership Summary. All homes have been sold to individual owners as of January 1, 2019.

Table 4B
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)
Improvement Area A

Fiscal Year 2019-20 Land Ownership Summary

Property Classification/Owner ^(1,2)	Number of Units Levied ⁽¹⁾	Fiscal Year 2019-20 Special Tax Levy	Percentage of Special Tax Levy
Developed Property			
Individual Owners ⁽³⁾	427	\$1,245,117	100.00%
Total	427	\$1,245,117	100.00%

⁽¹⁾ Improvement Area A is built out and all property is classified as Developed Property as of May 1, 2019.

⁽²⁾ Ownership as of January 1, 2019 provided by the County of San Diego Assessor.

⁽³⁾ Excludes special taxes for three units that prepaid their special tax obligation in Fiscal Year 2018-19.

Source: David Taussig & Associates, Inc.

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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 each 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 any single parcel subject to the Special Tax in the Community Facilities District or in Improvement Area A, as applicable, is delinquent in the payment of all or a portion of four semi-annual installments of Special Taxes, 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 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 Special Taxes levied in such Fiscal Year. Notwithstanding the foregoing, the Community Facilities 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 2020 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 Funds are 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 applicable Rate and Method and the Act, the Community Facilities District may adjust the Special Taxes levied on all property within the Community Facilities District or Improvement Area A, as applicable, in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the applicable 2020 Bonds and to replenish the applicable Reserve Fund. There is, however, no assurance that the maximum Special Tax rates of the Community Facilities District or Improvement Area A, as applicable, will be at all times sufficient to pay the amounts required to be paid on the 2020 Bonds by the applicable Indenture. The levy of Special Taxes is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of the Community Facilities District and the qualified voters of Improvement Area A, as applicable, and the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District and to Improvement Area A. See “SECURITY FOR THE 2020 BONDS – Rates and Methods – Community Facilities District Rate and Method – *Prepayment of Annual Special Taxes* – Table 3A” and “ – Improvement Area A Rate and Method – *Prepayment of Annual Special Taxes* – Table 3B.”

Special Tax Funds

Pursuant to each Indenture, the Special Tax Revenues received by the Community Facilities District will be deposited in the applicable 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, as applicable, and utilized to pay the interest and premium, if any, on and the principal of the applicable 2020 Bonds to be redeemed. Moneys in each 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 applicable 2020 Bonds. Pending disbursement, moneys in each Special Tax Fund will be subject to a lien in favor of the Bondowners of the applicable 20120 Bonds as established under each Indenture.

Disbursements. Moneys in each Special Tax Fund will be disbursed as needed to pay the obligations of the Community Facilities District in the following priority: (i) an amount equal to the Administrative Expense Requirement for the Community Facilities District and Improvement Area A to pay Administrative Expenses allocable to the applicable Series of the 2020 Bonds; (ii) amounts required to be deposited into the applicable Accounts in the applicable Bond Service Fund in order to pay debt service on the applicable 2020 Bonds, and Parity Bonds, if any, on the next Interest Payment Date; (iii) amounts required to fund the applicable Bond Service Fund; (iv) amounts required to replenish the applicable Reserve Fund to the applicable Reserve Requirement (as defined in the applicable Indenture); (v) amounts required to fund the applicable Rebate Fund; and (vi) additional amounts required to pay Administrative Expenses allocable to the applicable Series of the 2020 Bonds.

If, on or after September 2 of each year, after making the deposits and transfers required under clauses (i) through (vi) above, any moneys remain on deposit in the Special Tax Fund, such moneys shall remain therein and be used for the purposes specified in clauses (i) through (vi) above, *provided,*

however, (a) with respect to the 2020 CFD Bonds Special Tax Fund, at any time and from time to time, the Community Facilities District may, by written instructions executed by an Authorized Representative, direct the Fiscal Agent to transfer such moneys to the School District to be utilized to finance the acquisition, construction rehabilitation and improvement of School Facilities and (b) with respect to the 2020 Improvement Area A Bonds Special Tax Bonds, at any time and from time to time, the Community Facilities District determines, pursuant to the Third Supplement to Mitigation Agreement that all or any portion of such moneys constitute the proceeds of Surplus Special Taxes levied on Developed Property in excess of the Annual Special Tax Requirement (as defined in the Improvement Area A Rate and Method) (“**Surplus Special Taxes**”) and Improvement Area A has funded the Purchase Price (as defined in the Third Supplement to Mitigation Agreement) of City Facilities from all moneys deposited in the Improvement Area A Improvement Fund, the Community Facilities 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 Third Supplement to Mitigation Agreement to finance the acquisition or construction, of Supplemental School Facilities or School Facilities.

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

Bond Service Funds

The Fiscal Agent will hold each Bond Service Fund for the benefit of the applicable Bondowners. Within each 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 each Bond Service Fund and pay to the owners of the applicable 2020 Bonds the principal of and interest then due and payable on the 2020 Bonds, including any amounts due on the 2020 Bonds by reason of the sinking fund redemption of the 2020 Bonds.

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

Redemption Funds

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

Reserve Funds

In order to further secure the payment of principal of and interest on the 2020 CFD Bonds and the 2020 Improvement Area A Bonds, certain proceeds of the 2020 CFD Bonds and the 2020 Improvement Area A Bonds will be deposited into the applicable Reserve Fund in an amount equal to the applicable Reserve Requirement (see “ESTIMATED SOURCES AND USES OF FUNDS” herein). Reserve Requirement is defined in each Indenture to mean, as of any date of calculation, an amount equal to the least of (i) the then maximum annual debt service on the 2020 CFD Bonds or the 2020 Improvement Area A Bonds, as applicable, (ii) 125% of the then average annual debt service on the 2020 CFD Bonds or the 2020 Improvement Area A Bonds, as applicable, or (iii) 10% of the original issue price of the 2020 CFD Bonds or the 2020 Improvement Area A Bonds, as applicable, calculated in accordance with Treasury Regulations Section 1.148-2(f)(1). Initially, the Reserve Requirement for the 2020 CFD Bonds is equal to \$1,146,621.21 and the Reserve Requirement for the 2020 Improvement Area A Bonds is equal to \$1,917,820.05. In the event Parity Bonds are issued on a parity with the 2020 CFD Bonds, a separate Parity Bonds Reserve Account will be established, and the Parity Bonds Reserve Requirement with respect to such Parity Bonds will be an amount which shall, as of any date of calculation, be equal to the least of (i) Maximum Annual Debt Service for the Parity Bonds, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Parity Bonds, or (iii) ten percent (10%) of the original issue price of the Parity Bonds calculated in accordance with Treasury Regulations Section 1.148-2(f)(1).

Moneys in each Reserve Fund shall be used for the purpose of (i) making transfers to each Bond Service Fund to pay the principal of, including mandatory sinking payments, and interest on the 2020 Bonds when due, in the event that moneys in each Bond Service Fund are insufficient therefor, or (ii) defeasance of the 2020 Bonds. In connection with any optional redemption or a special mandatory redemption or a defeasance of the 2020 Bonds in part, amounts on deposit in each Reserve Fund which would be in excess of the applicable 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 2020 Bonds.

Moneys in each 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 Indentures” 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 applicable Special Tax Fund and deposit in the Administrative Expense Fund an amount to pay Administrative Expenses.

Pursuant to each Indenture, moneys in the applicable Administrative Expense Fund will not be construed as a trust fund held for the benefit of the Owners of the applicable 2020 Bonds and will not be available for the payment of debt service on the 2020 Bonds.

Investment of Moneys in Funds

Moneys in any fund or account created or established by the Indentures 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 to be paid out under each Indenture. In the absence of any direction from the Community Facilities District, the Fiscal Agent will invest, to the extent reasonably practicable, any such moneys in money market funds rated “AAm-1” by Moody’s or “AAm-G” by S&P, or better (including those of the Fiscal Agent or its affiliates). See APPENDIX C – “Summary of Certain Provisions of the Indentures” 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 each Indenture. If necessary, the Community Facilities District may use amounts in the applicable Special Tax Fund, or amounts on deposit in the applicable Administrative Expense Fund and other funds available to the Community Facilities District (except amounts required to pay debt service on the 2020 Bonds) to satisfy rebate obligations.

Parity Bonds

Parity 2020 CFD Bonds. Subject to the satisfaction of the specific conditions set forth in the CFD Indenture, the Community Facilities District may at any time after the issuance and delivery of the CFD Bonds issue on a parity with a Series of the 2020 CFD Bonds (“**Parity CFD Bonds**”) payable from Net Special Tax Revenues and other amounts deposited in the funds and accounts created under the supplemental CFD Indenture (other than in the Rebate Fund and the Administrative Expense Fund) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding CFD Bonds and any other Parity CFD Bonds theretofore issued under the CFD Indenture or under any supplemental CFD Indenture; provided, however, that Parity CFD Bonds may only be used for the purpose of financing additional School Facilities Costs or refunding all or a portion of the CFD Bonds or any Parity CFD Bonds then outstanding.

The issuance of any Series of Parity CFD Bonds shall be subject to the following additional specific conditions, which are conditions precedent to the issuance of such Parity CFD Bonds, including the following:

a. The aggregate principal amount of the 2020 CFD Bonds and all Parity CFD Bonds issued may not exceed \$26,000,000; *provided, however*, that, notwithstanding the foregoing, Parity CFD Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity CFD Bonds results in a reduction of Annual Debt Service on all Outstanding CFD Bonds. The amount authorized for Parity CFD Bonds (excluding any refunding bonds) is approximately \$10,325,000.

b. The Community Facilities District shall be in compliance with all covenants set forth in the CFD Indenture and any supplemental CFD Indenture then in effect and a certificate of the Community Facilities District to that effect shall have been filed with the Fiscal Agent; provided, however, that Parity CFD Bonds may be issued notwithstanding that the Community Facilities District is not in compliance with all such covenants so long as immediately following the issuance of such Parity CFD Bonds the Community Facilities District will be in compliance with all such covenants.

c. The Community Facilities District has received a certificate from one or more Special Tax Consultants which, when taken together, certify that (1) the amount of the maximum Special Taxes that may be levied pursuant to the Community Facilities District Rate and Method in each remaining Bond Year based only on the Taxable Property (as such term is defined in the Community Facilities District Rate and Method) existing as of the date of such certificate is at least 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding CFD Bonds theretofore issued and the Parity CFD Bonds proposed to be issued, provided, however, there shall be excluded from such calculation the Special Taxes on any parcel then delinquent in the payment of Special Taxes; and provided further that, for purposes of making the certifications required by this paragraph, the Special Tax Consultant may rely on reports or certificates of such other persons as may be acceptable to the Community Facilities District, Bond Counsel and the underwriter of the proposed Parity CFD Bonds;

d. Except in the case of the issuance of Parity CFD Bonds to refund Outstanding CFD Bonds or Parity CFD Bonds, (a) the assessed value of all Taxable Property (as such term is defined in the Community Facilities District Rate and Method) within the Community Facilities District is not less than three (3) times the aggregate amount of Land Secured Debt allocable to such Taxable Property and (b) the assessed value for all Undeveloped Property (as such term is defined in the Community Facilities District Rate and Method) within the Community Facilities District is not less than 2.5 times the aggregate amount of Land Secured Debt allocable to such Undeveloped Property; and

e. There shall have been received such further documents, money and securities as are required by the provisions of the CFD Indenture and the supplemental CFD Indenture providing for the issuance of such Parity CFD Bonds.

See APPENDIX C – “Summary of Certain Provisions of the Indentures – General Authorization and Terms – Issuance of Parity Bonds.”

Parity 2020 Improvement Area A Bonds for Refunding Purposes Only. Bonds issued on a parity with the 2020 Improvement Area A Bonds (“**Parity 2020 Improvement Area A Bonds**” and together with Parity CFD Bonds, “**Parity Bonds**”) may be issued for refunding purposes only. See APPENDIX C – “Summary of Certain Provisions of the Indentures – General Authorization and Terms – Issuance of Parity Bonds.”

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)” for the potential of a grant of waivers on penalties, based on application and approval, benefiting taxpayers that do not make timely payment of property taxes, including the Special Taxes, due to the COVID-19 virus.

BOND INSURANCE

Municipal Bond Insurance

Concurrently with the issuance of the 2020 CFD Bonds, Assured Guaranty Municipal Corp. (“AGM” or “**Bond Insurer**”) will issue its Municipal Bond Insurance Policy (the “**Insured 2020 CFD Bonds Policy**”) for the Insured 2020 CFD Bonds maturing on September 1 of the years 2024 through 2029, inclusive, and of the years 2032 through 2050, inclusive (the “**Insured 2020 CFD Bonds**”). Concurrently with the issuance of the 2020 Improvement Area A Bonds, the Bond Insurer will issue its Municipal Bond Insurance Policy (the “**Insured 2020 Improvement Area A Bonds Policy**,” and together with the Insured 2020 CFD Bonds Policy, the “**Policies**” or separately, each a “**Policy**”) for the Insured 2020 Improvement Area A Bonds maturing on September 1 of years 2024 through 2050 (the “**Insured 2020 Improvement Area A Bonds**,” and collectively with the Insured 2020 CFD Bonds, the “**Insured Bonds**”), (each a “**Policy**” and together the “**Policies**”). Each Policy guarantees the scheduled payment of principal of and interest on the Insured 2020 CFD Bonds or Insured 2020 Improvement Area A Bonds, as applicable, when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“**S&P**”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“**KBRA**”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“**Moody’s**”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At March 31, 2020:

- The policyholders' surplus of AGM was approximately \$2,573 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II)

General Information

The Community Facilities District is located at the northerly end of the City of San Diego and west of Interstate 15, approximately eight miles from the coast and 20 miles north of downtown San Diego. The Community Facilities District was formed November 17, 2014. The boundaries of the Community Facilities District and Improvement Area A are co-terminus. The boundaries are non-contiguous with the northerly portion generally located south of Camino Del Sur and west of 4S Ranch near the intersection of Camino San Bernardo and Nicole Ridge Road, and the southerly portion located south of Carmel Valley Road near the intersection of Carmel Valley Road and Dove Canyon Road.

The Community Facilities District is the development referred to as Del Sur East II and is built out with 430 completed homes, consisting of 171 single-family detached homes and 259 attached homes. As of April 1, 2020, Improvement Area A Special Taxes have been prepaid with respect to 3 of the single-family detached homes.

Drainage is within the master-planned facilities constructed throughout the community and the area drainage is directed to the Lusardi Creek. Veridian drains generally to the south/southeast. Heritage Bluffs II drains generally to the north/northwest. None of the areas in the Community Facilities District are within a 100-year flood plain. Portions of each non-contiguous portion of the Community Facilities

District are in Very High Fire Hazard Severity Zone “VHFHZ” identified by the California Department of Forestry and Fire Prevention pursuant to Government Code Section 51178 and other portions of each non-contiguous portion of the Community Facilities District border a VHFHZ.

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

Authority for Issuance

The 2020 Bonds are being issued pursuant to the Act and the Indentures. In addition, as required by the Act, the Board of Education of the School District has taken the following actions with respect to establishing the Community Facilities District, Improvement Area A and authorizing issuance of the 2020 Bonds:

Resolutions of Intention: On September 15, 2014, the Board of Education adopted Resolution No. 03-2015 stating its intention to establish the Community Facilities District and to authorize the levy of a special tax therein pursuant to the CFD No. 16 Rate and Method and the initial Rate and Method of Apportionment of Special Tax for Improvement Area A. On the same day the Board of Education adopted Resolution No. 04-2015 stating its intention to incur bonded indebtedness in an amount not to exceed \$26,000,000 with respect to the Community Facilities District and \$25,500,000 with respect to Improvement Area A. Community Facilities District No. 16 will finance School Facilities. Improvement Area A will finance City Facilities through the Special Tax and School Facilities through any Surplus Special Taxes as provided in the Improvement Area A Indenture. See “SCHOOL FACILITIES AND CITY IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2020 BONDS” herein.

Resolution of Formation: Immediately following a noticed public hearing on November 17, 2014, the Board of Education adopted Resolution No. 21-2015 (the “**Resolution of Formation**”), which established the Community Facilities District and designated the Improvement Area therein, established each Rate and Method, and authorized the levy of a special tax within the Community Facilities District and within the Improvement Area pursuant to each Rate and Method of Apportionment.

Resolution of Necessity: On November 17, 2014, the Board of Education adopted Resolution No. 22-2015 declaring the necessity to incur bonded indebtedness in an amount not to exceed \$26,000,000 and with respect to the Community Facilities District, \$25,500,000 with respect to Improvement Area A and submitting the proposition to the qualified electors of the Community Facilities District.

Landowner Election and Declaration of Results: On November 17, 2014, elections were held within the Community Facilities District, including within Improvement Area A, in which the landowners eligible to vote, being the qualified electors within Improvement Area A, each approved the applicable ballot propositions authorizing the issuance of up to \$26,000,000 in bonds to finance the acquisition and construction of the School Facilities, and the landowners within Improvement Area A approved a ballot proposition authorizing the issuance of up to \$25,500,000 of bonds for Improvement Area A to finance the acquisition and construction of City Facilities. The qualified electors within the Community Facilities District and Improvement Area A also approved the levy of a special tax in accordance with the initial Rate and Method of Apportionment of Special Tax for Improvement Area A and the establishment of an appropriations limit for the Community Facilities District.

On November 17, 2014, the Board of Education adopted Resolution No. 23-2015, pursuant to which the Board of Education approved the canvass of the votes.

Special Tax Lien and Levy: Notices of Special Tax Lien, including one for the Community Facilities District and one for Improvement Area A, were recorded in the real property records of San Diego County on November 24, 2014.

Ordinance Levying Special Taxes: On November 17, 2014, the Board of Education adopted an Ordinance No. 2015-01 levying the Special Tax within the Community Facilities District and in Improvement Area A.

Resolution Authorizing Issuance of the 2020 Bonds: On April 23, 2020, the Board of Education adopted Resolution No. 47-2020, approving issuance of the 2020 Bonds.

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Special Tax Collections

The Special Tax on Developed Property in the Community Facilities District authorized for the 2019-20 Fiscal Year was \$1,303,394, which was levied against 430 parcels.

Table 5A below sets forth the Special Tax collections and delinquencies for Fiscal Years 2016-17 through 2019-20, all of which was levied on Developed Property.

Table 5A
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)

Special Tax Delinquency History

<u>Fiscal Year</u>	<u>Total Special Tax Levy</u>	<u>Number of Units Levied</u>	<u>Number of Delinquent Parcels at Fiscal Year End ⁽²⁾</u>	<u>Fiscal Year Amount Collected ⁽²⁾</u>	<u>Fiscal Year Amount Delinquent ⁽²⁾</u>	<u>Fiscal Year Delinquency Rate ⁽²⁾</u>	<u>Number of Delinquent Parcels as of May 7, 2020 ⁽³⁾</u>	<u>Remaining Delinquency as of May 7, 2020 ⁽³⁾</u>	<u>Remaining Delinquency Rate as of May 7, 2020 ⁽³⁾</u>
2016-17 ⁽¹⁾	\$225,089	106	0	\$225,089	\$0	0.00%	0	\$0	0.00%
2017-18	554,253	253	11	533,078	21,175	3.82 ⁽⁴⁾	0	0	0.00
2018-19	1,277,840	430	3	1,270,752	7,088	0.55	2	4,646	0.36
2019-20	1,303,394	430	N/A	N/A	N/A	N/A	11	21,844	1.68

⁽¹⁾ First year of Special Tax levy for the Community Facilities District.

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

⁽³⁾ Delinquency data as of May 7, 2020, provided by the County of San Diego.

⁽⁴⁾ Though the Community Facilities District cannot be certain, based on discussions with the County, it appears there was a parcel reconfiguration that occurred sometime in the Fiscal Year 2016-17 to 2017-18 timeframe which may have resulted in a delay by the County in sending out tax bills to homeowners who acquired homes in Fiscal Year 2017-18.

Source: David Taussig & Associates, Inc.

The Special Tax on Developed Property in Improvement Area A authorized for the 2019-20 Fiscal Year was \$1,245,117, which was levied against 427 parcels.

Table 5B below sets forth the Special Tax collections and delinquencies in Improvement Area A for Fiscal Years 2016-17 through 2019-20, all of which was levied on Developed Property.

Table 5B
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)
Improvement Area A

Special Tax Delinquency History

Fiscal Year	Total Special Tax Levy	Number of Units Levied	Number of Delinquent Parcels at Fiscal Year End ⁽²⁾	Fiscal Year Amount Collected ⁽²⁾	Fiscal Year Amount Delinquent ⁽²⁾	Fiscal Year Delinquency Rate ⁽²⁾	Number of Delinquent Parcels as of May 7, 2020 ⁽³⁾	Remaining Delinquency as of May 7, 2020 ⁽³⁾	Remaining Delinquency Rate as of May 7, 2020 ⁽³⁾
2016-17 ⁽¹⁾	\$223,808	106	0	\$223,808	\$0	0.00%	0	\$0	0.00%
2017-18	543,617	253	11	523,049	20,567	3.78 ⁽⁴⁾	0	0	0.00
2018-19	1,232,239	430	3	1,225,399	6,840	0.56	2	4,469	0.36
2019-20 ⁽⁵⁾	1,245,117	427	N/A	N/A	N/A	N/A	11	21,044	1.69

⁽¹⁾ First year of Special Tax levy for Improvement Area A.

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

⁽³⁾ Delinquency data as of May 7, 2020, provided by the County of San Diego.

⁽⁴⁾ Though the Community Facilities District cannot be certain, based on discussions with the County, it appears there was a parcel reconfiguration that occurred sometime in the Fiscal Year 2016-17 to 2017-18 timeframe which may have resulted in a delay by the County in sending out tax bills to homeowners who acquired homes in Fiscal Year 2017-18.

⁽⁵⁾ Excludes special taxes for three units that prepaid their special tax obligation in Fiscal Year 2018-19.

Source: David Taussig & Associates, Inc.

See “BONDOWNERS’ RISK – Emergency Preparedness; Coronavirus (COVID-19)” for the potential of a grant of waivers on penalties, based on application and approval, benefiting taxpayers that do not make timely payment of property taxes, including the Special Taxes, due to the COVID-19 virus.

Value-to-Debt Ratios

Based on the County’s Fiscal Year 2019-20 assessor’s roll, the aggregate assessed value of taxable property in the Community Facilities District was \$386,438,328. The Fiscal Year 2019-20 Special Tax levy billed to the properties in the Community Facilities District which were entered on the Assessment Roll of the County equaled \$1,303,394. Set forth in Table 3A above in “SECURITY FOR THE 2020 BONDS – Rates and Methods” is a summary of the Fiscal Year 2019-20 Special Tax levy by tax classes. Table 6A below summarizes the assessed value-to-debt ratios in the Community Facilities District by value-to-debt category.

Table 6A
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)

Assessed Value-to-Debt Ratios (Fiscal Year 2019-20)

Assessed Value-to-Debt Ratio	Number of Units Levied ⁽¹⁾	Assessed Value ⁽²⁾	CFD No. 16 Outstanding Bond Amount ⁽³⁾	Total Overlapping Debt	Total Direct and Overlapping Debt
Less than 3:1	0	\$0	\$0	\$0	\$0
Between 3:1 and 6.99:1	5	3,848,673	181,251	398,869	580,121
Between 7:1 and 10:1	410	365,600,531	14,901,088	28,021,751	42,922,838
Greater than 10:1	15	16,989,124	592,661	901,419	1,494,080
Total ⁽⁴⁾	430	\$386,438,328	\$15,675,000	\$29,322,039	\$44,997,039

⁽¹⁾ The Community Facilities District is built out and all property is classified as Developed Property as of May 1, 2019.

⁽²⁾ Based on Fiscal Year 2019-20 assessed values provided by the San Diego County Assessor. Assessed value is calculated as the sum of land value and improvement value. Reflects full assessed values as all homes have been sold to individual owners as of January 1, 2019.

⁽³⁾ Based on final bond sizing dated May 7, 2020, provided by the Underwriter. Allocated based on Fiscal Year 2019-20 Special Tax levy.

⁽⁴⁾ Totals may not sum due to rounding.

Source: David Taussig & Associates, Inc.

Based on the County’s Fiscal Year 2019-20 assessor’s roll, the aggregate assessed value of taxable property in Improvement Area A was \$382,898,106 (excludes three units for which the Improvement Area A Special Tax obligation had been prepaid as of April 1, 2020). The Fiscal Year 2019-20 Special Tax levy billed to the properties in the Community Facilities District which were entered on the Assessment Roll of the County equaled \$1,245,117. Set forth in Table 3B above in “SECURITY FOR THE 2020 BONDS – Rates and Methods” is a summary of the Fiscal Year 2019-20 Special Tax levy by tax classes. Table 6B below summarizes the assessed value-to-debt ratios in the Community Facilities District by value-to-debt category.

Table 6B
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)
Improvement Area A

Assessed Value-to-Debt Ratios (Fiscal Year 2019-20)

<u>Assessed Value-to-Debt Ratio</u>	<u>Number of Units Levied ⁽¹⁾⁽²⁾</u>	<u>Assessed Value ⁽³⁾</u>	<u>Imp. Area A Outstanding Bond Amount ⁽⁴⁾</u>	<u>Total Overlapping Debt</u>	<u>Total Direct and Overlapping Debt</u>
Less than 3:1	0	\$0	\$0	\$0	\$0
Between 3:1 and 6.99:1	5	3,848,673	296,486	283,635	580,121
Between 7:1 and 10:1	410	365,600,531	24,386,392	18,536,446	42,922,838
Greater than 10:1	12	13,448,902	732,122	577,841	1,309,963
Total ⁽⁵⁾	427	\$382,898,106	\$25,415,000	\$19,397,922	\$44,812,922

⁽¹⁾ Improvement Area A is built out and all property is classified as Developed Property as of May 1, 2019.

⁽²⁾ Excludes three units for which the Improvement Area A Special Tax obligation had been prepaid as of April 1, 2020.

⁽³⁾ Based on Fiscal Year 2019-20 assessed values provided by the San Diego County Assessor. Assessed value is calculated as the sum of land value and improvement value. Reflects full assessed values as all homes have been sold to individual owners as of January 1, 2019.

⁽⁴⁾ Based on final bond sizing dated May 7, 2020, provided by the Underwriter. Allocated based on Fiscal Year 2019-20 Special Tax levy.

⁽⁵⁾ Totals may not sum due to rounding.

Source: David Taussig & Associates, Inc.

Direct and Overlapping Debt

Tables 7A and 7B below set forth the existing authorized indebtedness payable from taxes and assessments that may be levied within the Community Facilities District and Improvement Area A, prepared by David Taussig & Associates, Inc., as of March 2, 2020 (each a “**Debt Report**”). Table 7B excludes three units for which the Improvement Area A Special Tax obligation had been prepaid as of April 1, 2020. Each Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on Fiscal Year 2019-20 assessed values, which may change significantly as sales occur and assessed values change to reflect housing values. The Community Facilities District believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the City of San Diego or the County, may issue additional indebtedness at any time, without the consent or approval of the School District or the Community Facilities District. See “– Overlapping Direct Assessments” below.

Each Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Community Facilities District and Improvement Area A in whole or in part. Such long-term obligations generally are not payable from property taxes, assessment or special taxes on land in the Community Facilities District. 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, the City, 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 the Community Facilities District and Improvement Area A for purposes of its Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See APPENDIX D hereto for the form of the Continuing Disclosure Agreement.

Table 7A
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)

Direct and Overlapping Debt Summary
as of March 2, 2020

Overlapping District	Actual FY 2019-20 Total Levy	Amount of Levy on Parcels in District ⁽¹⁾	Percent of Levy on Parcels in District	Total Debt Outstanding ⁽²⁾	CFD Share of Total Debt Outstanding
Poway Unified School District CFD No. 16, Impv. Area A	\$1,245,117	\$1,245,117	100.0000%	\$25,415,000 ⁽³⁾	\$25,415,000
Metropolitan Water District G.O. Bonds	143,645,604	13,454	0.0094	37,300,000	3,494
Palomar Pomerado Health Election of 2004 G.O. Bonds	24,641,954	111,475	0.4524	422,024,018	1,909,141
Palomar Community College Bond Prop M Series 2006B	4,728,671	14,607	0.3089	77,495,880	239,386
Palomar Community College Bond Series 2015 Refunding	7,889,413	24,371	0.3089	105,925,000	327,206
Palomar Community College Bond Prop M Series 2006C	8,959,586	27,677	0.3089	205,225,000	633,949
Palomar Community College Bond Prop M Series 2006D	5,425,527	16,760	0.3089	134,035,000	414,040
Palomar Community College Bond Series 2017 Refunding	0	0	0.0000	101,770,000	314,372 ⁽⁴⁾
PACE Programs ⁽⁵⁾	N/A	N/A	N/A	N/A	65,453

Estimated Share of Overlapping Debt Allocable to the Community Facilities District \$29,322,039

Plus the CFD No. 16, 2020 CFD Bonds ⁽³⁾ \$15,675,000

Estimated Share of Direct and Overlapping Debt Allocable to the Community Facilities District	\$44,997,039
Fiscal Year 2019-2020 Assessed Value ⁽⁶⁾	\$386,438,328
Estimated Assessed Value to Direct and Overlapping Debt Ratio	8.59

⁽¹⁾ Based on Community Facilities District's share of total levy for Fiscal Year 2019-20.

⁽²⁾ As of March 2, 2020.

⁽³⁾ Based on final bond sizing dated May 7, 2020, provided by the Underwriter.

⁽⁴⁾ As there was no levy for Fiscal Year 2019-20, "CFD Share of Total Debt Outstanding" was calculated by multiplying Overlapping District's Total Debt Outstanding by 0.3089%.

⁽⁵⁾ One property owner in the Community Facilities District is participating in the CA1st PACE Program as of June 30, 2019. DTA is not aware of any property owners in the Community Facilities District that are participating in other active PACE programs.

⁽⁶⁾ Based on Fiscal Year 2019-20 assessed values provided by the San Diego County Assessor. Assessed value is calculated as the sum of land value and improvement value. Reflects values as all homes have been sold to individual owners as of January 1, 2019.

Source: David Taussig & Associates, Inc., San Diego County and Metropolitan Water District.

Table 7B
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)
Improvement Area A

Direct and Overlapping Debt Summary ⁽¹⁾
as of March 2, 2020

Overlapping District	Actual FY 2019-20 Total Levy	Amount of Levy on Parcels in Imp. Area	Percent of Levy on Parcels in Imp. Area A	Total Debt Outstanding ⁽²⁾	Imp. Area A Share of Total Debt Outstanding
Poway Unified School District CFD No. 16	\$1,303,394	\$1,291,026	99.0511% ⁽³⁾	\$15,675,000 ⁽⁴⁾	\$15,526,263
Metropolitan Water District G.O. Bonds	143,645,604	13,330	0.0093	37,300,000	3,461
Palomar Pomerado Health Election of 2004 G.O. Bonds	24,641,954	110,448	0.4482	422,024,018	1,891,558
Palomar Community College Bond Prop M Series 2006B	4,728,671	14,472	0.3061	77,495,880	237,181
Palomar Community College Bond Series 2015 Refunding	7,889,413	24,146	0.3061	105,925,000	324,193
Palomar Community College Bond Prop M Series 2006C	8,959,586	27,422	0.3061	205,225,000	628,110
Palomar Community College Bond Prop M Series 2006D	5,425,527	16,605	0.3061	134,035,000	410,227
Palomar Community College Bond Series 2017 Refunding	0	0	0.0000	101,770,000	311,477 ⁽⁵⁾
PACE Programs ⁽⁶⁾	N/A	N/A	N/A	N/A	65,453
Estimated Share of Overlapping Debt Allocable to Improvement Area A					\$19,397,922
Plus the CFD No. 16, Impv Area A Bonds ⁽⁴⁾					\$25,415,000
Estimated Share of Direct and Overlapping Debt Allocable to Improvement Area A					\$44,812,922
Fiscal Year 2019-2020 Assessed Value ⁽⁷⁾					\$382,898,106
Estimated Assessed Value to Direct and Overlapping Debt Ratio					8.54

⁽¹⁾ Based on Improvement Area A's share of total levy for Fiscal Year 2019-20. Excludes three units for which the Improvement Area A Special Tax obligation had been prepaid as of April 1, 2020.

⁽²⁾ As of March 2, 2020.

⁽³⁾ Improvement Area A's share of Special Tax levy is less than 100% due to three units that prepaid their Improvement Area A special tax obligation but not their CFD No. 16 special tax obligation.

⁽⁴⁾ Based on final bond sizing dated May 7, 2020, provided by the Underwriter.

⁽⁵⁾ As there was no levy for Fiscal Year 2019-20, "Imp. Area A Share of Total Debt Outstanding" was calculated by multiplying Overlapping District's Total Debt Outstanding by 0.3061%.

⁽⁶⁾ One property owner in Improvement Area A is participating in the CA1st PACE Program as of June 30, 2019. DTA is not aware of any property owners in Improvement Area A that are participating in other active PACE programs.

⁽⁷⁾ Based on Fiscal Year 2019-20 assessed values provided by the San Diego County Assessor. Assessed value is calculated as the sum of land value and improvement value. Reflects values as all homes have been sold to individual owners as of January 1, 2019.

Source: David Taussig & Associates, Inc., San Diego County and Metropolitan Water District.

The following Table 8A sets forth Fiscal Year 2019-20 overall tax rates within Tax Class 3 of the Community Facilities District which is the tax class with the highest projected total effective tax rate for detached units. The following Table 8B sets forth Fiscal Year 2019-20 overall tax rates within Tax Class 13 of Improvement Area A which is the tax class with the highest projected total effective tax rate for attached units. One parcel within the Community Facilities District and Improvement Area A is participating in the CA 1st PACE Program Tax. That parcel is within Tax Class 7 within the Community Facilities District and Tax Class 7 within Improvement Area A as of January 1, 2019, provided by the County of San Diego Assessor. The projected total effective tax rate for that parcel is 2.12372%.

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Table 8A
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II) and Improvement Area A
Estimated Fiscal Year 2019-20 Sample Tax Bill
(Detached Unit: Tax Class 3 (2,751 – 3,000 SF) TRA 08279)

Assessed Valuation and Property Taxes	Percent of Net AV	Expected Amount
TOTAL ASSESSED VALUE ⁽¹⁾	\$1,052,656	
NET ASSESSED VALUE ⁽¹⁾	\$1,045,656	
Average Unit Size for Detached Property ⁽²⁾	2,856 Square Feet	
Average Lot Size for Detached Property ⁽³⁾	5,663 Square Feet	
AD VALOREM PROPERTY TAXES ⁽⁴⁾		
Basic Levy	1.00000%	\$10,456.56
Palomar Community College Prop M, 2006B	0.00380	39.73
Palomar Community College Prop M, 2006C	0.00720	75.29
Palomar Community College Prop M, 2006D	0.00436	45.59
Palomar Community College Prop M, 2015	0.00634	66.29
Palomar Community College Prop M, 2017	0.00000	0.00
San Diego City Zoological Exhibits - Maintenance	0.00500	52.28
Palomar Health 2005A - Debt Service	0.02900	303.24
<u>Metropolitan Water District Debt Service</u>	<u>0.00350</u>	<u>36.60</u>
Total General Property Taxes and Overrides	1.05920%	\$11,075.59
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES		
Mosquito Surveillance - Zone A ⁽⁵⁾		\$3.00
Olivenhain Municipal Water District Sewer Service Fee ⁽⁶⁾		971.88
CWA Water Availability ⁽⁷⁾		10.00
Vector Disease Control ⁽⁸⁾		8.37
Metropolitan Water District Water Standby Charge ⁽⁹⁾		11.51
Poway Unified School District CFD No. 16 IA A ⁽¹⁰⁾		3,743.60
<u>Poway Unified School District CFD No. 16 ⁽¹¹⁾</u>		<u>3,935.58</u>
Total Assessments and Parcel Charges		\$8,683.94
<u>PROJECTED TOTAL PROPERTY TAXES</u>		<u>\$19,759.53</u>
Projected Total Effective Tax Rate (as % of Total Assessed Value)		1.87711%

⁽¹⁾ Based on average assessed value for all Tax Class 3 detached units (51 units) within the Community Facilities District and Improvement Area A as of January 1, 2019, 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 3 detached units.

⁽³⁾ Based on the average lot size for all Tax Class 3 detached units.

⁽⁴⁾ Based on actual Fiscal Year 2019-20 *ad valorem* rates.

⁽⁵⁾ Based on the Fiscal Year 2019-20 rate of \$3.00 per benefit unit.

⁽⁶⁾ Based on the highest Fiscal Year 2019-20 amount charged to a single-family detached unit. Amount is based on a fixed fee plus the occupant's prior year minimum monthly winter usage.

⁽⁷⁾ Based on the Fiscal Year 2019-20 rate of \$10.00 per parcel or per acre, whichever is greater.

⁽⁸⁾ Based on the Fiscal Year 2019-20 rate of \$8.37 per single family residential unit.

⁽⁹⁾ Based on the Fiscal Year 2019-20 rate of \$11.51 per parcel.

⁽¹⁰⁾ Based on the Fiscal Year 2019-20 Improvement Area A Assigned Special Tax rate of \$3,743.60 per unit for Tax Class 3 property. The Assigned Special Tax rates escalate at 2.00% per year.

⁽¹¹⁾ Based on average Fiscal Year 2019-20 Community Facilities District Assigned Special Tax rate of \$3,935.58 per unit for Tax Class 3 property. The Assigned Special Tax rates escalate each year at a rate equal to the Inflation until the first year in which the parcel is classified as Developed Property and then by 2.00% each year thereafter.

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

Table 8B
Poway Unified School District
Community Facilities District No. 16 (Del Sur East II) and Improvement Area A
Estimated Fiscal Year 2019-20 Sample Tax Bill
(Attached Unit: Tax Class 13 (1,851 – 2,050 SF) TRA 08050)

Assessed Valuation and Property Taxes	Percent of Net AV	Expected Amount
TOTAL ASSESSED VALUE ⁽¹⁾	\$677,819	
NET ASSESSED VALUE ⁽¹⁾	\$670,819	
Average Unit Size for Attached Property ⁽²⁾	1,900 Square Feet	
Average Lot Size for Attached Property ⁽³⁾	3,049 Square Feet	
AD VALOREM PROPERTY TAXES ⁽⁴⁾		
Basic Levy	1.00000%	\$6,708.19
Palomar Community College Prop M, 2006B	0.00380	25.49
Palomar Community College Prop M, 2006C	0.00720	48.30
Palomar Community College Prop M, 2006D	0.00436	29.25
Palomar Community College Prop M, 2015	0.00634	42.53
Palomar Community College Prop M, 2017	0.00000	0.00
San Diego City Zoological Exhibits - Maintenance	0.00500	33.54
Palomar Health 2005A - Debt Service	0.02900	194.54
<u>Metropolitan Water District Debt Service</u>	<u>0.00350</u>	<u>23.48</u>
Total General Property Taxes and Overrides	1.05920%	\$7,105.32
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES		
Mosquito Surveillance - Zone B ⁽⁵⁾		\$2.28
CWA Water Availability ⁽⁶⁾		10.00
Vector Disease Control ⁽⁷⁾		5.86
Metropolitan Water District Water Standby Charge ⁽⁸⁾		11.51
Poway Unified School District CFD No. 16 IA A ⁽⁹⁾		2,341.28
<u>Poway Unified School District CFD No. 16 ⁽¹⁰⁾</u>		<u>2,394.67</u>
Total Assessments and Parcel Charges		\$4,765.60
<u>PROJECTED TOTAL PROPERTY TAXES</u>		<u>\$11,870.92</u>
Projected Total Effective Tax Rate (as % of Total Assessed Value)		1.75134%

⁽¹⁾ Based on average assessed value for all Tax Class 13 attached units (75 units) within the Community Facilities District and Improvement Area A as of January 1, 2019, 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 13 attached units.

⁽³⁾ Based on the average lot size for all Tax Class 13 attached units.

⁽⁴⁾ Based on actual Fiscal Year 2019-20 *ad valorem* rates.

⁽⁵⁾ Based on the Fiscal Year 2019-20 rate of \$2.28 per benefit unit.

⁽⁶⁾ Based on the Fiscal Year 2019-20 rate of \$10.00 per parcel or per acre, whichever is greater.

⁽⁷⁾ Based on the Fiscal Year 2019-20 rate of \$5.86 condominium unit.

⁽⁸⁾ Based on the Fiscal Year 2019-20 rate of \$11.51 per parcel.

⁽⁹⁾ Based on the Fiscal Year 2019-20 Improvement Area Assigned Special Tax rate of \$2,341.28 per unit for Tax Class 13 property. The Assigned Special Tax rates escalate at 2.00% per year.

⁽¹⁰⁾ Based on average Fiscal Year 2019-20 Community Facilities District Assigned Special Tax rate of \$2,394.67 per unit for Tax Class 13 property. The Assigned Special Tax rates escalate each year at a rate equal to the Inflation until the first year in which the parcel is classified as Developed Property and then by 2.00% each year thereafter.

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

Overlapping Direct Assessments

As indicated in the tables above, properties within the Community Facilities District and Improvement Area A 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 2020 Bonds Special Taxes and the sewer service charges imposed by Olivenhain Municipal Water District, the Community Facilities District and Improvement Area A are not aware that the properties within the Community Facilities District are subject to sewer service charges or other special taxes in excess of \$500 per year.

The Community Facilities District and Improvement Area A have no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within a special district which may be incurred in the future by other governmental agencies, including, but not limited to, the City of San Diego, the County or any other governmental agency having jurisdiction over all or a portion of the property within the Community Facilities District, including Improvement Area A. Furthermore, nothing prevents the owners of property within the Community Facilities District or Improvement Area A 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 or Improvement Area A 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 2020 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 or Improvement Area A 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.”

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 2020 Bonds. The Community Facilities District and the Underwriter caution prospective investors that this discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the 2020 Bonds. The occurrence of one or more of the events discussed herein could adversely affect the willingness of property owners in the Community Facilities District or Improvement Area A 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 2020 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the Community Facilities District and Improvement Area A.

Risks of Real Estate Secured Investments Generally

The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Community Facilities District and Improvement Area A, the supply of or demand for competitive properties in such area, and the market value of residential property in the event of sale or foreclosure; (ii) changes in real estate tax rate and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, landslides, wildfires, floods and droughts), which may result in uninsured losses.

Special Taxes Are Not Personal Obligations

The current and future owners of land within the Community Facilities District, including Improvement Area A, are not personally liable for the payment of the applicable Special Taxes. Rather, each Special Tax is an obligation only of the land within the Community Facilities District and Improvement Area A, as applicable. If the value of the land within the Community Facilities District or Improvement Area A is not sufficient to fully secure the applicable Special Tax, then the Community Facilities District has no recourse against the landowner under the laws by which the Special Tax has been levied and the 2020 Bonds have been issued.

The 2020 Bonds Are Limited Obligations of the Community Facilities District

The Community Facilities District has no obligation to pay principal of and interest on the 2020 CFD Bonds in the event Special Tax collections are delinquent or insufficient, other than from amounts, if any, on deposit in the applicable Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels for Special Tax delinquencies. Neither the School District nor the Community Facilities District is obligated to advance funds to pay debt service on the 2020 Bonds.

Neither the faith and credit nor the taxing power of the School District, the State or any political subdivision thereof other than the Community Facilities District is pledged to the payment of the 2020 Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the 2020 Bonds. The 2020 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 or Net

Improvement Area A Special Tax Revenues, as applicable, and the other assets pledged therefor under the Indentures.

Assessed Values

Prospective purchasers of the 2020 Bonds should not assume that the land within the Community Facilities District or Improvement Area A 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 the Community Facilities District and Improvement Area A. 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 the Community Facilities District or Improvement Area A 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-Debt Ratios,” below.

Value-to-Debt Ratios

Value-to-debt 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-debt ratio is mathematically a fraction, the numerator of which is the value of the property (usually either the assessed value or a market value as determined by an appraiser) and the denominator of which is the “lien” of the assessments or special taxes as represented by the principal amount of bonds repaid by such assessment or special tax. A value-to-debt 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-debt ratios. Further, the value-to-debt ratio typically cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a 1:1 ratio, the land is worth less than the debt on it.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. Finally, local agencies may form overlapping community facilities districts or assessment districts. Such local agencies typically do not coordinate their bond issuances. Debt issuance by an entity other than the Community Facilities District can therefore dilute value-to-debt ratios. See “COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II) – 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 tables in the section entitled “COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II) – 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 tables do 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 2020 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 2020 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 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

The Community Facilities District has recorded Notices of Special Tax Lien on behalf of itself and Improvement Area A in the Office of the San Diego County Recorder on November 24, 2014, as Document Nos. 2014-0511418 and 2014-0511529, respectively. 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 the Community Facilities District or Improvement Area A or the lending of money thereon. The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers, other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay Special Tax when due.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels of Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling or disposing of it.

All of these possibilities could significantly affect the value of a Taxable Property that is realizable upon a delinquency.

Special Tax Delinquencies

In order to pay debt service on the 2020 Bonds, it is necessary that each Special Tax levied against land within the Community Facilities District, including Improvement Area A, 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 2020 Bonds are derived, are customarily billed to the properties within the Community Facilities District, and Improvement Area A 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 2020 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the Community Facilities District and Improvement Area A. 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 2020 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 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 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 2020 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 each Rate and Method. Application of each 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 the Community Facilities District and Improvement Area A. 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 2020 BONDS – Special Taxes” and “ – Rates and Methods” herein, each 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 2020 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 2020 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 2020 BONDS – Proceeds of Foreclosure Sales.”

In addition, each Rate and Method limits the increase of Special Taxes levied on parcels of Developed Property to cure delinquencies of other property owners in the Community Facilities District Improvement Area A, as applicable. See “SECURITY FOR THE 2020 BONDS – Rates and Methods” herein.

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with each Rate and Method (see “SECURITY FOR THE 2020 BONDS – Rates and Methods” herein). In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Special Tax; *provided, however*, that property within the Community Facilities District and Improvement Area A 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 Funds

Each Reserve Fund is to be maintained at an amount equal to the applicable Reserve Requirement (see “SECURITY FOR THE 2020 BONDS – Reserve Funds” herein). Funds in the Reserve Funds may be used to pay principal of and interest on the 2020 CFD Bonds or the 2020 Improvement Area A Bonds, as applicable, in the event the proceeds of the levy and collection of the Special Tax against property within the Community Facilities District or Improvement Area A are insufficient. If funds in the applicable Reserve Fund for the 2020 Bonds 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 each 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 the Community Facilities District and Improvement Area A, at the maximum tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus, it is possible that a 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 2020 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. See “BONDOWNERS’ RISKS – Payments by FDIC, Fannie Mae, Freddie Mac and Other Federal Agencies” herein.

Other laws generally affecting creditors’ rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of such military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

The Community Facilities District and the School District are unable to predict what effect the application of a policy statement by the FDIC regarding payment of state and local real property taxes would have in the event of a delinquency on a parcel within the Community Facilities District or Improvement Area A in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would likely reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale.

In addition, potential investors should be aware that judicial foreclosure proceedings are not summary remedies and can be subject to significant procedural and other delays caused by crowded court calendars and other factors beyond the control of the Community Facilities District or the School District. Potential investors should assume that, under current conditions, it is estimated that a judicial foreclosure of the lien 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 2020 Bonds.

Delays and uncertainties in 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 2020 Bonds. See “ – Special Taxes Are Not Personal Obligations” above.

If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the Community Facilities District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days (or in some cases a shorter period) from the date of service of the Notice of Levy and 20 days from the subsequent notice of sale in which to redeem the property to be sold. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made. The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price unless a lesser minimum bid price is authorized by the Owners of 75% of the aggregate principal amount of the 2020 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 each Rate and Method and the Act, the Community Facilities District and Improvement Area A may adjust the Special Taxes levied on all property in the Community Facilities District and Improvement Area A in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the 2020 Bonds and to replenish each 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 2020 Bonds by each Indenture. The levy of Special Taxes is

subject to the maximum annual amount of Special Taxes authorized by the qualified voters of the Community Facilities District and the qualified voters of Improvement Area A, as applicable, and the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District and Improvement Area A. See “SECURITY FOR THE 2020 BONDS – Rates and Methods – Community Facilities District Rate and Method – *Prepayment of Annual Special Taxes* – Table 3A” and “– Rates and Methods – Improvement Area A Rate and Method – *Prepayment of Annual Special Taxes* – Table 3B.”

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 2020 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 2020 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 2020 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 the Community Facilities District and Improvement Area A is owned by property owners, 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 the 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.

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

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

FDIC. Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "**1991 Policy Statement**"). The 1991 Policy Statement was revised and superseded by new Policy Statement effective January 9, 1997 (the "**Policy Statement**"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed

at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The Community Facilities District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the Community Facilities District or Improvement Area A in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Owners of the 2020 Bonds should assume that the Community Facilities District will be unable to collect Special Taxes or to foreclose on any parcel within the Community Facilities District or Improvement Area A owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the 2020 Bonds. Based upon the secured tax roll as of January 1, 2019, the FDIC did not own any of the property in the Community Facilities District or Improvement Area A. The Community Facilities District expresses no view concerning the likelihood that the risks described above will materialize while the 2020 Bonds are outstanding.

Mortgage Interests. Similarly, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution ("This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding"), in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the Community Facilities District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. For a discussion of risks associated with taxable parcels within the Community Facilities District or Improvement Area A 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 the Community Facilities District and Improvement Area A in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on the parcels of Taxable Property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such

as earth movements, landslides, liquefaction, floods or fires, and climatic conditions such as tornadoes, droughts, and the possible reduction in water allocation or availability. It can be expected that one or more of such conditions may occur and may result in damage to improvements of varying seriousness, that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the Taxable Property may well depreciate or disappear.

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

Drought Conditions. With respect to droughts specifically, the State in recent years experienced a 5-year drought throughout much of the State, though from October 1, 2016 through the spring of 2017, most of the State experienced above average rainfall. On April 7, 2017, then Governor Brown issued an executive order which lifted the drought emergency in all State counties, except Fresno, Kings, Tulare and Tuolumne, where emergency drinking water projects will continue to help address diminished groundwater supplies. In a related action, State agencies on April 7, 2017, issued a plan to continue to make conservation a way of life in the State, as directed by then Governor Brown in May 2016. The framework requires new legislation to establish long-term water conservation measures and improved planning for more frequent and severe droughts. In 2019, most areas of the State experienced above normal levels of rainfall. The State's 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. On May 31, 2018, then Governor Brown signed Assembly Bill 1668 and Senate Bill 606, which impose new and expanded requirements on state water agencies and local water suppliers, including provisions for the establishment by the State Water Resources Control Board of long term urban water use efficiency standards by June 30, 2022, and starting in 2027, authorization of fines for failure to comply with the State Water Resources Control Board's adopted long term standards. These actions are intended to help to ensure all communities have sufficient water supplies and are conserving water regardless of the conditions of any one year. The Community Facilities District cannot predict 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 the Community Facilities District 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. There can be no assurances that wildfires won't occur within the Community Facilities District. Property damage due to wildfire could result in a significant decrease in the market value of property in the Community Facilities District and in the ability or willingness of property owners to pay Special Taxes when due. Portions of each non-contiguous portion of the Community Facilities District are in Very High Fire Hazard Severity Zone "VHFHZ" identified by the California Department of Forestry and Fire Prevention pursuant to Government Code Section 51178 and other portions of each non-contiguous portion of the Community Facilities District border a VHFHZ. In October 2007, a wildfire known as the Witch Fire burned to the north and east of the properties in the Community Facilities District. 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 the Community Facilities District from wildfires.

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

Hazardous Substances. 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 the Community Facilities District and Improvement Area A, 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 the Community Facilities District and Improvement Area A resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it.

All of these possibilities could significantly adversely affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

No Acceleration Provisions

The 2020 Bonds do not contain a provision allowing for the acceleration of the 2020 Bonds in the event of a payment default or other default under the terms of the 2020 Bonds or the Indentures. Pursuant to each 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 Indentures” herein). So long as the 2020 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 the Community Facilities District.

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 the Community Facilities District, the rate at which homes in the Community Facilities Districts are sold to end users by the Developer 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 elections held in the Community Facilities District and Improvement Area A pursuant to the Act, more than two-thirds of the qualified electors within the Community Facilities District and Improvement Area A, consisting of the landowners within the boundaries of the Community Facilities District and Improvement Area A, as applicable, authorized the Community Facilities District to incur bonded indebtedness to finance School Facilities and City Facilities and approved each 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, including Improvement Area A, 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 2020 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 2020 Bonds, it is necessary that each Special Tax levied against land within the Community Facilities District, including Improvement Area A, be paid in a timely manner. The Community Facilities District has covenanted in each 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 2020 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 2020 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 2020 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 XIIC 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 XIII C states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act 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 the 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 XIII A and XIII C of the State Constitution. The amendments to Article XIII A 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 XIII C 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 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 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 Article 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 2020 Bonds.

Bond Insurance Risk Factors

The Community Facilities District has obtained a Policy to guarantee the scheduled payment of principal and interest on the Insured 2020 CFD Bonds and a separate Policy to guarantee the scheduled payment of principal and interest on the Insured 2020 Improvement Area A Bonds. The following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Insured Bonds when all or a portion becomes due, any Owner of the Insured Bonds would have a claim under the applicable 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. Each Policy will not insure against redemption premium. The payment of principal and interest in connection with mandatory or optional redemption of the applicable Insured 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 applicable 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 Insured Bonds as such payments become due under the applicable Policy, the Insured 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 Insured Bonds, no assurance is given that such event will not adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds.

The long-term ratings on the Insured 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 Insured Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds. See "INSURED BONDS RATING; 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 Insured Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

Limited Secondary Market for the 2020 Bonds

There can be no guarantee that there will be a secondary market for the 2020 Bonds or, if a secondary market exists, that such 2020 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 2020 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 2020 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2020 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 each Indenture. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2020 Bonds, the Community Facilities District has covenanted in each 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 2020 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the 2020 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 Indentures. See “THE 2020 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 2020 Bonds will be selected for audit or examination by the IRS. It is also possible that the market value of such 2020 Bonds might be affected as a result of such an audit of such 2020 Bonds (or by an audit of similar bonds or securities).

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

Recent legislation, future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2020 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 2020 Bonds from realizing the full current benefit of the tax status of such interest. See, for example, “–Tax Cuts and Jobs Act of 2017” above.

The Tax Cuts and Jobs Act of 2017, the introduction or enactment of any such or future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation.

Backup Withholding

Interest paid with respect to tax-exempt obligations such as the 2020 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 2020 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 2020 Bonds or to preserve the tax-exempt status of the 2020 Bonds. See “ – Payments by FDIC, 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 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 Community Facilities District Continuing Disclosure Agreement.

Emergency Preparedness; Coronavirus (COVID-19)

The current spread of COVID-19, a new strain of coronavirus, is altering the behavior of businesses and people in a manner that may have negative effects on global, national and local economies. Additionally, stock markets in the U.S. and globally have seen significant recent volatility attributed to concerns about the COVID-19 virus. As a result, the amount of Special Taxes to be collected semi-annually on the real property within the Community Facilities District could be adversely affected by such events beyond the Community Facilities District's control. See also, "SECURITY FOR THE SERIES 2020 BONDS – Special Taxes," and "– Proceeds of Foreclosure Sales" for further information regarding the collection and distribution of delinquent Special Taxes.

The current 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, 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. Further, alterations in the behavior of businesses and people due to an infectious disease can occur in a manner that has a negative impact 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 other potential adverse effects described in this Official Statement, including those relating to declines in the value of property, 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 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, and a temporary shutdown of a school or an entire school district 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. Further, 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.

In particular as a result of the threat of the COVID-19 virus, on March 13, 2020, Governor Newsom issued Executive Order N-26-20, proclaiming a State of Emergency to exist in California, and providing that if any California school districts, county offices of education, and charter schools (each a "**Local Educational Agency**" or "**LEA**") closes its schools to address the COVID-19 virus, the LEA will continue to receive state funding during the period of closure.

With respect to school district funding, on March 17, 2020, Governor Newsom signed Senate Bill 117 (“**SB 117**”) as urgency legislation effective immediately, which for fiscal year 2019-20 limits the average daily attendance reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed A.D.A. period applies to school districts that comply with Executive Order N-26-20. SB 117 further states the intent of the State Legislature that a school district’s employees and contractors are paid during the period of a school closure due to the COVID-19 virus. SB 117 also waives instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the closure due to the COVID-19 virus caused the school district to fall below applicable instructional time requirements. While SB 117 provides some immediate relief to school districts, the short-term and long-term impacts of the COVID-19 outbreak are unknown as the situation is rapidly evolving. Neither the Community Facilities District nor the School District can predict whether similar legislation would be enacted in the event the outbreak of the COVID-19 virus continues into fiscal year 2020-21 or beyond or a similar or other outbreak of a highly contagious disease or epidemic disease were to occur in the future.

Thereafter, on March 19, 2020, Governor Newsom issued Executive Order N-33-20, a State-wide stay at home order to protect the health and well-being of all Californians and to establish consistency across the State in order to slow the spread of the COVID-19 virus. Such order to go into effect immediately and to stay in effect until further notice. The order directs all individuals living in the State to stay home or at their place of residence except as needed to maintain continuity of operations of the federal critical infrastructure sectors as outlined at <https://www.cisa.gov/identifying-critical-infrastructure-during-COVID-19>. This includes 16 critical infrastructure sectors whose assets, systems, and networks, whether physical or virtual, are considered so vital to the United States that their incapacitation or destruction would have a debilitating effect on security, national economic security, national public health or safety, or any combination thereof. Neither the Community Facilities District nor the School District can take responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated in this Official Statement by such reference.

On March 19, 2020, the San Diego County Office of Education announced that out of an abundance of caution, and in consultation with local public health, all San Diego County school districts had closed effective March 16, 2020, in order to curb the potential transmission of COVID-19. On April 1, 2020, Governor Newsom directed that all California schools remain closed to students through the end of the current school year due to the COVID-19 virus, and the School District has indicated its schools will follow the Governor’s direction.

After California Governor Gavin Newsom’s declaration of a State of Emergency to exist in California as a result of the threat of COVID-19 virus and the issuance of the State-wide stay at home order, the San Diego County Treasurer-Tax Collector on March 24, 2020, announced his plan to grant waivers on penalties to taxpayers as allowed by existing law to assist them during these challenging times, providing for taxpayers that do not make payment of property taxes, including the Special Taxes, due to the COVID-19 virus by April 10. Such taxpayers would be expected to submit to the Treasurer-Tax Collector a “penalty cancellation request form” and documentation to support the cancellation of penalties as allowed in limited circumstances under current State law, allowing for waiver of penalties, costs and other charges when failure to make a timely payment is due to reasonable cause and circumstances beyond the taxpayer’s control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect.

On March 27, 2020, President Trump enacted H.R. 748, known as “Phase 3,” a \$2 trillion stimulus and supplemental spending plan to address the effects of the COVID-19 virus, which includes

more than \$150 billion for the so-called “Marshall Plan” for hospitals and health care infrastructure. Also included is \$150 billion for state and local governments. Congress and the President are continuing to propose and consider additional measures to address the effects of the COVID-19 virus.

Locally, the School District management has been working with the San Diego County Health and Human Services Agency, the lead agency for the School District’s service area and the other school districts in San Diego County. The School District expects to fully follow the guidance of the San Diego County Health and Human Services Agency, along with state and federal public health agencies.

In addition, the School District has in place an Emergency Preparedness Program that includes a Pandemic Influenza Plan, which School District management has been reviewing and updating sections as needed for potential use with the COVID-19 virus. Pandemic response activities are highly dependent on direction from County Health Officials.

On May 14, 2020, Governor Newsom released the 2020-21 May Revision to the 2020-21 proposed State budget (the “**2020-21 May Revision**”). The 2020-21 May Revision includes total funding of \$99.7 billion (\$47.7 billion General Fund and \$52 billion other funds) for all K-12 education programs. The 2020-21 May Revision notes that the COVID-19 Recession is having a massive impact on the economy and the State’s General Fund revenues, which in turn is having an equally significant negative impact on the State’s K-14 Proposition 98 funding guarantee. The 2020-21 May Revision estimates that the Proposition 98 funding guarantee will decline by \$19 billion from the proposed Governor’s State budget released in January 2020. The decline in funding is approximately 23% of the 2019 State Budget Act Proposition 98 funding level. The 2020-21 May Revision also notes that declining average daily attendance and declining per capita income number estimates cause future Proposition 98 funding guarantee estimates to stay at a depressed level through December 2023, the entire forecast period of the May 2020-21 Revision. To mitigate the deleterious impacts of the State's revenue decline impacts on funding for K-14 schools immediately, the 2020-21 May Revision proposes a number of measures, including temporary revenue increases, allocation of federal Coronavirus Relief Fund and Emergency Education Relief Funds to local educational agencies, revising CalPERS and CalSTRS contributions in the 2019 State Budget Act which was to be allocated towards the employer long-term unfunded liability to provide local education agencies with increased fiscal relief. The District’s general fund is not a source of repayment of the 2020 Bonds.

Information provided by County Health Officials is available at: <https://sandiegocounty.gov/content/sdc/hhsas>. Neither the Community Facilities District nor the School District can take responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated in this Official Statement by such reference. As of April 23, 2020, with data through April 22, 2020, the San Diego County Health and Human Services Agency had announced 2,643 confirmed cases of COVID-19, with 634 hospitalizations, 213 intensive care patients and 100 deaths.

LEGAL MATTERS

Legal Opinion

The legal opinions of Best Best & Krieger LLP, San Diego, California, Bond Counsel, approving the validity of the 2020 Bonds will be made available to purchasers at the time of original delivery and is attached hereto as Appendix E. A copy of the applicable legal opinion will be printed on each 2020 Bond. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is serving

as Disclosure Counsel. Best Best & Krieger LLP will also pass upon certain legal matters for the School District and the Community Facilities District as special counsel to these entities.

Tax Exemption

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the 2020 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2020 Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2020 Bonds. The Community Facilities District has covenanted to comply with certain restrictions designed to insure that interest on the 2020 Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the 2020 Bonds being included in federal gross income, possibly from the date of original issuance of the 2020 Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2020 Bonds may adversely affect the value of, or the tax status of interest on, the 2020 Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2020 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 from realizing the full current benefit of the tax status of such interest. As one example, legislative proposals are announced from time to time which generally would limit the exclusion from gross income of interest on obligations like the 2020 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2020 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2020 Bonds. Prospective purchasers of the 2020 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Certain requirements and procedures contained or referred to in the Fiscal Agent Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2020 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to the exclusion from gross income of interest on any 2020 Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Best Best & Krieger LLP.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2020 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2020 Bonds might be affected as a result of such an audit of the Bonds (or by an audit of other similar bonds).

Although Bond Counsel is of the opinion that interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2020 Bonds may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondowner or the Owner's other items of income or deduction, and Bond Counsel expresses no opinion regarding any such other tax consequences.

A copy of each proposed form of opinion of Bond Counsel is set forth in Appendix E.

Absence of Litigation

No litigation is pending or threatened concerning the validity of the 2020 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 2020 Bonds or in any way contesting or affecting the validity of the 2020 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 2020 Bonds.

No General Obligation of School District or Community Facilities District

The 2020 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 Community Facilities District Special Tax or the Improvement Area A Special Tax, as applicable, and certain proceeds of the 2020 Bonds, including amounts in each Reserve Fund, Special Tax Fund and Bond Service Fund and investment income on funds held pursuant to the each 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 2020 Bonds shall be limited to the Community Facilities District Special Taxes or Improvement Area A Special Taxes to be collected within the Community Facilities District or Improvement Area A, as applicable.

INSURED BONDS RATING; NO UNDERLYING RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA" to the Insured Bonds with the understanding that, upon delivery of the Bonds, each Policy will be issued by the Bond Insurer. 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 the rating agency, 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 Insured Bonds.

No Underling Rating of the Bonds. The Community Facilities District has not applied to S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") for an underlying rating of the Bonds. The Community Facilities District has not made, and does not contemplate making, any application to a rating agency for an underlying rating on the 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 Bonds are required to make independent determinations as to the credit quality of the 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, recent 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 Insured Bonds and the claims-paying ability of the Bond Insurer, particularly over the life of the investment.

UNDERWRITING

The 2020 CFD Bonds are being purchased by Piper Sandler & Co. (the "***Underwriter***"), at a purchase price of \$16,247,813.70 (which represents the aggregate principal amount of the 2020 CFD Bonds of \$15,675,000.00, plus a net original issue premium of \$721,726.20 and less an underwriter's discount of \$148,912.50).

The 2020 Improvement Area A Bonds are being purchased by the Underwriter at a purchase price of \$26,957,993.35 (which represents the aggregate principal amount of the 2020 Improvement Area A Bonds of \$25,415,000.00, plus an original issue premium of \$1,784,435.85 and less an underwriter's discount of \$241,442.50).

The purchase agreement relating to the 2020 Bonds provides that the Underwriter will purchase all of the 2020 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 2020 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 2020 Bonds, fees or compensation payable to certain professionals are contingent upon the issuance and delivery of the 2020 Bonds. Those professionals include:

-
- the Underwriter,
- Best Best & Krieger LLP, as Bond Counsel and District Counsel,
- 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.

From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds. Disclosure Counsel has in the past worked as, and is currently working as, counsel to the Underwriter on matters unrelated to the 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 2020 Bonds.

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

POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 16
(DEL SUR EAST II)

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. 16 (Del Sur East II)

APPENDIX A

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

*The 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 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 non-contiguous property within the Community Facilities District is located at the northerly end of the City of San Diego, with the northerly portion generally located south of Camino Del Sur and west of 4S Ranch near the intersection of Camino San Bernardo and Nicole Ridge Road and the southerly portion located south of Carmel Valley Road near the intersection of Carmel Valley Road and Dove Canyon Road. The following information is included only for the purpose of supplying general information regarding the City and the County. This information is provided only for general informational purposes, and provides prospective investors limited information about the City, the County and their economic base. The 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.

General

The School District is located in northern San Diego County. The School District was established in 1962. The School District currently operates 25 elementary schools (K-5), 1 elementary and middle school combination (TK-8th), 6 middle schools (6-8), 1 continuation high school, 5 comprehensive high schools (9-12), and 1 adult education school serving approximately 36,450 students. 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 1,420,572.

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 50,320.

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.

County Population

According to the State Department of Finance, Demographic Research Unit, the County’s population was estimated at 3,351,786 as of January 1, 2019. 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, 2019, for cities located within the County for each of the years listed:

COUNTY OF SAN DIEGO Population Estimates

	2015	2016	2017	2018	2019
Carlsbad	112,216	112,860	114,065	115,095	115,241
Chula Vista	261,989	263,658	265,523	268,060	271,411
Coronado	23,716	25,046	24,514	21,708	24,199
Del Mar	4,339	4,343	4,385	4,442	4,451
El Cajon	102,989	103,901	104,855	105,258	105,559
Encinitas	62,150	62,332	62,992	63,375	63,390
Escondido	149,702	150,729	152,168	152,478	152,739
Imperial Beach	26,904	26,940	27,141	27,202	27,448
La Mesa	59,710	60,323	60,499	60,707	60,820
Lemon Grove	26,573	26,647	26,959	27,068	27,208
National City	60,641	61,116	61,452	62,268	62,307
Oceanside	174,134	175,458	176,806	177,274	178,021
Poway	49,742	49,887	50,083	50,210	50,320
San Diego	1,380,886	1,388,101	1,396,510	1,414,373	1,420,572
San Marcos	92,910	93,868	95,004	96,335	98,369
Santee	56,605	56,595	56,991	57,410	58,408
Solana Beach	13,561	13,749	13,847	13,895	13,933
Vista	97,865	99,373	101,605	101,770	101,987
Balance of County	511,360	512,353	514,227	514,200	515,403
Incorporated	2,756,632	2,774,926	2,795,399	2,818,928	2,836,383
County Total	3,267,992	3,287,279	3,309,626	3,333,128	3,351,786

Source: State Department of Finance Estimates (as of January 1, 2019).

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Civilian Labor Force</u> ⁽¹⁾	1,540,700	1,550,100	1,564,300	1,574,600	1,592,200
Employment	1,441,700	1,469,500	1,490,500	1,511,400	1,539,500
Unemployment	99,000	80,600	73,900	63,200	52,700
Unemployment Rate	6.4%	5.2%	4.7%	4.0%	3.3%
<u>Wage and Salary Employment</u> ⁽²⁾					
Agriculture	9,400	9,100	8,900	8,700	9,100
Mining and Logging	400	300	300	300	300
Construction	63,900	69,900	76,300	79,500	84,200
Manufacturing	102,400	106,600	108,740	109,400	112,700
Wholesale Trade	44,900	44,100	43,700	43,800	43,700
Retail Trade	144,300	146,800	147,500	149,000	148,200
Transportation, Warehousing and Utilities	27,000	28,400	29,700	32,000	33,500
Information	24,500	23,800	23,700	24,000	24,000
Finance and Insurance	42,100	43,500	45,100	46,300	46,800
Real Estate and Rental and Leasing	27,500	27,900	27,900	28,400	29,100
Professional and Business Services	222,400	229,300	234,500	238,800	248,800
Educational and Health Services	186,100	192,700	198,700	204,300	210,500
Leisure and Hospitality	175,500	182,400	190,400	195,600	199,900
Other Services	52,000	53,200	54,400	55,000	55,400
Federal Government	45,800	46,000	46,800	46,900	46,900
State Government	44,100	45,700	47,600	49,300	50,700
Local Government	<u>142,000</u>	<u>144,500</u>	<u>147,900</u>	<u>150,100</u>	<u>150,000</u>
Total All Industries	1,354,300	1,394,100	1,431,800	1,461,300	1,493,800

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

⁽²⁾ 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 2018 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 2018

<u>Employer Name</u>	<u>Industry</u>	<u>Employees</u>	<u>% of City Employment</u>
Naval Base San Diego	Military	38,729	5.42%
University of California, San Diego	University	37,412	5.24
Sharp Health Care	Medical Center	18,364	2.57
County of San Diego	Government	18,132	2.54
San Diego Unified School District	Education	13,815	1.93
Scripps Health	Medical Center	12,000	1.68
City of San Diego	Local Government	11,538	1.61
Qualcomm Inc.	Wireless Technology	10,700	1.50
Kaiser Permanente	Medical Center	9,599	1.34
San Diego Community College Dist.	Education	6,447	0.90

Source: *City of San Diego Comprehensive Annual Financial Report (CAFR), fiscal year ended June 30, 2018.*

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

CITY OF POWAY Major Employers as of June 2018

<u>Employer Name</u>	<u>Industry</u>	<u>Employees</u>	<u>% of City Employment</u>
General Atomics Aeronautical Sys	Remote Pilot Systems	4,571	17.58%
Geico Direct	Insurance	1,720	6.62
Poway Unified School District	Education	1,366	5.25
Delta Design, Inc.	Semiconductors	750	2.88
Pomerado Hospital	Medical Center	738	2.84
A.O. Reed & Co.	HVAC & Plumbing	450	1.73
Sysco Food Services of San Diego	Commercial Food Distributor	385	1.47
Walmart	Retail	367	1.41
H M Electronics, Inc.	Wireless Communication	300	1.15
Arch Health Partners	Non-profit Health Care	300	1.15

Source: *City of Poway Comprehensive Annual Financial Report (CAFR), fiscal year ended June 30, 2018.*

The following table shows the largest employers located in the County as of Fiscal Year ending June 30, 2018.

**COUNTY OF SAN DIEGO
Largest Employers
as of June 30, 2018**

<u>Name of Business</u>	<u>Type of Business</u>	<u>Employees</u>	<u>% of County Employment</u>
University of California, San Diego	University	34,448	2.26%
Naval Base San Diego	Military	34,185	2.24
Sharp HealthCare	Medical Center	18,364	1.20
County of San Diego	County Government	17,413	1.14
Scripps Health	Medical Center	14,941	0.98
San Diego Unified School District	Education	13,815	0.91
Qualcomm Inc.	Wireless Technology	11,800	0.77
City of San Diego	Local Government	11,462	0.75
Kaiser Permanente San Diego	Medical Center	9,606	0.63
UC San Diego Health	Medical Center	8,932	0.59

Source: County of San Diego 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

Construction Trends

Provided below are the building permits and valuations for the City of San Diego for calendar years 2014 through 2018.

**CITY OF SAN DIEGO
Building Permit Valuation
2014-2018
(Valuation in Thousands of Dollars)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Permit Valuation					
New Single-family	\$260,430.6	\$434,029.5	\$263,682.8	\$358,926.6	\$230,440.3
New Multi-family	240,040.9	764,835.8	863,910.7	614,984.4	584,277.8
Res. Alterations/Additions	<u>177,824.0</u>	<u>216,241.8</u>	<u>226,886.5</u>	<u>190,270.1</u>	<u>247,965.1</u>
Total Residential	\$678,295.4	\$1,415,107.0	\$1,354,480.0	\$1,164,181.0	\$1,062,683.1
New Commercial	\$748,265.5	\$8,360.2	\$373,199.3	\$1,050,840.7	\$257,975.3
New Industrial	47.4	0.0	2,896.8	26,184.8	14,084.6
New Other	144,007.8	6,443.0	156,582.8	0.0	129,811.0
Com. Alterations/Additions	<u>588,080.7</u>	<u>44,061.7</u>	<u>691,786.0</u>	<u>0.0</u>	<u>845,293.2</u>
Total Nonresidential	\$1,450,401.4	\$58,864.9	\$1,224,464.9	\$1,077,025.5	\$1,247,164.0
New Dwelling Units					
Single-family	722	1,306	882	1,096	724
Multiple Family	<u>1,823</u>	<u>5,097</u>	<u>5,154</u>	<u>4,134</u>	<u>3,561</u>
TOTAL	2,545	6,403	6,036	5,230	4,285

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

Source: California Homebuilding Foundation/Construction Industry Research Board.

Provided below are the building permits and valuations for the City of Poway for calendar years 2014 through 2018.

CITY OF POWAY
Building Permit Valuation
2014-2018
(Valuation in Thousands of Dollars)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Permit Valuation					
New Single-family	\$9,622.8	\$6,943.1	\$10,253.9	\$10,910.9	\$9,599.4
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>8,008.3</u>	<u>10,505.0</u>	<u>9,199.8</u>	<u>8,544.6</u>	<u>7,748.5</u>
Total Residential	\$17,631.1	\$17,448.1	\$19,453.7	\$19,455.5	\$17,347.9
New Commercial	\$12,843.9	\$0.0	\$25.0	\$12,906.7	\$333.4
New Industrial	345.1	0.0	4,143.6	359.9	195.1
New Other	1,324.8	245.3	1,790.0	0.0	2,497.0
Com. Alterations/Additions	<u>18,712.1</u>	<u>1,670.9</u>	<u>15,912.1</u>	<u>0.0</u>	<u>19,896.8</u>
Total Nonresidential	\$33,225.9	\$1,916.2	\$21,870.7	\$13,266.6	\$22,922.3
New Dwelling Units					
Single-family	19	14	19	20	15
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	19	14	19	20	15

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

Source: California Homebuilding Foundation/Construction Industry Research Board.

Provided below are the building permits and valuations for the County for calendar years 2014 through 2018.

COUNTY OF SAN DIEGO
Building Permit Valuation
2014-2018
(Valuation in Thousands of Dollars)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$860,232.6	\$1,069,272.9	\$833,134.6	\$1,378,079.4	\$1,201,187.4
New Multi-family	611,730.8	1,028,733.4	1,256,903.3	912,036.6	992,359.0
Res. Alterations/Additions	<u>346,889.7</u>	<u>349,035.7</u>	<u>382,198.9</u>	<u>342,709.7</u>	<u>480,326.9</u>
Total Residential	\$1,818,853.1	\$2,447,042.0	\$2,472,236.8	\$2,632,825.7	\$2,673,873.3
New Commercial	\$881,182.3	\$9,859.2	\$553,809.8	\$1,532,184.0	\$526,398.8
New Industrial	9,159.8	0.0	18,721.1	37,749.1	25,882.0
New Other	233,997.8	16,543.6	228,427.0	0.0	223,356.5
Com. Alterations/Additions	<u>796,287.2</u>	<u>56,661.5</u>	<u>981,463.0</u>	<u>0.0</u>	<u>1,126,206.2</u>
Total Nonresidential	\$1,920,627.1	\$83,064.3	\$1,782,420.9	\$1,569,933.1	\$1,901,843.5
<u>New Dwelling Units</u>					
Single-family	2,276	3,136	2,420	3,960	3,438
Multiple Family	<u>4,327</u>	<u>6,869</u>	<u>7,680</u>	<u>6,056</u>	<u>6,132</u>
TOTAL	6,603	10,005	10,100	10,016	9,570

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 11 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 2015 through 2018, the most recent data available, is shown in the following tables.

CITY OF SAN DIEGO Taxable Sales 2015-2018 ⁽¹⁾ (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>
2015	26,357	\$16,629,356	42,116	\$22,685,361
2016	26,265	16,815,163	42,138	23,222,226
2017	26,996	17,189,186	43,324	23,755,424
2018	27,131	17,972,681	45,255	24,971,814

⁽¹⁾ Information available in Open Data Portal from 2015-2018.

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

CITY OF POWAY Taxable Sales 2015-2018 ⁽¹⁾ (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>
2015	856	\$763,867	1,669	\$1,140,312
2016	864	784,199	1,638	1,164,434
2017	888	862,152	1,642	1,205,406
2018	893	863,106	1,706	1,241,757

⁽¹⁾ Information available in Open Data Portal from 2015-2018.

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

COUNTY OF SAN DIEGO
Taxable Retail Sales
(Dollars in thousands)
2015-2018 ⁽¹⁾

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015	58,740	\$38,521,521	95,480	\$54,717,543
2016	58,391	39,089,506	95,326	55,921,010
2017	59,798	40,371,715	97,412	57,551,360
2018	59,836	41,886,825	100,674	59,041,042

⁽¹⁾ Information available in Open Data Portal from 2015-2018.

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

County Agriculture

Principal agricultural products are ornamental trees and shrubs, indoor flowering and foliage plants, bedding plants, avocados, cactus and succulents, lemons, tomatoes, oranges, cut flowers and bulbs and poultry. 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 a third of all 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 to approximately 40 percent of total supply by 2020. 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 was projected to increase to over 40,000 acre feet per year by 2020.

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 113 elementary schools, 23 middle schools, 4 atypical schools, 10 alternative schools, 27 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-1

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 16
OF POWAY UNIFIED SCHOOL DISTRICT**

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RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 16 OF POWAY UNIFIED SCHOOL DISTRICT

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes ("Rate and Method of Apportionment") of Community Facilities District No. 16 ("CFD No. 16") of the Poway Unified School District ("School District"). A Special Tax shall be levied on and collected from Taxable Property (defined below) located within the boundaries of CFD No. 16 each Fiscal Year in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property in CFD No. 16, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

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

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

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

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 16 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes, including, but not limited to, the reasonable expenses of collecting delinquencies, the administration of Bonds, the proportionate payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 16, and reasonable costs otherwise incurred in order to carry out the authorized purposes of CFD No. 16 including a proportionate amount of School District general administrative overhead related thereto.

"Administrator" means an official at the School District or designee thereof, responsible for determining the levy and allocation of the Special Taxes.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 16.

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

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

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

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

"Board" means the Board of Education of Poway Unified School District, or its designee, in certain cases acting as the Legislative Body of CFD No. 16.

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

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

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

"Building Permit" means a permit for the construction of residential or commercial/industrial square footage issued by the City, or another public agency in the event the City no longer issues permits for construction within CFD No. 16.

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

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

"City" means the City of San Diego.

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

"County" means the County of San Diego.

"Developed Property" means all Assessor's Parcels of Taxable Property for which

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

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

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

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

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

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

"Homeowner" means any owner of a completed Unit constructed and sold within CFD No. 16.

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

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

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

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, which can be levied by CFD No. 16 in any Fiscal Year on any Assessor's Parcel.

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

"Partial Prepayment Amount" means the amount required to prepay a portion of the 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 CFD No. 16 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 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 Special Taxes expected to be levied on such Assessor's Parcel in each remaining Fiscal Year, as determined by the Board, until the termination date specified in Section J. The discount rate used for this calculation shall be equal to the (i) Bond Yield after Bond issuance or (ii) most recently published Bond Index prior to Bond issuance.

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

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

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

"Senior Citizen Restriction" means (i) a restriction limiting the use of Units to senior citizen housing under a specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multilevel care facilities as those terms are defined in Health and Safety Code Section 1669.23 and Government Code Section 16432(d)(8), respectively.

"Special Tax(es)" means any of the special taxes authorized to be levied by CFD No. 16 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, Detached Unit, or Senior Citizen Unit.

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

For each Fiscal Year, beginning with Fiscal Year 2014/2015, each Assessor's Parcel within CFD No. 16 shall be classified as Taxable Property or Exempt Property. Each Assessor's Parcel classified as Taxable Property shall be further classified as Developed Property or Undeveloped Property. Developed Property shall be assigned to a special tax classification according to Table 1 below.

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

Tax Classification	Unit Type	Building Square Footage
Residential Property		
1	Detached Unit	< 2,500
2	Detached Unit	2,500 – 2,750
3	Detached Unit	2,751 – 3,000
4	Detached Unit	3,001 – 3,250
5	Detached Unit	3,251 – 3,500
6	Detached Unit	3,501 – 3,750
7	Detached Unit	3,751 – 4,000
8	Detached Unit	> 4,000
9	Attached Unit	< 1,250
10	Attached Unit	1,250 – 1,450
11	Attached Unit	1,451 – 1,650
12	Attached Unit	1,651 – 1,850
13	Attached Unit	1,851 – 2,050
14	Attached Unit	> 2,050

TABLE 1 (CONTINUED)

SPECIAL TAX CLASSIFICATION FOR DEVELOPED PROPERTY

Tax Classification	Unit Type	Building Square Footage
15	Senior Citizen Unit	NA
Commercial/Industrial Property		
16	NA	NA

**SECTION C
MAXIMUM SPECIAL TAXES**

1. Developed Property

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

2. Undeveloped Property

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

**SECTION D
ONE-TIME SPECIAL TAXES**

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

TABLE 2

**ONE-TIME SPECIAL TAX
FISCAL YEAR 2014/2015**

Tax Classification	Unit Type	Building Square Footage	One-Time Special Tax
Residential Property			
1	Detached Unit	< 2,500	\$0.00 per Unit
2	Detached Unit	2,500 – 2,750	\$0.00 per Unit
3	Detached Unit	2,751 – 3,000	\$0.00 per Unit
4	Detached Unit	3,001 – 3,250	\$0.00 per Unit

TABLE 2 (CONTINUED)

**ONE-TIME SPECIAL TAX
FISCAL YEAR 2014/2015**

Tax Classification	Unit Type	Building Square Footage	One-Time Special Tax
5	Detached Unit	3,251 – 3,500	\$0.00 per Unit
6	Detached Unit	3,501 – 3,750	\$0.00 per Unit
7	Detached Unit	3,751 – 4,000	\$0.00 per Unit
8	Detached Unit	> 4,000	\$0.00 per Unit
9	Attached Unit	< 1,250	\$0.00 per Unit
10	Attached Unit	1,250 – 1,450	\$0.00 per Unit
11	Attached Unit	1,451 – 1,650	\$0.00 per Unit
12	Attached Unit	1,651 – 1,850	\$0.00 per Unit
13	Attached Unit	1,851 – 2,050	\$0.00 per Unit
14	Attached Unit	> 2,050	\$0.00 per Unit
15	Senior Citizen Unit	NA	\$0.56 per sq. ft.
Commercial/Industrial Property			
16	NA	NA	\$0.56 per sq. ft.

Each July 1, commencing July 1, 2015, the One-Time Special Tax for each Assessor's Parcel of Undeveloped Property shall be increased by the Inflation.

**SECTION E
ASSIGNED ANNUAL SPECIAL TAXES**

1. Newly Developed Property

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

TABLE 3

**ASSIGNED ANNUAL SPECIAL TAX FOR
NEWLY DEVELOPED PROPERTY
FISCAL YEAR 2014/2015**

Tax Classification	Unit Type	Building Square Footage	Assigned Annual Special Tax
Residential Property			
1	Detached Unit	< 2,500	\$3,058.29 per Unit
2	Detached Unit	2,500 – 2,750	\$3,225.00 per Unit
3	Detached Unit	2,751 – 3,000	\$3,391.70 per Unit
4	Detached Unit	3,001 – 3,250	\$3,515.85 per Unit
5	Detached Unit	3,251 – 3,500	\$3,588.40 per Unit
6	Detached Unit	3,501 – 3,750	\$3,802.50 per Unit
7	Detached Unit	3,751 – 4,000	\$3,875.06 per Unit
8	Detached Unit	> 4,000	\$3,947.61 per Unit
9	Attached Unit	< 1,250	\$1,399.45 per Unit
10	Attached Unit	1,250 – 1,450	\$1,580.51 per Unit
11	Attached Unit	1,451 – 1,650	\$1,761.56 per Unit
12	Attached Unit	1,651 – 1,850	\$1,942.62 per Unit
13	Attached Unit	1,851 – 2,050	\$2,121.58 per Unit
14	Attached Unit	> 2,050	\$2,192.19 per Unit
15	Senior Citizen Unit	NA	\$0.00 per Unit
Commercial/Industrial Property			
16	NA	NA	\$0.00 per Unit

Each July 1, commencing July 1, 2015, the Assigned Annual Special Tax shall be increased by the Inflation until the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property.

2. Existing Developed Property

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

SECTION F

METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing Fiscal Year 2014/2015, and each subsequent Fiscal Year, the Board shall levy the Special Tax on each Assessor's Parcel of Developed Property at the Maximum Special Tax rate applicable to such Assessor's Parcel.

SECTION G PREPAYMENT OF SPECIAL TAXES

1. Special Tax Prepayment Times and Conditions

The Special Tax obligation of an Assessor's Parcel of Taxable Property may be prepaid, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel. An owner of an Assessor's Parcel intending to prepay the Special Tax shall provide the School District with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Administrator shall determine the Prepayment Amount for such Assessor's Parcel and shall notify such owner of such Prepayment Amount.

2. Special Tax Prepayment Calculation

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

3. Special Tax Prepayment Procedures and Limitations

With respect to any Assessor's Parcel that is prepaid, the Board shall indicate in the records of the School District that there has been a prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Special Tax obligation and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Special Tax shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Assigned Annual Special Taxes that may be levied on Taxable Property, excluding Provisional Undeveloped Property, after such 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 prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Administrator. Such determination shall include identifying all Assessor's Parcels that are expected to be classified as Exempt Property.

Notwithstanding the above, the ability to prepay the Special Tax obligation of an Assessor's Parcel may be suspended, by the Superintendent of the School District or his or her designee, acting in his or her absolute and sole discretion for and on behalf of CFD No. 16, without notice to the owners of property within CFD No. 16 for a period of time, not to exceed sixty (60) days, prior to the scheduled issuance of Bonds by CFD No. 16 to assist in the efficient preparation of the required bond market disclosure.

SECTION H PARTIAL PREPAYMENT OF SPECIAL TAXES

1. Partial Prepayment Times and Conditions

The Special Tax obligation of Assessor's Parcels of Taxable Property may be partially prepaid in increments of ten (10) units, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcels at the time the Special Tax obligation would be partially prepaid. An owner of an Assessor's Parcel(s) intending to partially prepay the Special Tax shall provide the School District with written notice of their intent to partially prepay. Within thirty (30) days of receipt of such written notice, the Administrator shall determine the Partial Prepayment Amount of such Assessor's Parcel and shall notify such owner of such Partial Prepayment Amount.

2. Partial Prepayment Calculation

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

$$PP = PVT \times F - RFC + PAF$$

The terms above have the following meanings:

PP	=	the Partial Prepayment Amount
PVT	=	Present Value of Taxes
F	=	the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation
RFC	=	Reserve Fund Credit
PAF	=	Prepayment Administrative Fees

3. Partial Prepayment Procedures and Limitations

With respect to any Assessor's Parcel that is partially prepaid, the School District shall indicate in the records of the School District that there has been a partial prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Special Tax obligation and the partial release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax shall cease. Additionally, the notice shall indicate that the Assigned Annual Special Tax 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 Special Taxes that may be levied on Taxable Property, excluding Provisional Undeveloped 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 Administrator. Such determination shall include identifying all Assessor's Parcels that are expected to be classified as Exempt Property.

Notwithstanding the above, the ability to partially prepay the Special Tax obligation of an Assessor's Parcel may be suspended, by the Superintendent of the School District or his or her designee, acting in his or her absolute and sole discretion for and on behalf of CFD No. 16, without notice to the owners of property within CFD No. 16 for a period of time, not to exceed sixty (60) days, prior to the scheduled issuance of Bonds by CFD No. 16 to assist in the efficient preparation of the required bond market disclosure.

SECTION I ANNUAL SPECIAL TAX REMAINDER

In any Fiscal Year which the Special Taxes collected from Developed Property exceeds the amount needed to make regularly scheduled annual interest and principal payments on outstanding Bonds and pay Administrative Expenses, the School District may use such amount for acquisition, construction or financing of school facilities in accordance with the Act, CFD No. 16 proceedings and other applicable laws as determined by the Board.

SECTION J TERMINATION OF SPECIAL TAX

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 Special Taxes shall not be levied after Fiscal Year 2057-2058.

SECTION K EXEMPTIONS

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

SECTION L APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. In order to be considered sufficient, any notice of appeal must: (i) specifically identify the property by address and Assessor's Parcel Number; (ii) state the amount in dispute and whether it is the whole amount or only a portion of the Special Tax; (iii) state all grounds on which the property owner is disputing the amount or application of the Special Tax, including a reasonably detailed explanation as to why the amount or application of such Special Tax is incorrect; (iv) include all documentation, if any, in support of the claim; and (v) be verified under penalty of perjury by the person who paid the Special Tax or his or her guardian, executor or administrator. A representative(s) of CFD No. 16 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 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 Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that CFD No. 16 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.

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 16
(DEL SUR EAST II)**

**POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II)**

NOTICE OF SPECIAL TAX LIEN

EXHIBIT C

<u>Name of Property Owner</u>	<u>APN</u>
Black Mountain Ranch LLC	678-237-01
Camelot Investments	312-141-02
Camelot Investments	678-238-04
Mountain Glen Family II LLC	312-160-02-
Mountain Glen Family LLC	312-010-15

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APPENDIX B-2

**RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA A OF
COMMUNITY FACILITIES DISTRICT NO. 16
OF POWAY UNIFIED SCHOOL DISTRICT**

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**RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA A OF
COMMUNITY FACILITIES DISTRICT NO. 16
OF POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes ("Rate and Method of Apportionment") of Improvement Area A ("IA A") of Community Facilities District No. 16 ("CFD No. 16") of the Poway Unified School District ("School District"). A Special Tax shall be levied on and collected from Taxable Property (defined below) located within the boundaries of IA A of CFD No. 16 each Fiscal Year in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property in IA A of CFD No. 16, 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 Mitigation Agreement.

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of IA A of CFD No. 16 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes, including, but not limited to, the reasonable expenses of collecting delinquencies, the administration of Bonds, the proportionate payment of salaries and benefits of any School District employee whose duties are directly related to the administration of IA A of CFD No. 16, and reasonable costs otherwise incurred in order to carry out the authorized purposes of IA A of CFD No. 16 including a proportionate amount of School District general administrative overhead related thereto.

"Approved Property" means all Assessor's Parcels of Taxable Property that (i) are associated with a Lot in a Final Map that was recorded prior to the January 1 preceding the Fiscal Year in which the Special Tax is being levied and (ii) have not been issued a Building Permit prior to the May 1 preceding the Fiscal Year in which the Special Tax is being levied.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of IA A of CFD No. 16.

"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 IA A of CFD No. 16.

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

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

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

"Building Permit" means a permit for the construction of one or more Units issued by the City, or another public agency in the event the City no longer issues said permits for the construction of Units within IA A of CFD No. 16. 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 Mitigation Agreement.

"County" means the County of San Diego.

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

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

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

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

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

"Homeowner" means any owner of a completed Unit constructed and sold within IA A of CFD No. 16.

"Lot" means an individual legal lot created by a Final 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 Map upon which condominium units are entitled to be developed but for which a condominium plan has not been recorded, the number of Lots allocable to such legal lot for purposes of calculating the Backup Annual Special Tax applicable to such Final Map shall equal the number of condominium units which are permitted to be constructed on such legal lot as shown on such Final Map.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, that can be levied by IA A of CFD No. 16 in any Fiscal Year on any Assessor's Parcel.

" Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses of IA A of CFD No. 16, (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 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 4 set forth in Section K.

"Mitigation Agreement" shall mean that Third Supplement to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement made and entered into as of _____, 2014 by and between the School District and Standard Pacific Corporation.

"Net Taxable Acreage" means the total Acreage of all Taxable Property expected to exist in IA A of CFD No. 16 after all Final Maps are recorded.

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

"Prepayment Administrative Fees" means any fees or expenses of the School District or IA A of CFD No. 16 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 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 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 Special Tax levy to the applicable Assigned Annual Special Tax is equal for all applicable Assessor's Parcels. In the case of Developed Property subject to apportionment of the Special Tax under Step Four of Section F, "Proportionately" shall mean that the quotient of (i) the Special Tax less the Assigned Annual Special Tax divided by (ii) the Backup Annual Special Tax less the Assigned Annual Special Tax is equal for all applicable Assessor's Parcels.

"Provisional Undeveloped Property" means all Assessor's Parcels of Taxable Property that would otherwise be classified as Exempt Property pursuant to Section K, but cannot be classified as Exempt Property because to do so would reduce the Net Taxable Acreage below the required minimum Acreage set forth in Section K, as applicable.

"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.

"Special Tax" means any of the special taxes authorized to be levied by IA A of CFD No. 16 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, Detached Unit, or Senior Citizen Unit.

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

For each Fiscal Year, beginning with Fiscal Year 2014/2015, each Assessor's Parcel within IA A of CFD No. 16 shall be classified as Taxable Property or Exempt Property taking into consideration the Minimum Taxable Acreage as set forth in Section K. Furthermore, each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property and Developed Property shall be assigned to a special tax classification according to Table 1 below.

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

Tax Classification	Unit Type	Building Square Footage
1	Detached Unit	< 2,500
2	Detached Unit	2,500 – 2,750
3	Detached Unit	2,751 – 3,000
4	Detached Unit	3,001 – 3,250
5	Detached Unit	3,251 – 3,500

TABLE 1 (CONTINUED)

SPECIAL TAX CLASSIFICATION FOR DEVELOPED PROPERTY

Tax Classification	Unit Type	Building Square Footage
6	Detached Unit	3,501 – 3,750
7	Detached Unit	3,751 – 4,000
8	Detached Unit	> 4,000
9	Attached Unit	< 1,250
10	Attached Unit	1,250 – 1,450
11	Attached Unit	1,451 – 1,650
12	Attached Unit	1,651 – 1,850
13	Attached Unit	1,851 – 2,050
14	Attached Unit	> 2,050

**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 Map.

2. **Approved Property, Undeveloped Property, and Provisional Undeveloped Property**

The Maximum Special Tax for each Assessor's Parcel classified as Approved Property, Undeveloped Property, or Provisional Undeveloped Property shall be derived 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 2014/2015 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 2014/2015**

Tax Classification	Unit Type	Building Square Footage	Assigned Annual Special Tax
1	Detached Unit	< 2,500	\$3,057.29 per Unit
2	Detached Unit	2,500 – 2,750	\$3,224.00 per Unit
3	Detached Unit	2,751 – 3,000	\$3,390.70 per Unit
4	Detached Unit	3,001 – 3,250	\$3,514.85 per Unit
5	Detached Unit	3,251 – 3,500	\$3,587.40 per Unit
6	Detached Unit	3,501 – 3,750	\$3,801.50 per Unit
7	Detached Unit	3,751 – 4,000	\$3,874.06 per Unit
8	Detached Unit	> 4,000	\$3,946.61 per Unit
9	Attached Unit	< 1,250	\$1,398.45 per Unit
10	Attached Unit	1,250 – 1,450	\$1,579.51 per Unit
11	Attached Unit	1,451 – 1,650	\$1,760.56 per Unit
12	Attached Unit	1,651 – 1,850	\$1,941.62 per Unit
13	Attached Unit	1,851 – 2,050	\$2,120.58 per Unit
14	Attached Unit	> 2,050	\$2,191.19 per Unit

Each July 1, commencing July 1, 2015, the Assigned Annual Special Tax Assessor's Parcel of Developed Property shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

2. Approved Property, Undeveloped Property, and Provisional Undeveloped Property

The Assigned Annual Special Tax rate in Fiscal Year 2014/2015 for an Assessor's Parcel classified as Approved Property, Undeveloped Property, or Provisional Undeveloped Property shall be \$35,447.34 per acre of Acreage.

Each July 1, commencing July 1, 2015, 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 Map in Fiscal Year 2015/2016 or such later Fiscal Year in which such Final 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 Map at time of calculation, as determined by the Board pursuant to Section K
- L = Lots in the Final 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 Map, the Backup Annual Special Tax for each Lot within such Final 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 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 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 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 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 Map. Each July 1, commencing the July 1 first following the change or modification to be Final 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 SPECIAL TAX

Commencing Fiscal Year 2014/2015, and for each subsequent Fiscal Year, the Board shall levy Special Taxes as follows:

- Step One:** The Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to each such Assessor's Parcel.
- Step Two:** If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.
- Step Three:** If additional moneys are needed to satisfy the Special Tax Requirement after the second step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.
- Step Four:** If additional moneys are needed to satisfy the Special Tax Requirement after the third step has been completed, the Special Tax on each Assessor's Parcel of Developed Property, whose Maximum Special Tax is the Backup Annual Special Tax, shall be increased Proportionately from the Assigned Annual Special Tax up to 100% of the Backup Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.
- Step Five:** If additional moneys are needed to satisfy the Special Tax Requirement after the fourth step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property up to 100% of the Assigned Annual Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

SECTION G PREPAYMENT OF SPECIAL TAXES

The 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 Special Tax obligation would be prepaid.

An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide IA A of CFD No. 16 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 Special Tax obligation of an Assessor's Parcel may be suspended, by the Superintendent of the School District or his or her designee, acting in his or her absolute and sole discretion for and on behalf of IA A of CFD No. 16, without notice to the owners of property within IA A of CFD No. 16 for a period of time, not to exceed sixty (60) days, prior to the scheduled issuance of Bonds by IA A of CFD No. 16 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 2014/2015

Tax Classification	Unit Type	Building Square Footage	Prepayment Amount
1	Detached Unit	< 2,500	\$38,200.61 per Unit
2	Detached Unit	2,500 – 2,750	\$40,283.64 per Unit
3	Detached Unit	2,751 – 3,000	\$42,366.54 per Unit
4	Detached Unit	3,001 – 3,250	\$43,917.79 per Unit
5	Detached Unit	3,251 – 3,500	\$44,824.30 per Unit
6	Detached Unit	3,501 – 3,750	\$47,499.46 per Unit
7	Detached Unit	3,751 – 4,000	\$48,406.09 per Unit
8	Detached Unit	> 4,000	\$49,312.60 per Unit
9	Attached Unit	< 1,250	\$17,472.90 per Unit
10	Attached Unit	1,250 – 1,450	\$19,735.86 per Unit
11	Attached Unit	1,451 – 1,650	\$21,998.07 per Unit
12	Attached Unit	1,651 – 1,850	\$24,260.40 per Unit
13	Attached Unit	1,851 – 2,050	\$26,496.49 per Unit
14	Attached Unit	> 2,050	\$27,378.76 per Unit

Each July 1, commencing July 1, 2015, 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 Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

With respect to any Assessor's Parcel that is prepaid, the Board shall indicate in the records of IA A of CFD No. 16 that there has been a prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Special Tax obligation and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such 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 Map to a Homeowner, the owner of no less than all the Taxable Property within such Final 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 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 Map.

2. Partial Prepayment Amount

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

$$PP = P_G \times F$$

The terms above have the following meanings:

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

3. Partial Prepayment Procedures and Limitations

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of IA A of CFD No. 16 that there has been a partial prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Special Tax obligation and the partial release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax shall cease. Additionally, the notice shall indicate that the 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 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 Special Taxes collected from Developed Property, pursuant to Step 1 of Section F, exceeds the Special Tax Requirement such amount shall be used to pay Actual Costs of City Improvements. After the issuance of Bonds, the School District may use such amounts for acquisition, construction or financing of school facilities in accordance with the Act, IA A of CFD No. 16 proceedings and other applicable laws as determined by the Board.

SECTION J

TERMINATION OF SPECIAL TAX

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 Special Taxes shall not be levied after Fiscal Year 2057-2058.

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 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 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 be classified as Provisioning Undeveloped Property, and will continue to be subject to Special Taxes accordingly.

TABLE 4

MINIMUM TAXABLE ACREAGE

Taxable Acres
31.03 Acres

SECTION L APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. In order to be considered sufficient, any notice of appeal must: (i) specifically identify the property by address and Assessor's Parcel Number; (ii) state the amount in dispute and whether it is the whole amount or only a portion of the Special Tax; (iii) state all grounds on which the property owner is disputing the amount or application of the Special Tax, including a reasonably detailed explanation as to why the amount or application of such Special Tax is incorrect; (iv) include all documentation, if any, in support of the claim; and (v) be verified under penalty of perjury by the person who paid the Special Tax or his or her guardian, executor or administrator. A representative(s) of IA A of CFD No. 16 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 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 Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that IA A of CFD No. 16 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.

**POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 16
(DEL SUR EAST II)
IMPROVEMENT AREA A**

NOTICE OF SPECIAL TAX LIEN

EXHIBIT C

<u>Name of Property Owner</u>	<u>APN</u>
Black Mountain Ranch	678-237-01
Camelot Investments	312-141-02
Camelot Investments	678-238-04
Mountain Glen Family II LLC	312-160-02-
Mountain Glen Family LLC	312-010-15

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

The following is a summary of certain definitions and provisions of the Community Facilities District No. 16 Bond Indenture (the “CFD Indenture”). The provisions of the CFD Indenture are substantially equivalent to the provisions of the Improvement Area A Bond Indenture (the “Improvement Area A Indenture” and, together with the CFD Indenture, the “Indentures”) except where specified otherwise below in italics. This summary does not purport to be comprehensive and reference should be made to the Indentures for a full and complete statement of their provisions.

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,” *as to the Improvement Area A Indenture*, shall have the meaning given to such term in the Third 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 \$37,885.13 for the Bond Year ending on September 1, 2020 and escalating at 2% in each Bond Year commencing in the Bond Year beginning on September 2, 2020; provided, however, such amount may be reduced in any Bond Year at the discretion 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 Special Taxes, *or the Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, and preparing the annual Special Tax, *or the Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County of San Diego, the School District or otherwise); the costs of remitting the Special Taxes, *or the Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, 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 Special Tax, *or the Improvement Area A Special Tax in the case of the Improvement Area A Indenture*, disclosure statements and responding to public inquiries regarding the Special Taxes, *or the Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*; the costs of the School District, District or any designee thereof related to an appeal of the Special Tax, *or the Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*; 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.

“Assessor’s Parcel” means an Assessor’s Parcel as defined in the Special Tax RMA, *or the Improvement Area A Special Tax RMA in the case of the Improvement Area A Indenture.*

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

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

“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, *as to the CFD Indenture*, the Series 2020 Bonds and any Parity Bonds authorized and issued by and at any time outstanding pursuant to the Indenture. “Bonds” means, *as to the Improvement Area A Indenture*, the \$25,415,000 Poway Unified School District Community Facilities District No. 16 (Del Sur East II) Improvement Area A 2020 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, 2020.

“Building Permit” shall have the meaning given such term in the Special Tax RMA, *or the Improvement Area A Special Tax RMA in the case of the Improvement Area A Indenture.*

“Business Day” means a day that is not a Saturday or a Sunday or a day of the year on which banks in New York, New York and Los Angeles, California, or where the Principal Corporate Trust Office is located, are not required or authorized to remain open.

“City” means the City of San Diego, California.

“City Improvements,” *as to the Improvement Area A Indenture*, shall have the meaning given such term in the Third 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 Special Taxes, *or the Improvement Area A Special Taxes in the case of the Improvement Area A Indenture.*

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

“Delivery Date” means the date on which the Bonds are issued and delivered to the initial purchaser thereof.

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

“Developed Property” shall have the meaning given such term in the Special Tax RMA, *or the Improvement Area A Special Tax RMA in the case of the Improvement Area A Indenture.*

“Discrete Component,” *as to the Improvement Area A Indenture*, shall have the meaning given such term in the Third Supplement to Mitigation Agreement.

“District” means Poway Unified School District Community Facilities District No. 16 (Del Sur East II).

“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 thereafter selected and designated by the District as its fiscal year in accordance with applicable law.

“Government Obligations” means obligations described in the definition of Permitted Investments.

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

“Improvement Area A” means, *as to the Improvement Area A Indenture*, Improvement Area A of the District.

“Improvement Area A Improvement Fund” means, *as to the Improvement Area A Indenture*, the fund by that name established pursuant to the Indenture.

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

“Improvement Area A Special Tax Fund” means, *as to the Improvement Area A Indenture*, the fund by that name established pursuant to the Indenture.

“Improvement Area A Special Tax Revenues” means, *as to the Improvement Area A Indenture*, (a) the proceeds of the Improvement Area A Special Tax levied and received by the District, and (b) the Delinquency Proceeds.

“Improvement Area A Special Tax RMA” means the Rate and Method of Apportionment for Improvement Area A pertaining to the levy of the Improvement Area A Special Tax approved at the special election held in Improvement Area A of the District on November 17, 2014, as may be modified from time to time in accordance with the Act.

“Improvement Area Bonds,” *as to the Improvement Area A Indenture*, shall have the meaning given such term in the Third Supplement to Mitigation Agreement.

“Indenture” means the Bond Indenture, as amended or supplemented pursuant to the terms thereof.

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

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

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>), or such service or services as the District may designate in accordance with then-current guidelines of the Securities and Exchange Commission in a certificate delivered to the Fiscal Agent.

“Insurance Policy” shall mean the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Bonds when due.

“Insured Bonds” means, *as to the CFD Indenture*, the Series 2020 Bonds maturing on September 1 of the years 2024 through 2029, inclusive, 2032 through 2040, inclusive and the Term Bonds. “Insured Bonds” means, *as to the Improvement Area A Indenture*, the Bonds maturing on September 1 of the years 2024 through 2030, inclusive and the Term Bonds.

“Insurer” shall mean Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

“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, 2020.

“Investment Agreement” means any investment satisfying the requirements of the Indenture in the definition of Permitted Investments.

“Late Payment Rate” means the lesser of (a) the greater of (i) per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable high rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over 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 Special Tax RMA, *or the Improvement Area A Special Tax RMA in the case of the Improvement Area A Indenture*.

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

“Net Special Tax Revenues” means, *as to the CFD Indenture*, Special Tax Revenues minus, as to each Bond Year, an amount equal to the Administrative Expense Requirement applicable to the Bonds for such Bond Year.

“Net Improvement Area A Special Tax Revenues” means, *as to the Improvement Area A Indenture*, Improvement Area A Special Tax Revenues minus, as to each Bond Year, 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 thereof; and

3. Bonds for the payment or redemption of which moneys shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or any applicable Supplemental Indenture.

“Parity Bonds” means, *as to the CFD Indenture*, Bonds thereafter issued which are secured by and payable from an irrevocable first lien on the Net Special Tax Revenues which lien is on a parity with the lien securing the Series 2020. “Parity Bonds” means, *as to the Improvement Area A Indenture*, Bonds thereafter issued which are secured by and payable from an irrevocable first lien on the Net Improvement Area A Special Tax Revenues which lien is on a parity with the lien securing the Bonds.

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

“Participant” means a member of or participant in the Depository.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Fiscal Agent shall be entitled to rely upon any written investment direction from an Authorized Representative of the District as a certification to the Fiscal Agent that such investment constitutes a Permitted Investment):

1. A. Direct obligations (other than an obligation subject to variation in principal payment) of the United States of America (“United States Treasury Obligations”);

B. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;

C. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or

D. Evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

A. Federal Home Loan Mortgage Corporation (FHLMC)

(1) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

- (2) Senior Debt obligations
 - B. Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
 - (1) Consolidated system-wide bonds and notes
 - C. Federal Home Loan Banks (FHL Banks)
 - (1) Consolidated debt obligations
 - D. Federal National Mortgage Association (FNMA)
 - (1) Senior debt obligations
 - (2) Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - E. Student Loan Marketing Association (SLMA)
 - (1) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - F. Financing Corporation (FICO)
 - (1) Debt obligations
 - G. Resolution Funding Corporation (REFCORP)
 - (1) Debt obligations
4. Unsecured certificates of deposit, time deposits, deposit accounts and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P.
 5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.
 6. Commercial paper having original maturities of not more than 270 days rated 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.
 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 agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

B. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof; or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks pari passu with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;

C. the District and the Fiscal Agent receive the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);

D. the investment agreement shall provide that if during its term;

(1) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Fiscal Agent or a Holder of 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 Special Tax Revenues, *or the Improvement Area A Special Tax Revenues in the case of the Improvement Area A Indenture*, identified to the Fiscal Agent by an Authorized Representative as representing a prepayment of the Special Tax, *or the Improvement Area A Special Tax in the case of the Improvement Area A Indenture*.

“Principal Account” means the account by such name established in the Bond Service Fund pursuant to the Indenture.

“Principal Corporate Trust Office” means the office of the Fiscal Agent at 550 South Hope Street, Suite 2875, Los Angeles, CA 90071 or such other offices as may be specified to the District by the Fiscal Agent in writing.

“Project Area,” *as to the CFD Indenture*, shall have the meaning given to such term in the Third Supplement to Mitigation Agreement.

“Property Owner,” *as to the Improvement Area A Indenture*, shall have the same meaning given the term “Owner” in the Third Supplement to Mitigation Agreement.

“Purchase Price” shall have the meaning given such term in the Third 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 (whether or not such day is a Business Day) of the month immediately preceding an Interest Payment Date.

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

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

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

“Reserve Requirement” means, *as to the Improvement Area A Indenture*, an amount initially equal to \$1,917,820.05 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).

“Reserve Policy” means, *as to the CFD Indenture*, the municipal bond debt service reserve insurance policy issued by the Insurer and held in the Series 2020 Reserve Account securing the Series 2020 Bonds. “Reserve Policy” means, *as to the Improvement Area A Indenture*, the municipal bond debt services reserve insurance policy issued by the Insurer and held in the Reserve Fund securing the Bonds.

“School District” means the Poway Unified School District.

“School Facilities” means, *as to the CFD Indenture*, the types of facilities described in Exhibit A to Resolution No. 21-2015 of the Board of Education of the School District adopted on November 17, 2014. “School Facilities,” *as to the Improvement Area A Indenture*, shall have the meaning given such term in the Third Supplement to Mitigation Agreement.

“School Facilities Costs” means, *as to the CFD Indenture*, the amounts necessary to finance the acquisition or construction of the School Facilities and incidental expenses associated therewith of the type authorized to be financed under the Act.

“School Facilities Fund” means, *as to the CFD Indenture*, the fund by that name established pursuant to the Indenture.

“Securities Depositories” shall mean the following registered securities depositories: The Depository Trust Company, New York, New York; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the District may designate in a certificate of the District delivered to the Fiscal Agent.

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

“Series 2020 Bonds” means, *as to the CFD Indenture*, the \$15,675,000 Poway Unified School District Community Facilities District No. 16 (Del Sur East II) 2020 Special Tax Bonds, issued pursuant to the Indenture.

“Series 2020 Bonds Reserve Account” means, *as to the CFD Indenture*, the account by that name established within the Reserve Fund pursuant to the Indenture.

“Special Tax” means, *as to the CFD Indenture*, the Special Tax authorized to be levied in the District to finance the acquisition or construction of the School Facilities pursuant to the Act and the Special Tax RMA.

“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.

“Special Tax Fund” means, *as to the CFD Indenture*, the fund by that name established pursuant to the Indenture.

“Special Tax Requirement,” *as to the Improvement Area A Indenture*, shall have the meaning given such term in the Improvement Area A Special Tax RMA.

“Special Tax Revenues” means, *as to the CFD Indenture*, (a) the proceeds of the Special Tax levied and received by the District, and (b) the Delinquency Proceeds.

“Special Tax RMA” means, *as to the CFD Indenture*, the Rate and Method of Apportionment for the District pertaining to the levy of the Special Tax approved at the special election held in the District on November 17, 2014, as may be modified from time to time in accordance with the Act.

“Standard & Poor’s” or “S&P” means S&P Global Ratings, its successors and assigns.

“State” means the State of California.

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

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

“Supplemental School Facilities,” *as to the Improvement Area A Indenture*, shall have the meaning given to such term in the Third Supplement to Mitigation Agreement and the Resolution of Formation.

“Surplus Special Taxes,” *as to the Improvement Area A Indenture*, shall mean the amount by which the Improvement Area A Special Taxes collected from Developed Property within Improvement Area A pursuant to the Improvement Area A RMA exceeds the Special Tax Requirement for any Fiscal Year in which (a) all of the Taxable Property in Improvement Area A is Developed Property, (b) the Bonds have been issued in the maximum principal amount authorized to be issued for Improvement Area A or the Property Owner and District have agreed that no additional bonds, excluding Parity Bonds, secured by the Improvement Area A Special Taxes shall be issued for Improvement Area A, and (c) Improvement Area A has funded the Purchase Price of City Improvements from all moneys deposited in the Improvement Fund established pursuant thereto.

“Taxable Property,” *as to the Improvement Area A Indenture*, shall have the meaning given such term in the Improvement Area A RMA.

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

“Term Bonds” means, *as to the CFD Indenture*, the Series 2020 Bonds maturing on September 1, 2050. “Term Bonds” means, *as to the Improvement Area A Indenture*, the Bonds maturing on September 1, 2032, September 1, 2034, September 1, 2036, September 1, 2038, September 1, 2040 and September 1, 2050.

“Third Supplement to Mitigation Agreement” means the Third Supplement to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement made and entered into as of September 16, 2014 by and between the School District and Standard Pacific Corporation, a Delaware corporation, as it may be amended or supplemented by the parties thereto.

“Transferee” shall have the meaning given such term in the Third Supplement to Mitigation Agreement.

“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

As to the CFD Indenture, subject to the satisfaction of the specific conditions set forth in the Indenture, the District may at any time after the issuance and delivery of the Series 2020 Bonds issue Parity Bonds payable from Net Special Tax Revenues and other amounts deposited in the funds and accounts created under the Supplemental Indenture (other than in the Rebate Fund and the Administrative Expense 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 used for the purpose of financing additional School Facilities Costs or refunding all or a portion of the Series 2020 Bonds or any Parity Bonds then outstanding.

The issuance of any Series of Parity Bonds shall be subject to the following additional specific conditions, which are conditions precedent to the issuance of such Parity Bonds:

A. The aggregate principal amount of the Series 2020 Bonds and all Parity Bonds issued may not exceed \$26,000,000; provided, however, that, notwithstanding the foregoing Parity Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity Bonds results in a reduction of Annual Debt Service on all Outstanding Bonds.

B. The District shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Fiscal Agent; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

C. The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify the following:

1. The purpose for which such Parity Bonds are to be issued and the fund or funds and accounts therein, if any, into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of financing additional School Facilities Costs or refunding any Outstanding Bonds or Parity Bonds, including payment of all costs incidental to or connected with such refunding;

2. The authorized principal amount of such Parity Bonds;

3. The date and the maturity date or dates of such Parity Bonds; provided that (a) each maturity date shall fall on a September 1, (b) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (c) fixed serial maturities or mandatory sinking fund payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

4. The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

5. The denominations and method of numbering of such Parity Bonds;
6. The amount and due date of each mandatory sinking fund payment, if any, for such Parity Bonds;
7. The amount, if any, to be deposited from the proceeds of such Parity Bonds in the Parity Bonds Reserve Account so that the amount therein equals the Parity Bonds Reserve Requirement;
8. The form of such Parity Bonds; and
9. Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

D. There shall have been received by the Fiscal Agent the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Fiscal Agent (unless the Fiscal Agent shall accept any of such documents bearing a prior date):

1. A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;
2. A written request of the District as to the delivery of such Parity Bonds;
3. An opinion of Bond Counsel to the effect that (a) the District has the right and power under the Act to adopt the Supplemental Indenture relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Special Tax Revenues and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds, the Bonds and Parity Bonds theretofore issued;
4. A certificate of an Authorized Representative containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;
5. A certificate of an Authorized Representative certifying that:
 - a. The District has received a certificate from one or more Special Tax Consultants which, when taken together, certify that (1) the amount of the maximum Special Taxes that may be levied pursuant to the Special Tax RMA in each remaining Bond Year based only on the Taxable Property (as such term is defined in the Special Tax RMA) existing as of the date of such certificate is at least 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding Bonds theretofore

issued and the Parity Bonds proposed to be issued, provided, however, that shall be excluded from such calculation the Special Taxes on any parcel then delinquent in the payment of Special Taxes; and provided further that, for purposes of making the certifications required by the Indenture, the Special Tax Consultant may rely on reports or certificates of such other persons as may be acceptable to the District, Bond Counsel and the underwriter of the proposed Parity Bonds;

b. Except in the case of the issuance of Parity Bonds to refund Outstanding Bonds or Parity Bonds, the assessed value of all Taxable Property (as such term is defined in the Special Tax RMA) within the District is not less than three (3) times the aggregate amount of Land Secured Debt allocable to such Taxable Property and (b) the assessed value for all Undeveloped Property (as such term is defined in the Special Tax RMA) within the District is not less than 2.5 times the aggregate amount of Land Secured Debt allocable to such Undeveloped Property; and

6. Such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

As to the Improvement Area A Indenture, 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 A Special Tax Revenues and other amounts deposited in the 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 or Parity Bonds theretofore issued then Outstanding where the issuance of such Parity Bonds will result in a reduction in Annual Debt Service in each Bond Year on all Bonds and any Parity Bonds theretofore issued to be Outstanding following the issuance of such Parity Bonds.

FUNDS AND ACCOUNTS

Special Tax Fund, or Improvement Area A Special Tax Fund, in the case of the Improvement Area A Indenture

A. The District shall, no later than the tenth (10th) Business Day after which Special Tax Revenues, *or Improvement Area A Special Tax Revenues, in the case of the Improvement Area A Indenture*, have been received by the District and in any event not later than February 15th and August 15th of each year, transfer such Special Tax Revenues, *or Improvement Area A Special Tax Revenues, in the case of the Improvement Area A Indenture*, to the Fiscal Agent and, except as set forth in the following sentence, such amounts shall be deposited in the Special Tax Fund, *or Improvement Area A Special Tax Fund, in the case of the Improvement Area A Indenture*.

B. With the exception of Special Tax Revenues, *or Improvement Area A Special Tax Revenues, in the case of the Improvement Area A Indenture*, representing Prepayments which shall be transferred pursuant to the provisions of the Indenture, the Special Tax Revenues, *or Improvement Area A Special Tax Revenues, in the case of the Improvement Area A Indenture*, deposited in the Special Tax Fund, *or Improvement Area A Special Tax Fund, in the case of the Improvement Area A Indenture*, shall be held in trust and transferred to the following other funds and accounts on the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

1. The Fiscal Agent shall each Fiscal Year transfer to the Administrative Expense Fund from the first Special Tax Revenues, *or Improvement Area A Special Tax Revenues, in the case of the Improvement Area A Indenture*, 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. *As to the CFD Indenture*, 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.

As to the Improvement Area A Indenture, 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 pro rata among Series as follows: (i) to the Insurer the amount, if any, sufficient to repay any amounts owed to the Insurer in connection with all draws under the Reserve Policy; and (ii) to the Parity Bonds Reserve Account, the amount, if any, necessary to replenish the amount then on deposit in the Parity Bonds Reserve Account to an amount equal to the Parity Bonds Reserve Requirement.

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

6. On or after September 2 of each year after making the deposits and transfers required under 1. through 5. above, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund, *or Improvement Area A Special Tax Fund, in the case of the Improvement Area A Indenture*, 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. *As to the CFD Indenture*, 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 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 1. through 6. above, provided, however, that at any time and from time to time the District may, by written instructions executed by an Authorized Representative, direct the Fiscal Agent to transfer such moneys to the School District to be utilized to finance the acquisition, construction, rehabilitation and improvement of School Facilities.

As to the Improvement Area A Indenture, 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 A Special Tax Fund, such moneys shall remain on deposit in the Improvement Area A Special Tax Fund and shall be subsequently deposited or transferred pursuant to the provisions of 1. through 6. above, provided, however, that if at any time and from time to time the District determines, pursuant to the Third 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 Third 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 Special Tax Revenues, *or Improvement Area A Special Tax Revenues, in the case of the Improvement Area A Indenture*, 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. *As to the CFD Indenture*, when there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Special Tax Fund shall be transferred to the District and used for any lawful purpose under the Act.

As to the Improvement Area A Indenture, when there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Improvement Area A Special Tax Fund shall be transferred to the District to be utilized to finance the acquisition or construction of Supplemental School Facilities pursuant to the provisions of the Third 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, 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 School Facilities Fund, *or Improvement Area A Improvement Fund, in the case of the Improvement Area A Indenture*. Upon such transfer, the Costs of Issuance Fund shall be closed.

As to the CFD Indenture, School Facilities Fund

The Fiscal Agent shall, from time to time, disburse moneys from the School Facilities Fund to pay School Facilities Costs. Upon receipt of a payment request of the District duly executed by an Authorized Representative, the Fiscal Agent shall pay the School Facilities Costs from amounts in the School Facilities 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 School Facilities Costs shall be paid jointly. The Fiscal Agent may rely on duly executed payment requests as complete authorization for said payments.

After the final payment or reimbursement of all School Facilities 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 School Facilities Fund to the Special Tax Fund and the Fiscal Agent shall apply the amount so transferred in accordance with the Indenture. Upon such transfer, the School Facilities Fund shall be closed.

Notwithstanding anything therein 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 School Facilities 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.

As to the Improvement Area A Indenture, Improvement Area A Improvement Fund

The Fiscal Agent shall, from time to time, disburse moneys from the Improvement Area A Improvement Fund to pay Actual Costs. Upon receipt of a payment request of the District duly executed by an Authorized Representative (which payment request shall not exceed the corresponding payment request provided to the School District under the Third Supplement to Mitigation Agreement), the Fiscal Agent shall pay the Actual Costs from amounts in the Improvement Area A Improvement Fund directly to the contractor or such other person, corporation or entity entitled to payment 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 duly executed payment requests 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 A Improvement Fund to the Improvement Area A Special Tax Fund and the Fiscal Agent shall apply the amount so transferred in accordance with the Indenture. Upon such transfer, the Improvement Area A Improvement Fund shall be closed.

Notwithstanding anything in the Indenture to the contrary, if on the date which is three (3) years from the Delivery Date of the Bonds, any funds derived from the Bonds remain on deposit in the Improvement Area A Improvement Fund, upon written instruction from the District, the Fiscal Agent shall restrict the Yield on such amounts so that the Yield earned on the investment of such amounts is not in excess of the Yield on the Bonds, unless in the written opinion of Bond Counsel delivered to the Fiscal Agent such restriction is not necessary to prevent an impairment of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

As to the CFD Indenture, Reserve Fund

The Fiscal Agent shall establish separate accounts in the Reserve Fund to be designated as the “Series 2020 Reserve Account” and the “Parity Bonds Reserve Account” and such accounts shall be administered as provided for in the Indenture.

A. Series 2020 Reserve Account. 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 \$1,146,621.21 to be held in the Series 2020 Bonds Reserve Account. The Series 2020 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 Series 2020 Reserve Account with cash, at any time that the Series 2020 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 will be held as a security for the Series 2020 Bonds. Proceeds of the Reserve Policy shall be applied to pay the principal of and interest on the Series 2020 Bonds when due in the event that the moneys in the Interest Account and/or the Principal Account of the Bond Service Fund are insufficient therefore.

With respect to the Reserve Policy, the District and the Fiscal Agent agree to comply with the provisions set forth in the Indenture.

B. Parity Bonds Reserve Account. Upon the issuance of Parity Bonds, moneys in the amount of the Parity Bonds Reserve Requirement shall be deposited in the Parity Bonds Reserve Account.

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

C. Permitted Investments. 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 Parity Bonds Reserve Account is less than the Parity Bonds Reserve Requirement, the Fiscal Agent shall transfer to Parity Bonds Reserve Account moneys in the Special Tax Fund in accordance with the Indenture.

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

As to the Improvement Area A Indenture, 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 \$1,917,820.05 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 will be held as a security for the Bonds. Proceeds of the Reserve Policy shall be applied to pay the principal of and interest on the Bonds when due in the event that the 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 A 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 or the Redemption Fund for such purpose.

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

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

Whenever the balance in the Reserve Fund and the Bond Service Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall transfer the amount in the Reserve Fund and the Bond Service Fund to the Redemption Fund to be applied, on the next succeeding interest payment date, to the payment and redemption, 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 Special Tax Fund, *or Improvement Area A Special Tax Fund in the case of the Improvement Area A Indenture.*

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, 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 Special Tax Fund, *or Improvement Area A Special Tax Fund in the case of the Improvement Area A Indenture*, the Bond Service Fund, the School Facilities Fund, *or Improvement Area A Improvement Fund in the case of the Improvement Area A Indenture*, the Reserve Fund, the Costs of Issuance Fund, and Administrative Expense Fund, shall, at the written direction of the District executed by an Authorized Representative given at least two (2) days prior, be invested and reinvested in Permitted Investments (including investments with the Fiscal Agent or an affiliate of the Fiscal Agent or investments for which the Fiscal Agent or an affiliate of the Fiscal Agent acts as investment advisor or provides other services so long as the investments are Permitted Investments). 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 therein to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in the Indenture in the definition of Permitted Investments. Any Permitted Investments that are registerable securities shall be registered in the name of the Fiscal Agent.

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

Obligations purchased as investments of 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 therein, 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 therein 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 Bondowners, approve a Supplemental Indenture for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provision with respect to matters or questions arising under the Indenture or in any Supplemental Indenture, provided that such action shall not have a material adverse effect on the interests of the Bondowners;

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

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

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

(e) to authorize the issuance of Parity Bonds issued pursuant to the Indenture.

Exclusive of the Supplemental Indentures provided for in the Indenture, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing therein 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, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Indenture, or (e) creating of a pledge of or lien or charge upon the Special Tax Revenues, or *Improvement Area A Special Tax Revenues in the case of the Improvement Area A Indenture*, 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 thereto 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 therein to the contrary, no Supplemental Indenture shall be entered into which would modify the duties of the Fiscal Agent under the Indenture, without the prior written consent of the Fiscal Agent.

After the effective date of any action taken as provided above, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for that purpose at the Principal Corporate Trust 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 Principal 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 thereof 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 School District, acting on behalf of the District, shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants and agreements set forth in the Indenture; provided, however, that said covenants do not require the District to expend any funds other than the Special Tax Revenues, *or Improvement Area A Special Tax Revenues in the case of the Improvement Area A Indenture.*

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 Special Tax, *or Improvement Area A Special Tax in the case of the Improvement Area A Indenture*, levied in such Fiscal Year to determine the amount of Special Tax, *or Improvement Area A Special Tax in the case of the Improvement Area A Indenture*,

actually collected in such Fiscal Year. If the District determines that any single parcel subject to the Special Tax, *or Improvement Area A Special Tax in the case of the Improvement Area A Indenture*, is delinquent in the payment of all or a portion of four semi-annual installments of Special Taxes, *or Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to the Indenture and for which the Special Taxes remain delinquent. With respect to aggregate delinquencies throughout the District, *or Improvement Area A in the case of the Improvement Area A Indenture*, if the District determines that it has collected less than 95% of the Special Taxes levied in such Fiscal Year, then the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The District will cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to the Indenture and for which the Special Taxes, *or Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, remain delinquent if the aggregate amount collected remains less than 95% of the Special Taxes, *or Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, 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. Except for Parity Bonds, the District will not issue any other obligations payable, principal or interest, from the Special Taxes, *or Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, which have, or purport to have, any lien upon the Special Taxes, *or Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, 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 Special Taxes, *or Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, 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 Special Tax Revenues, *or Improvement Area A Special Tax Revenues in the case of the Improvement Area A Indenture*, and such other funds as may be provided for in the Indenture.

E. The District shall comply with all requirements of the Act so as to assure the timely collection of the Special Taxes, *or Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*. The District shall annually ascertain the parcels on which the Special Taxes, *or Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, are to be levied in the following Fiscal Year, taking into account any subdivisions of parcels during the current Fiscal Year. The District shall effect the levy of the Special Tax, *or Improvement Area A Special Taxes in the case of the Improvement*

Area A Indenture, in accordance with the Special Tax RMA, *or the Improvement Area A Special Tax RMA in the case of the Improvement Area A Indenture*, 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 Special Tax, *or Improvement Area A Special Tax in the case of the Improvement Area A Indenture*, for the parcels within the District, *or Improvement Area A in the case of the Improvement Area A Indenture*, for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Special Tax, *or Improvement Area A Special Tax in the case of the Improvement Area A Indenture*, levy, the District shall prepare or cause to be prepared, and shall transmit or cause to be transmitted to the Auditor of the County of San Diego, such data as such Auditor requires to include the levy of the Special Tax, *or Improvement Area A Special Tax in the case of the Improvement Area A Indenture*, 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 the District as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels of Developed Property located within the District, *or Improvement Area A in the case of the Improvement Area A Indenture*, 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 located within the District, *or Improvement Area A in the case of the Improvement Area A Indenture*, to less than the sum of the Administrative Expense Requirement plus 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 Special Tax RMA, *or the Improvement Area A Special Tax RMA in the case of the Improvement Area A Indenture*, or to limit the power or authority of the District to levy Special Taxes, *or Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, pursuant to the Special Tax RMA, *or Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, 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 Special Taxes, *or Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, pursuant to the Special Tax RMA, *or Improvement Area A Special Tax RMA in the case of the Improvement Area A Indenture*.

F. The District will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Special Tax Revenues, *or Improvement Area A Special Tax Revenues in the case of the Improvement Area A Indenture*, 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, 2020, 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 or by any other method approved by the California Debt and Investment Advisory Commission, 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 Special Taxes, *or Improvement Area A Special Taxes in the case of the Improvement Area A Indenture*, unless it first receives a certificate of a Special Tax Consultant that accepting such tender will not result in the District having insufficient Special Tax Revenues, *or Improvement Area A Special Tax Revenues in the case of the Improvement Area A Indenture*, 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, Business Support Services said Associate Superintendent, Business Support Services is authorized to certify that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds. Such certification shall be delivered to the purchaser together with the Bonds.

Defeasance

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture, then the Owner of such Bond shall cease to be entitled to the pledge of the Special Tax Revenues, *or Improvement Area A Special Tax Revenues in the case of the Improvement Area A Indenture*, 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 the Indenture, in such amount as an Independent Accountant shall determine (as set forth in a verification report from such Independent Accountant) will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the funds established under the Indenture (exclusive of the Rebate Fund) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds shall not have been surrendered for payment, all obligations of the District under the Indenture with respect to such Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District to preserve the exclusion of the interest on the Bonds from gross income for federal income tax purposes. Notice of such election shall be filed with the Fiscal Agent not less than ten (10) days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Fiscal Agent. In connection with a defeasance under (b) or (c) above, there shall be provided to the Fiscal Agent a certificate of an Independent Accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank, together with the interest to accrue thereon and moneys then on deposit in the funds established under the Indenture (exclusive of the Rebate Fund) and available for such purpose, together with the interest to accrue thereon to pay and discharge the principal of, premium, if any, and interest on all such Bonds to be defeased in accordance with the Indenture as and when the same shall

become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with the Indenture.

To accomplish such defeasance, the District shall cause to be delivered (i) a report of the Independent Accountant verifying the determination made pursuant to the Indenture (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. The Fiscal Agent is authorized to and shall mail or otherwise provide for the payment of interest payments to the Bondowners, 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, Business Support Services. 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 pursuant to the Indenture, 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 therein specifically prescribed) 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 hereto 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 thereof 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.

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 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 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 of the Indenture, contained in the Indenture, or the application of the Indenture 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 of the Indenture, to any other persons or circumstances, shall be deemed severable and shall not be affected, and the Indenture and the Bonds issued pursuant hereto shall remain valid and the Bondowner 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, Business Support Services.

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 of the Indenture becomes due, if funds sufficient to pay such Bonds shall be held by the Fiscal Agent for the benefit of the Owners of the Indenture, 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 that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Agreement dated as of May 1, 2020 among the District, the Fiscal Agent and accepted and agreed to by the Dissemination Agent, as defined therein (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 therein provided), 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 therein stated 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 Special Tax Revenues, *or Net Improvement Area A Special Tax Revenues in the case of the Improvement Area A Indenture*, 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 Special Tax Revenues, *or Net Improvement Area A Special Tax Revenues in the case of the Improvement Area A 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 therefore 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 hereto 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 to the Indenture.

EVENT OF DEFAULT

Events of Default

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

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

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

C. Default by the District in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Fiscal Agent or to the District and the Fiscal Agent by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; provided that such default (other than a default arising from nonpayment of the Fiscal Agent's fees and expenses, which must be cured within such 30-day period unless waived by the Fiscal Agent) shall not constitute an Event of Default under the Indenture if the District shall commence to cure such default within said thirty (30) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or

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

Application of Revenues and Other Funds After Default

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

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

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

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

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

Remedies of Owners

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

A. By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the 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 described in the Indenture 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 therein provided, out of the Net Special Tax Revenue, *or Net Improvement Area A Special Tax Revenue in the case of the Improvement Area A Indenture*, 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 described in 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 therein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given 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 provisions of below shall govern, notwithstanding anything to the contrary set forth in the Indenture.

(a) *As to the CFD Indenture*, 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 Series 2020 Reserve Account. Notwithstanding anything to the contrary set forth therein, amounts on deposit in the Series 2020 Reserve Account and amounts on deposit in the Parity Bonds Reserve Account shall be applied solely to the payment of debt service due on the Parity Bonds.

As to the Improvement Area A Indenture, 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 Reserve Fund. Notwithstanding anything to the contrary set forth therein, amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on the Bonds.

(b) The Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Bonds are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Fiscal Agent. In furtherance thereof and as a term of the Indenture and each Insured Bond, the Fiscal Agent and each Bondowner of the Insured Bonds appoints the Insurer as their agent and attorney-in-fact 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 Bondowner of the Insured Bonds delegates and assigns to the Insurer, to the fullest extent permitted by law, the rights of the Fiscal Agent and each Bondholder of the Insured Bonds 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. Remedies granted to the Bondholders of the Insured Bonds shall expressly include mandamus.

(c) The maturity of the Insured Bonds shall not be accelerated without the consent of the Insurer and in the event the maturity of the Insured Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal, and interest accrued on such principal, to the date of acceleration (to the extent unpaid by the District) and the Fiscal Agent shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer’s obligations under the Insurance Policy with respect to such Insured Bonds shall be fully discharged.

(d) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

(e) The Insurer shall be included as a third party beneficiary to the Indenture.

(f) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Insured Bonds to be redeemed shall be subject to the approval of the

Insurer. The exercise of any provision of the Indenture which permits the purchase of Insured Bonds in lieu of redemption shall require the prior written approval of the Insurer if any Insured Bond so purchased is not cancelled upon purchase.

(g) Any amendment, supplement, modification to, or waiver of, the Indenture or any other transaction document, including any underlying security agreement (each a “Related Document”), that requires the consent of Bondowners or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

(h) Unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the School Facilities Fund, *or in the case of the Improvement Area A Indenture, the Improvement A Improvement Fund*, shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.

(i) The rights granted to the Insurer under the Indenture or any other Related Document 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 Bondowners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Bondowners or any other person is required in addition to the consent of the Insurer.

(j) Only (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries 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 Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof, shall be used to effect defeasance of the Insured Bonds unless the Insurer otherwise approves.

To accomplish defeasance of the Insured Bonds, the District shall cause to be delivered to the Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer (“Accountant”) verifying the sufficiency of the escrow established to pay the Insured Bonds in full on the maturity or redemption date (“Verification”), (ii) an escrow deposit agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Insured Bonds are no longer “Outstanding” under the Indenture and (iv) a certificate of discharge of the Fiscal Agent with respect to the Insured Bonds. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the District, Fiscal Agent and Insurer. The Insurer shall be provided with final drafts of the above referenced documentation not less than five business days prior to the funding of the escrow.

Insured Bonds shall be deemed “Outstanding” under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

(k) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Indenture and the Insured Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the District in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(l) The District covenants and agrees to take such action as is necessary from time to time to preserve the priority of the pledge of the Net Special Tax Revenues under applicable law.

(m) Claims Upon the Insurance Policy and Payments by and to the Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Fiscal Agent, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Fiscal Agent shall give notice to the Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Fiscal Agent shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Bonds and the amount required to pay principal of the Insured Bonds, confirmed in writing to the Insurer and the Insurer’s Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Fiscal Agent shall designate any portion of payment of principal on Insured Bonds 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 Bonds registered to the then current Bondowner, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., 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 Bond shall have no effect on the amount of principal or interest payable by the District on any Insured Bond or the subrogation rights of the Insurer.

The Fiscal Agent shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Insured Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Fiscal Agent.

Upon payment of a claim under the Insurance Policy, the Fiscal Agent shall establish a separate special purpose trust account for the benefit of Bondowners of the Insured Bonds referred to therein as the “Policy Payments Account” and over which the Fiscal Agent shall have exclusive control and sole right of withdrawal. The Fiscal Agent shall receive any amount paid under the Insurance Policy in trust on behalf of Bondowners of Insured Bonds and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Fiscal Agent to Bondowners of Insured Bonds in the same manner as principal and interest payments are to be made with respect to the Insured Bonds under the Indenture regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything therein 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 Advances”); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the “Insurer Reimbursement Amounts”). The District hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Net Special Tax Revenues and payable from such Net Special Tax Revenues on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Fiscal Agent and may not be applied to satisfy any costs, expenses or liabilities of the Fiscal Agent. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Insurer.

(n) The Insurer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the District to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(o) The District shall pay or reimburse the Insurer, solely from Net Special Tax Revenues, any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

(p) After payment of reasonable expenses of the Fiscal Agent, the application of funds realized upon default shall be applied to the payment of expenses of the District or rebate only after the payment of past due and current debt service on the Insured Bonds and amounts required to restore the Reserve Fund to the Reserve Requirement.

(q) The Insurer shall be entitled to pay principal or interest on the Insured Bonds 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 Bonds as a result of acceleration of the maturity thereof, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(r) The notice address of the Insurer is: Assured Guaranty Municipal Corp., 1633 Broadway, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy No. _____, Telephone: (212) 974-0100; Telecopier: (212) 339 3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the deputy General Counsel – Public Finance at the above address and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

(s) The Insurer shall be provided with the following information by the District or Fiscal Agent, as the case may be:

(i) By the District, annual audited financial statements, if any are prepared, within 150 days after the end of the District’s fiscal year (together with a certification of the District that it is not aware of any default or Event of Default under the Indenture), and the District’s annual budget, if any is prepared, within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(ii) Notice of any draw upon the Series 2020 Reserve Account, *as to the Improvement Area A Indenture, the Reserve Fund*, within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Series 2020 Reserve Account, *as to the Improvement Area A Indenture, the Reserve Requirement* and (ii) withdrawals in connection with a refunding of Insured Bonds;

(iii) Notice of any default known to the Fiscal Agent or District within five Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Insured Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Fiscal Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any Insolvency Proceeding;

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Insured Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents;

(ix) All reports, notices and correspondence to be delivered to Bondowners under the terms of the Related Documents; and

(x) All information furnished pursuant the continuing disclosure agreement with respect to the Bonds, shall also be provided to the Insurer, simultaneously with the furnishing of such information to any information repository.

(t) The Insurer shall have the right to receive such additional information as it may reasonably request.

(u) The District will permit the Insurer to discuss the affairs, finances and accounts of the District or any information the Insurer may reasonably request regarding the security for the Insured Bonds with appropriate officers of the District and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the District on any business day upon reasonable prior notice.

(v) The District shall notify the Insurer of any failure of the District to provide notices, certificates and other information under the transaction documents.

(w) Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Indenture, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Reserve Fund is fully funded at the Reserve Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Insurer.

(x) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Insured Bonds or the rights of the Bondowners of the Insured Bonds, the District shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

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

(z) So long as any Insured Bonds remain outstanding or any amounts are owed to the Insurer by the District, the District shall not issue or incur indebtedness payable from or secured in whole or in part by the Net Special Tax Revenues that (i) bears interest at other than fixed rates or (ii) permits the holder to tender such indebtedness for purchase prior to the stated maturity thereof, in either case without the prior written consent of the Insurer.

(aa) So long as any Bonds remain outstanding or any amounts are owed to the Insurer by the District, the District shall not enter into any interest rate exchange agreement, cap, collar, floor, ceiling or other agreement or instrument involving reciprocal payment obligations between the District and a counterparty based on interest rates applied to a notional amount of principal, without the prior written consent of the Insurer.

Provisions Relating to the Reserve Policy

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

(a) The District shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Insurer and shall pay interest thereon from the date of payment by Insurer at the Late Payment Rate. If the interest provisions of the Indenture shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created therein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding thereunder to the extent that interest otherwise due thereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Insurer, with the same force and effect as if the District had specifically designated such extra sums to be so applied and the Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created therein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "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 increased by a like amount, subject to the terms of the Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on all revenues and other collateral pledged as security for the Series 2020 Bonds, *the Bonds, with respect to the Improvement Area A Indenture* (subject only to the priority of payment provisions set forth under the Indenture).

All cash and investments in the Reserve Fund shall be transferred to the Bond Service Fund for payment of debt service on Bonds before any drawing may be made on the Reserve Policy or any other credit facility credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities 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) If the District shall fail to pay any Policy Costs in accordance with the requirements of the Indenture, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect owners of the Bonds.

(c) The Indenture 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 Bonds.

(d) The District shall include any Policy Costs then due and owing the Insurer in the calculation of the additional Parity Bonds test and the levy covenant in the Indenture.

(e) The Fiscal Agent shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of the Indenture and to 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 Bonds. Where deposits are required to be made by the District with the Fiscal Agent to the debt service fund for the Bonds more often than semi-annually, the Fiscal Agent shall be instructed to 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.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “**Disclosure Agreement**”) is executed and entered into as of May 1, 2020, by and between the Poway Unified School District, on behalf of the Poway Unified School District Community Facilities District No. 16 (Del Sur East II) (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. 16 (Del Sur East II) 2020 Special Tax Bonds (the “**2020 CFD Bonds**”) and Poway Unified School District Community Facilities District No. 16 (Del Sur East II) Improvement Area A 2020 Special Tax Bonds (the “**Improvement Area A Bonds**” and collectively with the 2020 CFD Bonds, the “**2020 Bonds**” and the 2020 CFD Bonds and 2020 Improvement Area A Bonds sometimes referred to as a “**Series**” of the 2020 Bonds);

WITNESSETH:

WHEREAS, pursuant to each Bond Indenture, dated as of May 1, 2020 (the “**Indenture**”), each by and between the Community Facilities District and the Fiscal Agent, the Community Facilities District has issued the 2020 CFD Bonds in the aggregate principal amount of \$15,675,000 and the Improvement Area A Bonds in the aggregate principal amount of \$25,415,000, as applicable; and

WHEREAS, the 2020 Bonds are payable from and secured by special taxes levied on certain of the taxable property within 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 each Series of 2020 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 each 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. 16 (Del Sur East II).

“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 A” shall mean Improvement Area A of the Poway Unified School District Community Facilities District No. 16 (Del Sur East II).

“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 thorough an enterprise, fund, or account of such person committed by contract or other arrangement (e.g., the Community Facilities District as to each Series of 2020 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 7, 2020, executed by the Community Facilities District in connection with the issuance of the 2020 Bonds.

“Participating Underwriter” shall mean Piper Sandler & Co., as the original underwriter of the 2020 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, 2021, 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 each Series of the 2020 Bonds and any parity bonds:

- (i) Principal amount of each Series of the 2020 Bonds, and/or any bonds issued to refund all or a portion of a Series of the 2020 Bonds, outstanding as of a date within 60 days preceding the date of the Annual Report and the current debt service schedule for each Series of the 2020 Bonds;
- (ii) Balance in the Special Tax Fund and the Bond Service Fund with respect to each Series of the 2020 Bonds as of a date within 60 days preceding the date of the Annual Report;
- (iii) Balance in each Reserve Fund and a statement of the Reserve Requirement with respect to each Series of the 2020 Bonds, as of a date within 60 days preceding the date of the Annual Report;
- (iv) While there are funds in the School Facilities Fund or the Improvement Area A Improvement Fund, or any accounts or any subaccounts thereof, the balance in each such Fund, and each account or subaccount thereunder, as of a date within 60 days preceding the date of the Annual Report, and of any other fund or account held under the terms of the applicable Indenture not referenced in clauses (ii), (iii) or (iv) hereof;
- (v) Tables summarizing assessed value-to-lien ratios for the property in the Community Facilities District and in Improvement Area A based on the applicable land use categories under the applicable Rate and Method of Apportionment of Special Tax (each a “**Rate and Method**”). The assessed values in each such table will be determined by reference to the value of the parcels within the Community Facilities District or Improvement Area A, as applicable, 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 tables will include all 2020 Bonds of the applicable Series outstanding as of a date within 60 days preceding the date of the Annual Report, any refunding bonds relating to a Series of the 2020 Bonds and overlapping land secured debt;
- (vi) Information regarding the amount of the annual special taxes levied in the Community Facilities District and Improvement Area A, whether in the case of Developed Property the amounts are the maximum available levy under the applicable Rate and Method, the amount collected, delinquent amounts and percent delinquent for the most recently completed fiscal year;
- (vii) A land ownership summary listing property owners, if any, responsible for more than 5% of the Special Tax levy of the Community Facilities District or Improvement Area A, as applicable, 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 the Community Facilities District and

Improvement Area A owned by such property owners, and the assessed value of such property, as shown on such assessment roll;

- (viii) Concerning parcels within the Community Facilities District and Improvement Area A 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 the Community Facilities District and Improvement Area A delinquent in payment of Special Tax,
 - total of such delinquency and percentage of delinquency in relation to total Special Tax levy with respect to the Community Facilities District or Improvement Area A, as applicable,
 - status of the actions taken by the School District and/or the Community Facilities District related to any foreclosure proceedings upon delinquent properties in the Community Facilities District and Improvement Area A;
- (ix) Identity of any delinquent taxpayer obligated for greater than 5% of the annual Special Tax levy of the Community Facilities District or of Improvement Area A, as applicable, of the immediately preceding November 1, if applicable, plus;
 - assessed value of applicable properties subject to the levy of Special Taxes in the Community Facilities District and in Improvement Area A, as applicable, and
 - summary of results of foreclosure sales, if available;
- (x) A copy of any report or reports for or concerning the Community Facilities District and Improvement Area A as of the immediately preceding October 31, required under State law (e.g., any report filed with the California Debt Investment and Advisory Commission or with the State Controller); and
- (xi) Any changes to the Rate and Method for either the Community Facilities District or Improvement Area A approved or submitted to the qualified electors of the Community Facilities District and Improvement Area A for approval prior to the filing of the Annual Report.

(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 each Series of 2020 Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves (Including, e.g., the Reserve Fund) reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;¹
- (xiii) The consummation of a merger, consolidation or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the

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

Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

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

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

Section 6. Termination of Reporting Obligation. All of the Community Facilities District’s obligations hereunder with respect to a Series of 2020 Bonds shall terminate upon the earliest to occur of (i) the legal defeasance of the applicable Series of 2020 Bonds, (ii) prior redemption of the applicable Series of 2020 Bonds or (iii) payment in full of all the applicable Series of 2020 Bonds. If such termination occurs prior to the final maturity of a Series of 2020 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 a Series of 2020 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 applicable Series of 2020 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 applicable Series of 2020 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 applicable Series of 2020 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 applicable Series of Outstanding 2020 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent) or any owner or beneficial owner of such Series of 2020 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 2020 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 a Series of 2020 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 each Series of 2020 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 each Series of 2020 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. 16 (Del Sur East II)
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. 16 (Del Sur East II)
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.

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

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

POWAY UNIFIED SCHOOL DISTRICT,
on behalf of Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)

By: _____
Authorized Officer

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, as Fiscal Agent

By: _____
Mark D. Petrasso
Senior Vice President
Corporate Trust 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. 16 (Del Sur East II)

Name of Bond Issues: Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)
2020 Special Tax Bonds

Poway Unified School District
Community Facilities District No. 16 (Del Sur East II)
Improvement Area A
2020 Special Tax Bonds

Date of Issuance: May 27, 2020

NOTICE IS HEREBY GIVEN that Poway Unified School District Community Facilities District No. 16 (Del Sur East II) (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 May 1, 2020, 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. 16 (Del Sur East II)
Piper Sandler & Co.
Zions Bancorporation, National Association

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APPENDIX E

FORMS OF OPINIONS OF BOND COUNSEL

[Closing Date]

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

\$15,675,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II)
2020 SPECIAL TAX BONDS

COMMUNITY FACILITIES DISTRICT BOND OPINION

Ladies and Gentlemen:

We have acted as bond counsel (“Bond Counsel”) in connection with the issuance and sale of Poway Unified School District Community Facilities District No. 16 (Del Sur East II) 2020 Special Tax Bonds in the aggregate principal amount of \$15,675,000 (the “Bonds”). The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), Resolution No. 47-2020 adopted by the Board of Education of the Poway Unified School District (the “School District”) acting in its capacity as the legislative body of the Community Facilities District No. 16 (Del Sur East II) (“CFD No. 16”) on April 23, 2020, and the Bond Indenture executed in connection therewith dated as of May 1, 2020 (the “Indenture”), by and between CFD No. 16 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 complete copies of the proceedings in connection with the formation of CFD No. 16 and the issuance of the Bonds (the “CFD Proceedings”). We have also examined certificates and representations of fact made by public officials and officers of the School District on behalf of CFD No. 16 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 CFD No. 16 or the School District other than the record of the CFD Proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof which has been or may be supplied to any purchaser of the Bonds. In rendering this opinion, we have relied upon the representations of fact and certifications referred to above, and we have not undertaken by independent investigation to verify the accuracy of the factual matters represented, warranted or certified therein.

The Indenture and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally

recognized bond counsel. No opinion is expressed herein as to any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

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

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

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

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

1. CFD No. 16 has, and the CFD Proceedings show, full power and authority to issue the Bonds. The Bonds constitute legal, valid and binding obligations of CFD No. 16, payable in accordance with their terms. CFD No. 16 has the full right, power and authority to levy and pledge the Special Taxes to the Owners of the Bonds. The Bonds are limited obligations of CFD No. 16 payable solely from and secured by a pledge of the Net Special Tax Revenues, and from certain other funds and accounts pursuant to the Indenture and are not obligations of the School District, the State of California, or any public agency thereof (other than CFD No. 16).

2. The Indenture has been duly and validly authorized, executed and delivered by, and constitutes a valid and binding obligation of CFD No. 16.

3. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain exempt from federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of issuance of the Bonds. Pursuant to the Indenture, CFD No. 16 has covenanted to comply with the requirements of the Code and applicable regulations promulgated thereunder.

We are of the opinion that, under existing statutes, regulations, rulings and court decisions, and assuming compliance by CFD No. 16 with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of calculating the federal alternative minimum tax. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Although interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these tax consequences will depend on the recipient's particular

tax status or other items of income or deduction. We express no opinion regarding any such consequences.

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

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

Respectfully Submitted,

[Closing Date]

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

\$25,415,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 16 (DEL SUR EAST II)
IMPROVEMENT AREA A
2020 SPECIAL TAX BONDS

IMPROVEMENT AREA A BOND OPINION

Ladies and Gentlemen:

We have acted as bond counsel (“Bond Counsel”) in connection with the issuance and sale of Poway Unified School District Community Facilities District No. 16 (Del Sur East II) Improvement Area A 2020 Special Tax Bonds in the aggregate principal amount of \$25,415,000 (the “Bonds”). The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), Resolution No. 47-2020 adopted by the Board of Education of the Poway Unified School District (the “School District”) acting in its capacity as the legislative body of the Community Facilities District No. 16 (Del Sur East II) (“CFD No. 16”) on April 23, 2020, and the Bond Indenture executed in connection therewith dated as of May 1, 2020 (the “Indenture”), by and between CFD No. 16 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 complete copies of the proceedings in connection with the formation of CFD No. 16, the designation of Improvement Area A and the issuance of the Bonds (the “CFD Proceedings”). We have also examined certificates and representations of fact made by public officials and officers of the School District on behalf of CFD No. 16 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 CFD No. 16 or the School District other than the record of the CFD Proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof which has been or may be supplied to any purchaser of the Bonds. In rendering this opinion, we have relied upon the representations of fact and certifications referred to above, and we have not undertaken by independent investigation to verify the accuracy of the factual matters represented, warranted or certified therein.

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

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

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

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

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

1. CFD No. 16 has, and the CFD Proceedings show, full power and authority to issue the Bonds. The Bonds constitute legal, valid and binding obligations of CFD No. 16, payable in accordance with their terms. CFD No. 16 has the full right, power and authority to levy and pledge the Improvement Area A Special Taxes to the Owners of the Bonds. The Bonds are limited obligations of CFD No. 16 payable solely from and secured by a pledge of the Net Improvement Area A 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 CFD No. 16).

2. The Indenture has been duly and validly authorized, executed and delivered by, and constitutes a valid and binding obligation of CFD No. 16.

3. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain exempt from federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of issuance of the Bonds. Pursuant to the Indenture, CFD No. 16 has covenanted to comply with the requirements of the Code and applicable regulations promulgated thereunder.

We are of the opinion that, under existing statutes, regulations, rulings and court decisions, and assuming compliance by CFD No. 16 with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of calculating the federal alternative minimum tax. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

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

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

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

Respectfully Submitted,

APPENDIX F

BOOK-ENTRY SYSTEM

The following description of the “Procedures and Record Keeping” with respect to beneficial ownership interests in the 2020 Bonds, payment of principal of and interest on the 2020 Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the 2020 Bonds, confirmation and transfer of beneficial ownership interests in the 2020 Bonds and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the 2020 Bonds is based solely on information furnished by DTC to the Community Facilities District which the Community Facilities District believes to be reliable, but the Community Facilities District, the Community Facilities District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Procedures and Record Keeping

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2020 Bonds. The 2020 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 2020 Bond will be issued for each maturity of the 2020 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2020 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 2020 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 2020 Bonds, except in the event that use of the book-entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all 2020 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 2020 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 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020 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 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2020 Bonds documents. For example, Beneficial Owners of the 2020 Bonds may wish to ascertain that the nominee holding the 2020 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 2020 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 2020 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 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Bond for each maturity of the 2020 Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Indentures. If the Community Facilities District fails to identify another qualified securities depository to replace the incumbent securities depository for the 2020 Bonds, then the 2020 Bonds shall no longer be restricted to being registered in the 2020 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 2020 Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the 2020 Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the 2020 Bonds will be payable upon surrender thereof at the trust office of the Fiscal Agent identified in the Indentures, and (iii) the 2020 Bonds will be transferable and exchangeable as provided in the Indentures.

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 2020 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 2020 Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Indentures; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the 2020 Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the 2020 Bonds or the Indentures. 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 2020 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 2020 Bonds or any error or delay relating thereto.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this 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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM 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 AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

APPENDIX H

SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

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MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER:

Policy No.:

BONDS:

Effective Date:

Premium: \$

Termination Date:

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") as set forth in the documentation (the "Bond Document") providing for the issuance of and securing the Bonds, for the benefit of the Owners, 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.

AGM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of the Business Day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Issuer, as appropriate, who may submit an amended Notice of Nonpayment. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy. Upon such payment, AGM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Insurance 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 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 (exclusive of interest and expenses) to AGM by or on behalf of the Issuer. Within three Business Days of such reimbursement, AGM shall provide the Trustee, the Paying Agent and the Issuer with notice of the reimbursement and reinstatement.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the Termination Date of this Policy or (b) Bonds that are not outstanding under the Bond Document. If the amount payable under this Policy is also payable under another insurance policy or surety bond 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 AGM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other insurance policy or surety bond that AGM has issued.

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 are, or the Insurer's Fiscal Agent is, 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 AGM 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. "Insurance Agreement" means the Insurance Agreement dated as of the effective date hereof in respect of this Policy, as the same may be amended or supplemented from time to time. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Issuer, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 of principal or interest thereunder, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "Policy Limit" shall be the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Bond Document from time to time (the "Debt Service Reserve Requirement"), but in no event shall the Policy Limit exceed \$. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement, as provided in the Bond Document.

AGM 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 AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be cancelled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 501 NY (6/90)