

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the 2012 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain taxable income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “LEGAL MATTERS – Tax Exemption” herein.

\$9,470,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
IMPROVEMENT AREA C
2012 SPECIAL TAX BONDS

Dated: Date of Delivery

Due: September 1, as shown below

The Poway Unified School District Community Facilities District No. 6 (4S Ranch) Improvement Area C 2012 Special Tax Bonds (the “2012 Bonds”) are being issued under the Mello-Roos Community Facilities Act of 1982 (the “Act”) and the Bond Indenture, dated as of September 1, 2012 (the “Indenture”), by and between the Community Facilities District No. 6 (4S Ranch) of the Poway Unified School District (the “Community Facilities District”) and Zions First National Bank, as fiscal agent (the “Fiscal Agent”).

The 2012 Bonds are payable from proceeds of Improvement Area C Special Taxes (as defined herein) levied pursuant to the Second Amended Rate and Method of Apportionment for Community Facilities District No. 6 of the Poway Unified School District (Improvement Area C) (the “Improvement Area C Rate and Method”) approved by the qualified electors of Improvement Area C of the Community Facilities District (“Improvement Area C”) and by the Board of Education of the Poway Unified School District (the “School District”), acting as the Legislative Body of the Community Facilities District (the “Board of Education”).

The 2012 Bonds are being issued (i) to finance, either directly or indirectly, the acquisition and construction of certain road improvements, (ii) to pay the costs of issuing the 2012 Bonds and (iii) to fund the deposit to the Reserve Fund to the Reserve Requirement applicable to the 2012 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2012 BONDS” herein.

Interest on the 2012 Bonds is payable on March 1, 2013, and semiannually thereafter on each March 1 and September 1. The 2012 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The 2012 Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the 2012 Bonds as described herein under “THE 2012 BONDS – Book-Entry and DTC.”

The 2012 Bonds are subject to optional redemption, mandatory redemption from prepayment of Improvement Area C Special Taxes and mandatory redemption as described herein.

THE 2012 BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 2012 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 2012 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 2012 BONDS. OTHER THAN THE IMPROVEMENT AREA C SPECIAL TAXES LEVIED PURSUANT TO THE IMPROVEMENT AREA C RATE AND METHOD, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE 2012 BONDS. THE 2012 BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE IMPROVEMENT AREA C SPECIAL TAXES LEVIED PURSUANT TO THE IMPROVEMENT AREA C RATE AND METHOD, AS MORE FULLY DESCRIBED HEREIN.

This cover page contains certain information for general reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the 2012 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 2012 Bonds.

The 2012 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel and subject to certain other conditions. Certain legal matters will be passed on for the School District and the Community Facilities District by Best Best & Krieger LLP and by McFarlin & Anderson LLP, Laguna Hills, California, Disclosure Counsel. Additionally, Nossaman LLP, Irvine, California, has reviewed certain matters for the Underwriter. It is anticipated that the 2012 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about September 20, 2012.

STONE & YOUNGBERG
 A DIVISION OF STIFEL NICOLAUS

MATURITY SCHEDULE

\$9,470,000

**POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
IMPROVEMENT AREA C
2012 SPECIAL TAX BONDS**

Base CUSIP® No. 738855[†]

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP® No. [†]	Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP® No. [†]
2013	\$10,000	1.250%	1.250%	WT8	2023	\$170,000	3.750%	3.900%	WF8
2014	50,000	1.750	1.750	VW2	2024	190,000	4.000	4.000	WG6
2015	60,000	2.000	2.000	VX0	2025	210,000	4.000	4.100	WH4
2016	70,000	2.250	2.250	VY8	2026	230,000	4.125	4.250	WJ0
2017	85,000	2.625	2.625	VZ5	2027	250,000	4.250	4.400	WK7
2018	95,000	3.000	3.000	WA9	2028	275,000	4.375	4.450	WL5
2019	110,000	3.250	3.250	WB7	2029	300,000	4.375	4.500	WM3
2020	125,000	3.375	3.500	WC5	2030	325,000	4.375	4.550	WN1
2021	140,000	3.500	3.700	WD3	2031	350,000	4.500	4.600	WP6
2022	155,000	3.625	3.800	WE1	2032	380,000	4.500	4.650	WQ4

\$1,335,000 4.600% Term 2012 Bonds due September 1, 2035 – Yield 4.70% CUSIP® No. 738855 WR2

\$4,555,000 5.000% Term 2012 Bonds due September 1, 2042 – Yield 4.85%^C CUSIP® No. 738855 WS0

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^C Priced to September 1, 2022 par call.

POWAY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Linda Vanderveen, *President*
Andy Patapow, *Vice President*
Marc Davis, *Clerk of the Board*
Todd Gutschow, *Member*
Penny Ranftle, *Member*

SUPERINTENDENT

John P. Collins, Ed.D., *Superintendent*

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Irvine, California

FISCAL AGENT

Zions First National Bank
Los Angeles, California

GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the 2012 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 2012 Bonds. All information for investors regarding the Community Facilities District and the 2012 Bonds is contained in this Official Statement. While the School District maintains an internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the 2012 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.

Limited Offering. 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 2012 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 2012 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 2012 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 2012 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE 2012 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 2012 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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Poway Unified School District **(San Diego County, California)**

Regional Location Map



POWAY UNIFIED SCHOOL DISTRICT
Community Facilities District No. 6 (4S Ranch)
Improvement Area C



Air Views dated 2/29/2012 (Boundaries shown are approximate)



OFFICIAL STATEMENT

\$9,470,000

POWAY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) IMPROVEMENT AREA C 2012 SPECIAL TAX BONDS

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2012 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, including the cover page and appendices hereto, is provided to furnish information regarding the Poway Unified School District Community Facilities District No. 6 (4S Ranch) Improvement Area C 2012 Special Tax Bonds (the “2012 Bonds”).

The 2012 Bonds are issued pursuant to the Act (as defined below) and the Bond Indenture, dated as of September 1, 2012 (the “Indenture”), by and between Community Facilities District No. 6 (4S Ranch) of the Poway Unified School District (the “Community Facilities District”) and Zions First National Bank, as fiscal agent (the “Fiscal Agent”). See “THE 2012 BONDS – Authority of Issuance” herein.

The Community Facilities District may issue additional bonds payable on a parity with the 2012 Bonds pursuant to the provisions of the Indenture for refunding purposes only. See “SECURITY FOR THE 2012 BONDS – Parity Bonds for Refunding Purposes Only.”

The School District

The Poway Unified School District (the “School District”) is a school district organized under the laws of the State of California (the “State”). The School District was established in 1962. The School District provides education instruction for grades K-12 within an approximately 100 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 and Torrey Highlands. The School District currently operates 25 elementary schools (K-5), six middle schools (6-8), five high schools (9-12) and one continuation high school. The School District reported 34,135 students enrolled at the California Basic Educational Data System (“CBEDS”) for Fiscal Year 2010-11, 34,569 students enrolled at the CBEDS for Fiscal Year 2011-12 and estimates approximately 34,748 of students enrolled at the CBEDS during Fiscal Year 2012-13. See APPENDIX A – “General Information About the Poway Unified School District” herein.

The Community Facilities District and Improvement Area C

The Community Facilities District was formed and established by the School District on March 24, 1998, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code, the “Act”), following a public hearing. At a landowner election held on March 24, 1998, the qualified electors of the Community Facilities District, by more than a two-thirds vote, authorized the Community Facilities District to incur a bonded indebtedness of the Community Facilities District to finance the acquisition and construction of school facilities (the “School Facilities”) and approved the levy of special taxes. The qualified electors of the Community Facilities District authorized bonded indebtedness in the aggregate not-to-exceed principal amount of \$130,000,000 and approved the levy of annual special taxes in the Community Facilities District pursuant to a Community Facilities District rate and method of apportionment of special tax (the “Community Facilities District Rate and Method” and “Community Facilities District Special Taxes,” respectively).

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

In 2002, the owners of property within portions of the Community Facilities District requested the School District to form three separate improvement areas (each an “Improvement Area”) within a portion of the Community Facilities District and to authorize the issuance of bonds to finance road, water, sewer, drainage, fire station, park, public library, additional school facilities and other public facilities (the “Infrastructure Improvements”) in the aggregate principal amount of \$62,000,000, such amount to be payable from special taxes levied pursuant to a separate rate and method of apportionment of special tax with respect to each Improvement Area within the Community Facilities District. Each Improvement Area, including Improvement Area C, was formed and established by the School District on October 21, 2002, pursuant to the Act, following a public hearing. At landowner elections held on October 21, 2002, the qualified electors of each Improvement Area, including Improvement Area C, by more than a two-thirds vote, authorized the Community Facilities District to incur a bonded indebtedness with respect to each Improvement Area to finance the acquisition and construction of the Infrastructure Improvements. The Community Facilities District was authorized to issue \$14,000,000 aggregate principal amount of bonds with respect to Improvement Area C (“Improvement Area C”). No cross-collateralization exists between bonds of Improvement Area A, Improvement Area B and Improvement Area C. See “SECURITY FOR THE 2012 BONDS – Rates and Methods – Improvement Area C Rate and Method” and “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) IMPROVEMENT AREA C – Property Ownership.”

The cost of the School Facilities funded by the Community Facilities District is expected to exceed the cost of the Infrastructure Improvements funded by Improvement Area C. A portion of the costs of the Infrastructure Improvements will be financed through the levy of an annual special tax (the “Improvement Area C Special Tax,” as defined below) on Developed Property (and Undeveloped Property, if necessary) in Improvement Area C as set forth in the Second Amended Rate and Method of Apportionment for Community Facilities District No. 6 of the Poway Unified School District (Improvement Area C) (the “Improvement Area C Rate and Method” and together with the Community Facilities District Rate and Method, each a “Rate and Method” and together the “Rates and Methods”). See “SECURITY FOR THE 2012 BONDS – Rates and Methods – Improvement Area C Rate and Method.” Annual Improvement Area C Special Taxes will be levied on Taxable Property within Improvement Area C. The Community Facilities District will use such Improvement Area C Special Taxes levied pursuant to the Improvement Area C Rate and Method and proceeds of the Improvement Area C Bonds for the acquisition, design, construction, rehabilitation and improvement of the

Infrastructure Improvements. The 2012 Bonds are secured by or payable from the Improvement Area C Special Tax levied pursuant to the Improvement Area C Rate and Method to finance the Infrastructure Improvements. The 2012 Bonds will only finance Infrastructure Improvements. THE 2012 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 contiguous and is generally located north and south along Camino del Norte and along both sides of 4S Ranch Parkway in the northern unincorporated portion of the County, just under two miles west of the 15 Freeway. The Community Facilities District is part of the specific plan area known as “4S Ranch.” The Community Facilities District is an extension of the ongoing development of the community of Rancho Bernardo. The Community Facilities District is comprised of approximately 2,888 gross acres (approximately 500 net acres) proposed for over 4,000 residential units. As of January 1, 2012, approximately 3,727 residential units were classified as Developed Property, of which 2,964 are single-family detached units and 763 are single-family attached units. In addition, approximately 141 units are affordable dwelling units, 120 in Neighborhood One and 21 in Neighborhood Four), which affordable units (“Affordable Units”) are not subject to the levy of the Community Facilities District Special Tax. The area consists of rolling terrain with slopes and knolls. Within the Community Facilities District, approximately 1,600 acres is designated as natural open space and an additional approximately 195 acres is designated as managed open space for brush management and major internal slopes.

The property within the Community Facilities District has been developed in phases, which are referred to as Neighborhoods One, Two, Three and Four. Each Neighborhood is, in turn, subdivided into planning areas that typically represent one or two different residential or commercial subdivisions. As described below, sales to merchant builders commenced in Neighborhood One in 2000, in Neighborhood Two in 2002 and in Neighborhood Three in 2004. Residential land within Neighborhood Four was first conveyed to merchant builders in 2008 and continues to be under development. A mixed use district in the central portion of the Community Facilities District is outside of Neighborhood Four.

Three Improvements Areas were formed and established by the School District on October 21, 2002, pursuant to the Act following a public hearing: Improvement Areas A, B and C. Neighborhood One is not within any Improvement Area. The commercial properties are not subject to the levy of the Improvement Area C Special Tax. A boundary map of the Improvement Areas within the Community Facilities District is attached as Appendix H.

There is also a 53-acre mixed-use district called 4S Commons Town Center that includes tenants such as World Market, Ralph’s, Bed Bath & Beyond, CVS Pharmacy, Ace Hardware, Wells Fargo, Chase Bank and various other stores and fast food restaurants. In addition, there is a nearby L.A. Fitness and a separate and smaller commercial center called 4S Ranch Village that includes Union Bank, Subway, a Chevron gas station with car wash, Fresh & Easy and various other stores. A medical center is under construction on the former 4S Welcome Center site. The commercial properties are not subject to the levy of the Improvement Area C Special Tax.

The property within the Community Facilities District was primarily owned by 4S Kelwood General Partnership, a California general partnership (“4S Kelwood”). 4S Kelwood has acted as the master developer with portions sold from time to time to merchant builders which then construct homes and sell the homes to individual homeowners. It is expected that approximately 467 net acres originally owned by 4S Kelwood of the approximately 500 net acres in the Community Facilities District proposed for residential development will be subject to the Community Facilities District Special Tax. (In addition, there are approximately 14 acres adjacent to Neighborhood Four which are within the Community Facilities District which are owned by another landowner, 4S Ranch Company 600, L.P., which may be developed with approximately 25 Detached Units.) At build-out, the Community Facilities District is expected to be comprised of over 4,000 residential units and some commercial and industrial property and

school sites. In addition to the approximately 763 Attached Units subject to the Community Facilities District Special Tax levy, there are approximately 519 units which are a portion of a 540-unit apartment complex completed on a site zoned for commercial use in a part of a mixed use district which is separate from the four neighborhoods. The apartment complex has been completed and the owner prepaid the Community Facilities District Special Taxes for those units which were not Affordable Units. The remaining units in the apartment complex are the 21 Affordable Units mentioned above. Finally, there are 120 Affordable Units completed in Neighborhood 1 which are not subject to the Community Facilities District Special Tax levy.

The partners of 4S Kelwood are 4S Ranch Company 1700, a California limited partnership (“4S Ranch Company 1700”), and Kelwood Development Company LLC, a Delaware limited liability company (“Kelwood Development Company”), the sole managing partner. Kelwood Development Company is owned by Genstar Land Company, LLC, a Delaware limited liability company (“Genstar”), which is related to Newland Real Estate Group, LLC, a Delaware limited liability company (“Newland Real Estate Group, LLC”). The 4S Ranch development project is managed by Newland-IHP Management, LLC, a Delaware limited liability company (“Newland-IHP Management, LLC”), and Kelwood Development Company. 4S Kelwood originally owned approximately 467 net residential acres (1,681 gross acres) expected to be developed with over 4,000 residential units.

Improvement Area C. Within Improvement Area C, 4S Kelwood has closed sales for the sale of residential lots for all 288 lots to the following two merchant builders or one or more entities affiliated therewith: (i) Pulte Home Corporation (“Pulte Homes”) (131 lots); and (ii) California West Communities (“California West”) (157 lots).

As of July 15, 2012, Pulte Homes prepaid Improvement Area C Special Taxes on 29 homes leaving 102 lots subject to the Improvement Area C Special Tax. As of July 15, 2012, of the 102 lots, Pulte Homes had completed 42 homes and had closed escrow on 35 of those homes. An additional 27 homes were under construction. As of August 14, 2012, Pulte Homes had closed escrow on an additional 5 homes. As of July 15, 2012, California West had completed construction of all 157 homes on the lots it acquired. California West prepaid Improvement Area C Special Taxes on 10 homes and individual homeowners prepaid the Special Taxes on 9 homes, leaving 138 homes subject to the Improvement Area C Special Tax. As of July 15, 2012, California West had closed escrow on 135 of the 138 homes. As of August 14, 2012, California West has closed escrow on the last 3 of the 138 homes. There are no Affordable Units within Improvement Area C; Affordable Units are not subject to the Improvement Area C Special Tax.

Annual Improvement Area C Special Taxes will be levied on Taxable Property within Improvement Area C for the acquisition and construction of Infrastructure Improvements.

At this time, the Community Facilities District estimates that Pulte Homes will be responsible for approximately 25.18% of the estimated Fiscal Year 2013-14 Improvement Area C Special Tax levy, with a decreasing percentage of responsibility as home sales occur. See “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) IMPROVEMENT AREA C” for a description of the Community Facilities District, Improvement Area C, Pulte Homes, and the development within Improvement Area C.

As of July 15, 2012, the Summary Appraisal Report (as defined below) indicates completed homes, including completed-sold homes (closed sales from a merchant builder to a homeowner – 170 homes), completed-unsold homes (8 model homes and 2 production homes), homes under construction (27 homes) and vacant lots (33 lots), aggregate 240 residential homes/lots in Neighborhood Four (which 240 homes/lots exclude 48 parcels for which Improvement Area C Special Taxes have been prepaid which are not subject to the Improvement Area C Special Tax levy).

Detailed information about the location of and property ownership and land uses in the Community Facilities District is set forth in “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) IMPROVEMENT AREA C” herein.

Purpose of the 2012 Bonds

The Community Facilities District was formed pursuant to a School Impact Mitigation Agreement, dated as of February 1, 1998, among the School District, 4S Kelwood General Partnership, a California General Partnership, 4S Ranch Company, a California limited partnership and 4S Ranch Company 600, L.P., a California limited partnership (the “Impact Mitigation Agreement”). The Impact Mitigation Agreement originally required the property owners (and their successors-in-interest) to include their property in a community facilities district in order to finance School Facilities and was amended by a supplement to the Impact Mitigation Agreement, dated June 17, 2002, to, among other things, provide for the issuance of bonds of the Improvement Areas to fund Infrastructure Facilities. See “INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2012 BONDS,” “SECURITY FOR THE 2012 BONDS – Rates and Methods – *Improvement Area C Rate and Method*” and “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) IMPROVEMENT AREA C” herein.

Sources of Payment for the 2012 Bonds

The 2012 Bonds are secured by and payable from a first pledge of “Net Improvement Area C Special Tax Revenues,” of Improvement Area C, which is defined in the Indenture as proceeds of the Improvement Area C Special Taxes levied and received by the Community Facilities District, including the net amounts (the “Delinquency Proceeds”) collected from the redemption of delinquent Improvement Area C Special Taxes, including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Improvement Area C Special Taxes resulting from the delinquency in the payment of the Improvement Area C Special Taxes due and payable on such property, and net of the County, foreclosure counsel and other fees and expenses incurred by or on behalf of the Community Facilities District or the School District in undertaking such foreclosure proceedings, less (a) any Delinquency Proceeds, representing Improvement Area C Special Taxes the delinquency of which necessitated a draw on a Letter of Credit or transfer of funds from a cash deposit, deposited in the Letter of Credit Fund pursuant to the Indenture to reimburse the Letter of Credit provider for such draw or to replenish the cash deposit in an amount not to exceed such transfer and (b) Administrative Expenses (as defined in the Indenture) not to exceed \$28,717.14 for Fiscal Year 2012-13 and subject to escalation by 2% each year. See “SECURITY FOR THE BONDS – Improvement Area C Special Tax Fund” and “ – Deposits into the Letter of Credit Fund; Transfers from the Letter of Credit Fund.” “Improvement Area C Special Taxes” are defined in the Indenture as the proceeds of the special taxes levied and received by the Community Facilities District within Improvement Area C pursuant to the Improvement Area C Rate and Method and the Delinquency Proceeds as described above.

Pursuant to the Act, the Improvement Area C Rate and Method, the Resolution of Formation (as defined herein) and the Indenture, so long as the 2012 Bonds are outstanding, the Community Facilities District will annually ascertain the parcels on which the Improvement Area C Special Taxes are to be levied taking into account any subdivisions of parcels during the applicable Fiscal Year. The Community Facilities District shall effect the levy of the Improvement Area C Special Taxes in accordance with the Improvement Area C Rate and Method and the Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County before the final date on which the Auditor of the County will accept the transmission of the Improvement Area C Special Taxes for the parcels within Improvement Area C pursuant to the Improvement Area C Rate and Method for inclusion on the next real property tax roll. See “SECURITY FOR THE 2012 BONDS – Improvement Area C Special Taxes” herein.

The Improvement Area C Rate and Method exempts from the Improvement Area C Special Tax all property owned by the State, the federal government and local governments, all property located within Planning Area 32 of Improvement Area C, as well as certain other properties, subject to certain limitations. See “SECURITY FOR THE 2012 BONDS – Rates and Methods” and “BONDOWNERS’ RISKS – Exempt Properties.”

The 2012 Bonds are also secured by a first pledge of all moneys deposited in the Reserve Fund. See “SECURITY FOR THE 2012 BONDS.”

The Indenture defines Reserve Requirement as an amount, as of any date of calculation, equal to the least of (i) the then maximum annual debt service on the Bonds, (ii) 125% of the then average annual debt service on the Bonds or (iii) 10% of the original principal amount of the Bonds, less original issue discount, if any, plus original issue premium, if any. The ability of the Board of Education, in its capacity as legislative body of the Community Facilities District (the “Board of Education”), to increase the annual Improvement Area C Special Taxes levied to replenish the Reserve Fund is subject to the maximum annual amount of Improvement Area C Special Taxes authorized by the qualified voters of Improvement Area C. The moneys in the Reserve Fund will only be used for payment of principal of, interest and any redemption premium on the Bonds, and at the direction of the Community Facilities District, for payment of rebate obligations related to the Bonds. See “SECURITY FOR THE 2012 BONDS – Reserve Fund.”

The Community Facilities District has also covenanted in the Indenture to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Improvement Area C Special Taxes. For a more detailed description of the foreclosure covenant see “SECURITY FOR THE 2012 BONDS – Proceeds of Foreclosure Sales.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN) OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2012 BONDS. OTHER THAN THE IMPROVEMENT AREA C SPECIAL TAXES LEVIED PURSUANT TO IMPROVEMENT AREA C PURSUANT TO THE IMPROVEMENT AREA C RATE AND METHOD, NO TAXES ARE PLEDGED TO THE PAYMENT OF 2012 BONDS. THE 2012 BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE IMPROVEMENT AREA C SPECIAL TAXES AS MORE FULLY DESCRIBED HEREIN.

Summary Appraisal Report

An MAI summary appraisal report of the completed homes, homes under construction and vacant lots within Improvement Area C, dated July 18, 2012 (the “Summary Appraisal Report”), was prepared by Stephen G. White, MAI of Fullerton, California (the “Appraiser”) in connection with the issuance of the 2012 Bonds. The purpose of the Summary Appraisal Report was to estimate the market value as of July 15, 2012, of the 240 properties within Improvement Area C which are subject to the levy of Improvement Area C Special Taxes as segregated into the four different product types of homes. The Summary Appraisal Report is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, as of July 15, 2012, the Appraiser estimated that the market value of the property within Improvement Area C (subject to the lien of the Improvement Area C Special Taxes), including completed sold homes (170 homes) and completed unsold homes (8 model homes and 2 production homes), 27 homes under construction and 33 vacant lots, was \$151,680,000. Between July 15, 2012, and August 14, 2012, Pulte Homes closed escrow on an additional 5 homes and California West closed escrow on the last 3 of its 138 homes subject to the Improvement Area C Special Tax. See “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) IMPROVEMENT AREA C – Appraised

Property Values,” “ – Direct and Overlapping Debt” and APPENDIX C – “Summary Appraisal Report” appended hereto for further information on the Summary Appraisal Report, for limiting conditions relating to the Summary Appraisal Report and for information relating to overlapping indebtedness.

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 2012 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 2012 Bonds will be exempt from State personal income taxes. See “LEGAL MATTERS – Tax Exemption” herein.

Risk Factors Associated with Purchasing the 2012 Bonds

Investment in the 2012 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 2012 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. 6 (4S RANCH) IMPROVEMENT AREA C” and “ – Property Ownership” herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COMMUNITY FACILITIES DISTRICT AND THE SCHOOL DISTRICT DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Zions First National Bank, Los Angeles, California, will serve as the fiscal agent for the 2012 Bonds and will perform the functions required of it under the Indenture for the payment of the principal of and interest and any premium on the 2012 Bonds and all activities related to the redemption of the 2012 Bonds. Best Best & Krieger LLP, San Diego, California is serving as Bond Counsel to the Community Facilities District and as special counsel to the School District. McFarlin & Anderson LLP, Laguna Hills, California, is acting as Disclosure Counsel. Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, Los Angeles, California, is acting as Underwriter in connection with the issuance and delivery of the 2012 Bonds. Nossaman LLP, Irvine, California, is acting as Underwriter’s Counsel.

The Summary Appraisal Report was provided by Stephen G. White, MAI of Fullerton, California. Dolinka Group, LLC, Irvine, California, acted as Financial Advisor, Special Tax Consultant, Administrator and Dissemination Agent to the Community Facilities District.

Except for some Special Tax Consultant and Appraiser fees paid from Improvement Area C Special Taxes, payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Special Tax Consultant, the Underwriter and the Fiscal Agent is contingent upon the sale and delivery of the 2012 Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the 2012 Bonds, certain sections of the Indenture, security for the 2012 Bonds, risk factors, the Community Facilities District, Improvement Area C, the School District, the Pulte Homes' projects, 4S Kelwood 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 2012 Bonds, the Indenture, and other resolutions and documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2012 Bonds, the Indenture, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of such documents may be obtained from the Planning Director of the Poway Unified School District, 13626 Twin Peaks Road, Poway, California 92064-3034. There may be a charge for copying, mailing and handling of any documents.

CONTINUING DISCLOSURE

The Community Facilities District. The Community Facilities District has covenanted in the Community Facilities District Continuing Disclosure Agreement, the form of which is set forth in APPENDIX E – “Form of Community Facilities District Continuing Disclosure Agreement” (the “Community Facilities District Continuing Disclosure Agreement”), for the benefit of owners and beneficial owners of the 2012 Bonds, to provide certain financial information and operating data relating to the Community Facilities District, Improvement Area C and the 2012 Bonds by not later than January 31 in each year commencing on January 31, 2013 (the “Community Facilities District Annual Report”), and to provide notices of the occurrence of certain enumerated events, if material.

The Community Facilities District Annual Report will be filed by the Community Facilities District, or Dolinka Group, LLC, as Dissemination Agent on behalf of the Community Facilities District, with the Municipal Securities Rulemaking Board (the “MSRB”) through the Electronic Municipal Market Access System (the “EMMA System”), with a copy to the Fiscal Agent and the Underwriter. Any notice of a listed event will be filed by the Community Facilities District, or the Dissemination Agent on behalf of the Community Facilities District, with the MSRB through the EMMA System, with a copy to the Fiscal Agent and the Underwriter. The specific nature of the information to be contained in the Community Facilities District Annual Report or any notice of a listed event is set forth in the Community Facilities District Continuing Disclosure Agreement. The covenants of the Community Facilities District in the Community Facilities District Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”); *provided, however*, a default under the Community Facilities District Continuing Disclosure Agreement will not, in itself, constitute an Event of Default under the Indenture, and the sole remedy under the Community Facilities District Continuing Disclosure Agreement in the event of any failure of the Community Facilities District or the Dissemination Agent to comply with the Community Facilities District Continuing Disclosure Agreement will be an action to compel performance.

Neither the School District nor the Community Facilities District has ever failed to comply, in any material respect, with an undertaking under the Rule.

**INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED
WITH PROCEEDS OF THE 2012 BONDS**

Proceeds of the 2012 Bonds may be used to finance the Infrastructure Improvements. Infrastructure Improvements include the acquisition, design, construction, permitting, expansion, improvement or rehabilitation of authorized facilities which will be owned, operated or maintained by the School District, the City of San Diego, the County, Olivenhain Municipal Water District and the Rancho Santa Fe Fire Protection District.

The Community Facilities District, and in certain cases 4S Kelwood, have entered into separate joint community facilities agreements (each a “JCFA”) specifying the Infrastructure Improvements that may be financed by the Community Facilities District for the County, the City of San Diego, the Olivenhain Municipal Water District and the Rancho Santa Fe Fire Protection District.

A portion of the proceeds of the 2012 Bonds will be used to partially pay an obligation owed to 4S Kelwood for Infrastructure Improvements pursuant to the Supplement to 4S Ranch School Impact Mitigation Agreement, dated July 17, 2002 (the “Supplement to 4S Ranch School Impact Mitigation Agreement”), and the Joint Community Financing Agreement between the City of San Diego and the School District, dated August 5, 2002. The costs relate to acquisition, design and construction of improvements to Camino del Norte east and west of Interstate 15, which improvements are to be owned, operated or maintained by the City of San Diego.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2012 Bonds will be deposited into the following respective accounts and funds established by the School District under the Indenture, as follows:

SOURCES

Principal Amount of 2012 Bonds	\$9,470,000.00
Less: Original Issue Discount	(7,766.55)
Less: Underwriter’s Discount	<u>(132,580.00)</u>
<i>Total Sources</i>	\$9,329,653.45

USES

Deposit into Costs of Issuance Fund ⁽¹⁾	\$190,000.00
Deposit into Improvement Fund ⁽²⁾	8,342,756.84
Deposit into Reserve Fund ⁽³⁾	<u>796,896.61</u>
<i>Total Uses</i>	\$9,329,653.45

⁽¹⁾ Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the cost of printing the preliminary and final Official Statements, the cost of the Summary Appraisal Report, the fees of the Special Tax Consultant and reimbursement to the School District.

⁽²⁾ See “SECURITY FOR THE 2012 BONDS – Improvement Fund” below.

⁽³⁾ Deposit of the amount necessary to increase the moneys on deposit in the Reserve Fund to an amount equal to the Reserve Requirement with respect to the Bonds as of the date of delivery of the 2012 Bonds.

THE 2012 BONDS

Authority for Issuance

The 2012 Bonds will be issued pursuant to the Act and the Indenture.

General Provisions

The 2012 Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semi-annually on each March 1 and September 1, commencing on March 1, 2013 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2012 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”), New York, New York. DTC will act as securities depository for the 2012 Bonds. Ownership interests in the 2012 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 2012 Bonds are held in book-entry form, principal of, premium, if any, and interest on the 2012 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2012 Bonds in accordance with the procedures adopted by DTC. See “THE 2012 BONDS – Book-Entry and DTC.”

The 2012 Bonds will bear interest at the rates set forth on the inside cover hereof payable on the Interest Payment Dates in each year. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Each 2012 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, or (ii) the date of authentication is after the 15th calendar day of the month immediately preceding an Interest Payment Date whether or not such day is a Business Day (the “Record Date”) but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on February 15, 2013, in which event interest shall be payable from the date of such 2012 Bonds; *provided, however*, that if at the time of authentication of a 2012 Bond, interest is in default, interest on that 2012 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 2012 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed by first-class mail on the Interest Payment Dates (or on the next Business Day following the Interest Payment Date if such Interest Payment Date is not a Business Day) to the registered Owner thereof as of the close of business on the Record Date immediately preceding such Interest Payment Date. Such interest shall be paid by check of the Fiscal Agent mailed to such Bondowner at his or her address as it appears on the books of registration maintained by the Fiscal Agent or upon the request in writing prior to the Record Date of a Bond Owner of at least \$1,000,000 in aggregate principal amount of Bonds by wire transfer in immediately available funds (i) to the DTC (so long as the 2012 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 2012 Bonds are transferred to a new Owner. The principal of the 2012 Bonds and any premium on the 2012 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 2012 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 2012 Bonds (including sinking fund redemptions), assuming that there are no optional redemptions.

Table 1
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Improvement Area C
Scheduled Annual Debt Service on 2012 Bonds

Year Ending September 1	Principal	Interest	Total Debt Service
2013	\$10,000.00	\$408,291.86	\$418,291.86
2014	50,000.00	430,916.26	480,916.26
2015	60,000.00	430,041.26	490,041.26
2016	70,000.00	428,841.26	498,841.26
2017	85,000.00	427,266.26	512,266.26
2018	95,000.00	425,035.00	520,035.00
2019	110,000.00	422,185.00	532,185.00
2020	125,000.00	418,610.00	543,610.00
2021	140,000.00	414,391.26	554,391.26
2022	155,000.00	409,491.26	564,491.26
2023	170,000.00	403,872.50	573,872.50
2024	190,000.00	397,497.50	587,497.50
2025	210,000.00	389,897.50	599,897.50
2026	230,000.00	381,497.50	611,497.50
2027	250,000.00	372,010.00	622,010.00
2028	275,000.00	361,385.00	636,385.00
2029	300,000.00	349,353.76	649,353.76
2030	325,000.00	336,228.76	661,228.76
2031	350,000.00	322,010.00	672,010.00
2032	380,000.00	306,260.00	686,260.00
2033	410,000.00	289,160.00	699,160.00
2034	445,000.00	270,300.00	715,300.00
2035	480,000.00	249,830.00	729,830.00
2036	515,000.00	227,750.00	742,750.00
2037	555,000.00	202,000.00	757,000.00
2038	600,000.00	174,250.00	774,250.00
2039	645,000.00	144,250.00	789,250.00
2040	695,000.00	112,000.00	807,000.00
2041	745,000.00	77,250.00	822,250.00
2042	<u>800,000.00</u>	<u>40,000.00</u>	<u>840,000.00</u>
	\$9,470,000.00	\$9,621,871.94	\$19,091,871.94

Redemption

Optional Redemption. The 2012 Bonds may be redeemed at the option of the Community Facilities District prior to maturity, as a whole or in part on any Interest Payment Date on and after March 1, 2013, from such maturities as are selected by the Community Facilities District, and by lot within a maturity, from any source of funds, at the following redemption prices (expressed as percentages of the principal amount of the 2012 Bonds to be redeemed), together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date through March 1, 2020	103%
September 1, 2020 and March 1, 2021	102
September 1, 2021 and March 1, 2022	101
September 1, 2022 and any Interest Payment Date thereafter	100

Whenever provision is made for the optional redemption of less than all of the 2012 Bonds, the Fiscal Agent shall select the 2012 Bonds to be redeemed pro rata among maturities as directed in writing by an Authorized Representative. The Fiscal Agent shall select 2012 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

Extraordinary Mandatory Redemption of 2012 Bonds. The 2012 Bonds are subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part on a pro rata basis among maturities and by lot within a maturity from prepayments. Such extraordinary mandatory redemption of the 2012 Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the 2012 Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date through March 1, 2020	103%
September 1, 2020 and March 1, 2021	102
September 1, 2021 and March 1, 2022	101
September 1, 2022 and any Interest Payment Date thereafter	100

Whenever provision is made for the extraordinary mandatory redemption of less than all of the 2012 Bonds, the Fiscal Agent shall select the 2012 Bonds to be redeemed, pro rata among maturities as directed in writing by an Authorized Representative. The Fiscal Agent shall select 2012 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

The Bonds maturing on September 1, 2035 and September 1, 2042 are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 2033 and September 1, 2036, respectively, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

Bonds Maturing on September 1, 2035

<u>Sinking Fund Redemption Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
2033	\$410,000
2034	445,000
2035 (maturity)	480,000

Bonds Maturing on September 1, 2042

Sinking Fund Redemption Date (September 1)	Principal Amount
2036	\$515,000
2037	555,000
2038	600,000
2039	645,000
2040	695,000
2041	745,000
2042 (final maturity)	800,000

The amounts in the foregoing tables shall be reduced as a result of any prior partial redemption of the 2012 Bonds pursuant to an optional redemption or redemption from proceeds of Improvement Area C Special Tax prepayments as specified in writing by the Community Facilities District to the Fiscal Agent.

Purchase In Lieu of Redemption. In lieu of an optional, extraordinary mandatory or mandatory sinking fund redemption, the Community Facilities District may elect to purchase such 2012 Bonds at public or private sale at such prices as the Community Facilities District in its discretion may determine; *provided*, that, unless otherwise authorized by law, the purchase price (including brokerage and other charges) thereof shall not exceed the principal amount thereof, plus accrued interest accrued to the purchase date and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Indenture.

Notice of Redemption. The Fiscal Agent shall mail, at least 30 days but not more than 45 days prior to the date of redemption, notice of intended redemption, by first-class mail, postage prepaid, to the respective registered Owners of the 2012 Bonds at the addresses appearing on the 2012 Bond register books (the "Bond Register"). So long as notice by first-class mail has been provided as set forth below, the actual receipt by the Owner of any 2012 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 2012 Bonds or the cessation of interest on the date fixed for redemption.

Such notice shall (a) state the redemption date; (b) state the redemption price; (c) state the bond registration numbers, dates of maturity and CUSIP[®] numbers of the 2012 Bonds to be redeemed, and in the case of 2012 Bonds to be redeemed in part, the respective principal portions to be redeemed; *provided, however*, that whenever any call includes all 2012 Bonds of a maturity, the numbers of the 2012 Bonds of such maturity need not be stated; (d) state that such 2012 Bonds must be surrendered at the principal corporate trust office of the Fiscal Agent; (e) state that further interest on the 2012 Bonds will not accrue from and after the designated redemption date; (f) state the date of the issue of the 2012 Bonds as originally issued; (g) state the rate of interest borne by each 2012 Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the 2012 Bonds being redeemed as the Community Facilities District shall direct.

Conditional Notice of Optional Redemption. Any notice of optional redemption of the Bonds delivered in accordance with the Indenture may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the District shall not be required to redeem such 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 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 Bonds so called for redemption. Any optional redemption and notice thereof

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

Effect of Redemption. When notice of redemption has been given substantially as provided for in the Indenture, and when the amount necessary for the redemption of the 2012 Bonds called for redemption has been set aside for that purpose in the Redemption Fund as to 2012 Bonds subject to optional redemption or the 2012 Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said 2012 Bonds at the place specified in the notice of redemption, said 2012 Bonds shall be redeemed and paid at the redemption price out of the applicable Redemption Fund and no interest will accrue on such 2012 Bonds or portions of 2012 Bonds called for redemption from and after the redemption date specified in said notice, and the Owners of such 2012 Bonds so called for redemption after such redemption date shall look for the payment of principal and premium, if any, of such 2012 Bonds or portions of 2012 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 2012 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 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 Bond for all purposes under the Indenture.

Transfers of Bonds. The transfer of any 2012 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 2012 Bond or Bonds shall be authenticated and delivered in exchange for such 2012 Bond, in the name of the transferee, of any denomination or denominations authorized by the Indenture, and in an aggregate principal amount equal to the principal amount of such 2012 Bond or Bonds so surrendered. The Fiscal Agent may make a charge for every such exchange or registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Fiscal Agent shall not be required to register transfers or make exchanges of (i) 2012 Bonds for a period of 15 days next preceding the date of any selection of the 2012 Bonds for redemption, or (ii) any 2012 Bonds chosen for redemption.

Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Fiscal Agent for a like aggregate principal amount of 2012 Bonds of authorized denominations, interest rate and maturity, subject to the terms and conditions of the Indenture, including the payment of certain charges, if any, upon surrender and cancellation of a 2012 Bond.

Book-Entry and DTC

DTC will act as securities depository for the 2012 Bonds. The 2012 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 2012 Bond certificate will be issued for each maturity of the 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX G – "Book-Entry System."

SECURITY FOR THE 2012 BONDS

General

The 2012 Bonds and all Parity Bonds are secured by a first pledge of all of the Net Improvement Area C Special Tax Revenues and all moneys deposited in the applicable Bond Service Fund and in the Reserve Fund and, until disbursed as provided in the Indenture, in the applicable Improvement Area C Special Tax Fund. Pursuant to the Act and the Indenture, the Community Facilities District will annually levy the Improvement Area C Special Taxes in an amount required for the payment of principal of, and interest on, any outstanding Bonds becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund, as well as (i) credit or liquidity fees on the Bonds, (ii) facilities construction, (iii) escrow costs, (iv) lease payments for facilities, (v) other payments permitted by law and (vi) an amount estimated to be sufficient to pay the Administrative Expenses during such year. The Net Improvement Area C Special Tax Revenues and all moneys deposited into the applicable accounts (until disbursed as provided in the Indenture) are pledged to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Indenture and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities (as defined in the Indenture) have been set aside irrevocably for that purpose.

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

Improvement Area C Special Taxes

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

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

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

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 BONDS. OTHER THAN THE IMPROVEMENT AREA C SPECIAL TAXES, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT A GENERAL OBLIGATION OF THE COMMUNITY FACILITIES DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE IMPROVEMENT AREA C SPECIAL TAXES MORE FULLY DESCRIBED HEREIN.

Rates and Methods

General. In 1998, pursuant to the request of landowners, the School District established the Community Facilities District with respect to approximately 2,888 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. In excess of 4,000 units were proposed within the Community Facilities District (of which approximately 141 are Affordable Units), most of which have been completed. Approximately 519 of the Attached Units and approximately 21 of the Affordable Units are located in a 540-unit apartment complex in a mixed use district separate from the four neighborhoods. The owner of the apartment complex prepaid its Improvement Area C Special Tax for the units which were not Affordable Units. One hundred twenty (120) Affordable Units are in Neighborhood One. Affordable Units are not subject to the levy of the Improvement Area C Special Tax.

In 2001, 4S Kelwood 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. The proceedings to designate the Improvement Areas and authorize this levy of additional special taxes and the issuance of additional bonds were completed on October 21, 2002. See “Improvement Area C Rate and Method” below. As indicated above, Improvement Area C relates to approximately 288 lots under development within the boundaries of the Community Facilities District and Improvement Area C Special Taxes have been prepaid with respect to 48 parcels on such lots. This area is also referred to as Neighborhood Four. As of August 14, 2012, approximately 178 of the 240 homes which will be subject to the Improvement Area C Special Taxes had been completed and closed escrow.

4S Kelwood participated in the proceedings for formation of the Community Facilities District and for formation of Improvement Area C. Pursuant to such proceedings, the Community Facilities District Special Tax may be levied and collected within all of the Community Facilities District to finance School Facilities according to the Community Facilities District Rate and Method, a copy of which is set forth in APPENDIX B – “Rate and Method of Apportionment for Community Facilities District No. 6 of the Poway Unified School District (Improvement Area C) and Rate and Method of Apportionment of the Special Tax for Community Facilities District No. 6 of the Poway Unified School District.”

The qualified electors of Improvement Area C approved the original rate and method of apportionment of special taxes for Improvement Area C on October 21, 2002.

In 2003, 4S Kelwood requested that the Board of Education, acting as the legislative body of the Community Facilities District, initiate proceedings to amend the original rate and method of apportionment of special taxes for Improvement Area C to eliminate the authority of the Community Facilities District to levy the Improvement Area C Special Taxes within Planning Area 32, an area of Improvement Area C that was then proposed for multi-family development. At a special election held on October 20, 2003, the qualified electors of Improvement Area C approved the Improvement Area C Rate and Method and thereby eliminated the authority of the Community Facilities District to levy

Improvement Area C Special Taxes within Planning Area 32. Capitalized terms used in the following paragraphs but not defined herein have the meanings given them in the Improvement Area C Rate and Method.

Improvement Area C Rate and Method. The Improvement Area C Rate and Method provides the means by which the Board of Education may annually levy the Improvement Area C Special Taxes within Improvement Area C up to the applicable Maximum Special Tax to pay for Infrastructure Improvements. The 2012 Bonds, when issued, will fund a portion of the costs of the Infrastructure Improvements and will be secured by any annual Improvement Area C Special Taxes levied pursuant to the Improvement Area C Rate and Method. The Improvement Area C Rate and Method provides that the Annual Special Tax shall be levied for a term of 33 Fiscal Years after the issuance of the Improvement Area C bonds, but in no event later than Fiscal Year 2045-46. Upon issuance of the 2012 Bonds, the terms of the Improvement Area C Rate and Method allow the levy of the Improvement Area C Special Tax through Fiscal Year 2044-45. A copy of the Improvement Area C Rate and Method is included in Appendix B hereto.

Annual Special Tax Requirement. Annually, at the time of levying the Improvement Area C Special Tax for Improvement Area C, the Superintendent of the School District (the “Superintendent”) or his designee shall reasonably determine the Special Tax Requirement and the Undeveloped Special Tax Requirement. The Special Tax Requirement is defined as the amount required to pay the following:

- (i) the regularly scheduled debt service on the 2012 Bonds, which is due in the Calendar Year commencing during such Fiscal Year, assuming that principal is paid when due without acceleration or optional redemption;
- (ii) the Administrative Expenses of Improvement Area C;
- (iii) the costs associated with the release of funds from an escrow account;
- (iv) any amount required to establish or replenish any reserve funds established in association with the 2012 Bonds; less
- (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to the Indenture.

The Undeveloped Special Tax Requirement is an amount calculated based on the remaining amounts required to pay the Special Tax Requirement, after deducting the amounts levied on Developed Property, for payment of the Special Tax Requirement.

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

(i) “Developed Property” means all Assessor’s Parcels of Taxable Property for which a Building Permit was issued for new residential construction were issued after the formation of Improvement Area C and on or before May 1 of the prior Fiscal Year, provided that such Assessor’s Parcels are associated with a Final Subdivision Map created on or before January 1 of the prior Fiscal Year and that each such Assessor’s Parcel is associated with a Lot, as determined reasonably by the Associate Superintendent.

(ii) “Undeveloped Property” means all Assessor’s Parcels which are not classified as Developed Property.

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

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

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

(b) parcels within the boundaries of the Community Facilities District which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization;

(c) parcels used exclusively by a homeowner’s association, parcels with public or utility easements making impractical their use for purposes other than those set forth in the easements; and

(d) Assessor’s Parcels located within Planning Area 32 and other types of Assessor’s Parcels, at the reasonable discretion of the Associate Superintendent.

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

(i) Undeveloped Property: In any Fiscal Year, the Maximum Special Tax for each Assessor’s Parcel of Undeveloped Property shall be the sum of (i) the Assigned Annual Special Tax and (ii) the One-Time Special Tax. The Assigned Annual Special Tax for Undeveloped Property for Fiscal Year 2012-13 is \$20,279.19 per acre. On each July 1, the Assigned Annual Special Tax per acre shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

(ii) Developed Property: In any Fiscal Year, the Maximum Special Tax for each Assessor’s Parcel of Residential Property shall be the Assigned Annual Special Tax. In any Fiscal Year the Maximum Special Tax for each Assessor’s Parcel of Commercial/Industrial Property shall be the amount of any portion of the One-Time Special Tax that is not collected at the issuance of a Building Permit, which amount may be levied on such Assessor’s Parcel when classified as Developed Property in any following Fiscal Year.

In Fiscal Year 2012-13 the average Assigned Annual Special Tax is \$2,372.80 for Detached Units. Each July 1, the Assigned Annual Special Tax applicable to an Assessor’s Parcel is increased by 2.00% of the amount in effect in the prior Fiscal Year. See APPENDIX B – “Rate and Method of Apportionment for Community Facilities District No. 6 of the Poway Unified School District (Improvement Area C) and Rate and Method of Apportionment of the Special Tax for Community Facilities District No. 6 of the Poway Unified School District - Table 1” herein for a listing of the Assigned Annual Special Tax rates.

Method of Apportionment. The Improvement Area C Rate and Method provides that each Fiscal Year, the Superintendent or his designee shall determine the Annual Special Tax to be collected in Improvement Area C in such Fiscal Year. The Annual Special Tax shall be levied as follows:

1. The Annual Special Tax shall be levied on each Assessor’s Parcel of Developed Property at the Assigned Annual Special Tax applicable to such Assessor’s Parcel.

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

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

Prepayment of Annual Improvement Area C Special Taxes. Subsequent to the issuance of the 2012 Bonds, the Prepayment Amount for each applicable Assessor's Parcel is calculated according to a formula which takes into account the bond redemption amount, the redemption premium, if any, estimated earnings to be derived from the reinvestment of the bond redemption amount and the redemption premium, if any, until the applicable redemption date and the administrative fees and expenses associated with the prepayment, and a reserve fund credit if applicable, all as specified in Section G of each Rate and Method set forth in APPENDIX B – "Rate and Method of Apportionment for Community Facilities District No. 6 of the Poway Unified School District (Improvement Area C) and Rate and Method of Apportionment of the Special Tax for Community Facilities District No. 6 of the Poway Unified School District" herein.

Community Facilities District Rate and Method. The Community Facilities District Rate and Method provides the means by which the Board of Education may annually levy the Community Facilities District Special Taxes within the Community Facilities District up to the applicable Maximum Special Tax to pay for School Facilities. The Community Facilities District issued bonds in 2002, 2005, 2007 and 2010 to finance School Facilities and issued bonds in 2012 to defease and redeem the bonds issued in 2002 and to fund School Facilities. The outstanding Community Facilities District bonds are secured by annual Community Facilities District Special Taxes levied pursuant to the Community Facilities District Rate and Method. The Community Facilities District Rate and Method provides that the Annual Special Tax shall be levied for a term of 25 Fiscal Years after the issuance of the last bond series, but in no event later than Fiscal Year 2045-46. Upon issuance of its bonds in 2012, and until issuance of Parity Bonds, the terms of the Community Facilities District Rate and Method allow the levy of the Community Facilities District Special Tax through Fiscal Year 2036-37. A copy of the Community Facilities District Rate and Method is included in Appendix B hereto.

Annual Community Facilities District Special Tax Requirement. Annually, at the time of levying the Community Facilities District Special Tax, the Superintendent or his designee shall reasonably determine the Special Tax Requirement and the Undeveloped Special Tax Requirement. The Special Tax Requirement is defined as the amount required to pay the following:

- (i) the regularly scheduled debt service on all Bonds (i.e., the bonds issued by the Community Facilities District in 2005, 2007, 2010 Bonds and 2012, applicable to the Community Facilities District, and any parity bonds or any refunding bonds), which is due in the Calendar Year commencing during such Fiscal Year, assuming that principal is paid when due without acceleration or optional redemption;
- (ii) credit or liquidity fees on the Community Facilities District bonds;
- (iii) the cost of acquisition or construction of School Facilities;
- (iv) administrative expenses relating to the Community Facilities District bonds;
- (v) the costs associated with the release of funds from an escrow account;
- (vi) any amount required to establish, maintain, or replenish any reserve funds and credit enhancement facilities established in association with the bonds issued by the

Community Facilities District in 2005, 2007, 2010 and 2012 or any parity bonds or refunding bonds;

- (vii) lease payments for School Facilities; and
- (viii) any other payments permitted by law.

The Undeveloped Special Tax Requirement is an amount calculated based on the remaining amounts required to pay the Community Facilities District Special Tax Requirement, after deducting the amounts levied on Developed Property, for payment of the Community Facilities District Special Tax Requirement. A Community Facilities District Special Tax is authorized to be levied on Undeveloped Property to fund the Undeveloped Special Tax Requirement, if any.

The Community Facilities District Rate and Method also establishes a Special Tax Requirement A to be levied in Zone A of the Community Facilities District, which is an amount required to fund the "Technology Budget," less any amount previously received by the Community Facilities District from 4S Kelwood to fund such Technology Budget in a Fiscal Year in which an elementary school located within or financed by the Community Facilities District is opened. *The Impact Mitigation Agreement provides that the Community Facilities District will not levy Community Facilities District Special Taxes to satisfy the Special Tax Requirement A. In addition, the One-Time Special Tax is not collected in connection with construction of a residential structure but is collected on other Undeveloped Property on the date a Building Permit is issued for such Assessor's Parcel. Therefore, the following description of the Community Facilities District Rate and Method does not include reference to the Special Tax Requirement A.* The Indenture provides that funds in an amount equal to the Special Tax Requirement A and the One-Time Special Tax are not pledged to payment of the 2012 Bonds.

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

(i) "Developed Property" means all Assessor's Parcels for which Building Permits for new construction were issued after the formation of the Community Facilities District and on or before January 1 of the prior Fiscal Year.

(ii) "Undeveloped Property" means all Assessor's Parcels in the Community Facilities District for which no Building Permit was issued after the formation of the Community Facilities District and on or before January 1 of the prior Fiscal Year.

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

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

(a) parcels owned by the State, federal or other local governments except as otherwise provided in sections 53317.3, 53317.5 and 53340.1 of the Government Code;

(b) parcels within the boundaries of the Community Facilities District which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization;

(c) parcels used exclusively by a homeowner's association, parcels with public or utility easements making impractical their use for purposes other than those set forth in the easements; and

(d) Assessor's Parcels identified entirely as open space on a final map.

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

(i) Undeveloped Property: In any Fiscal Year, the Maximum Special Tax for each Assessor's Parcel of Undeveloped Property shall be the sum of (i) the Assigned Annual Special Tax and (ii) the One-Time Special Tax. The Assigned Annual Special Tax for Undeveloped Property for Fiscal Year 2012-13 is \$1,345.87 per acre. On each July 1, the Assigned Annual Special Tax per acre shall be increased by 2.00% of the amount in effect in the prior Fiscal Year. ***Although the Rate and Method refers to an Assigned Annual Special Tax for Undeveloped Property in Zone A (as defined in the Rate and Method) which exceeds the rate of the Assigned Annual Special Tax for Undeveloped Property outside of Zone A to fund this Special Tax Requirement A, the Impact Mitigation Agreement provides that the Community Facilities District will not levy Community Facilities District Special Taxes to satisfy the Special Tax Requirement A and the effective Assigned Annual Special Tax will be the same for all Undeveloped Property whether or not a parcel is within Zone A.*** Zone A originally encompassed the residential portions of Neighborhoods Three and Four.

(ii) Developed Property: In any Fiscal Year, the Maximum Special Tax for each Assessor's Parcel of Residential Property shall be the Assigned Annual Special Tax. In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Commercial/Industrial Property shall be the amount of any portion of the One-Time Special Tax that is not collected at the issuance of a Building Permit, which amount may be levied on such Assessor's Parcel when classified as Developed Property in any following Fiscal Year.

In Fiscal Year 2012-13 the average Assigned Annual Special Tax is \$2,689.44 for Detached Units. Affordable Units are not subject to the Community Facilities District Special Tax. Each July 1, the Assigned Annual Community Facilities District Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property increases by the greater of the annual percentage change in the Index (as defined in the Rate and Method) or 2.00% of the amount in effect in the prior Fiscal Year. Each July 1, commencing the July 1 immediately following the Fiscal Year in which the Assessor's Parcel was first classified as Developed Property, the Assigned Annual Special Tax applicable to an Assessor's Parcel is increased by 2.00% of the amount in effect in the prior Fiscal Year. See APPENDIX B – "Rate and Method of Apportionment for Community Facilities District No. 6 of the Poway Unified School District (Improvement Area C) and Rate and Method of Apportionment of the Special Tax for Community Facilities District No. 6 of the Poway Unified School District - Table 1" herein for a listing of the Assigned Annual Special Tax rates.

Method of Apportionment. The Rate and Method provides that each Fiscal Year, the Superintendent or his designee shall reasonably determine the Special Tax Requirement and the Undeveloped Special Tax Requirement. The Community Facilities District shall levy Annual Special Taxes within the Community Facilities District as follows:

1. The Community Facilities District shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

2. If the Undeveloped Special Tax Requirement is greater than \$0, an Annual Special Tax shall additionally be levied on every Assessor's Parcel of Undeveloped Property at

the same amount per acre of Acreage as necessary to satisfy the Undeveloped Special Tax Requirement, up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

The Rate and Method refers to a third step in which an Annual Special Tax would be levied on every Assessor's Parcel of Undeveloped Property located in Zone A at the same amount per acre of Acreage as necessary to satisfy the Special Tax Requirement A, up to the Zone A Assigned Annual Special Tax applicable to each such Assessor's Parcel. ***The Impact Mitigation Agreement provides that the Community Facilities District will not levy Community Facilities District Special Taxes to satisfy the Special Tax Requirement A.*** Therefore, the effective Assigned Annual Special Undeveloped Properties located in Zone A will be the same as the Assigned Annual Special Tax on Undeveloped Properties located outside of Zone A.

Prepayment of Annual Special Taxes. The Annual Community Facilities District Special Tax obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be prepaid in full. The Prepayment Amount for an applicable Assessor's Parcel after the issuance of bonds is calculated based on Bond Redemption Amounts and other costs, all as specified in Section G of the Community Facilities District Rate and Method as set forth in APPENDIX B – "Rate and Method of Apportionment for Community Facilities District No. 6 of the Poway Unified School District (Improvement Area C) and Rate and Method of Apportionment of the Special Tax for Community Facilities District No. 6 of the Poway Unified School District."

Improvement Area C Special Tax Levy

\$491,168.52 in Improvement Area C Special Taxes were levied on 207 parcels within Improvement Area C of the Community Facilities District for Fiscal Year 2012-13 and \$560,867.18 in Improvement Area C Special Taxes are estimated to be levied on 240 parcels within Improvement Area C of the Community Facilities District for Fiscal Year 2013-14. All of the foregoing Improvement Area C Special Taxes will be levied on Developed Property as defined in the Improvement Area C Rate and Method. As of August 14, 2012, in Fiscal Year 2012-13, Pulte Homes is estimated to be responsible for approximately \$79,773.84 of the estimated Improvement Area C Special Taxes, which represents approximately 16.24% of the estimated total Improvement Area C Special Tax levy for Fiscal Year 2012-13 and in Fiscal Year 2013-14, assuming no additional homes sales, Pulte Homes is estimated to be responsible for approximately \$141,244.76 of the estimated Improvement Area C Special Taxes, which represents approximately 25.18% of the estimated total Improvement Area C Special Tax levy for Fiscal Year 2013-14. Such amounts in each fiscal year will decline as Pulte Homes completes and sells the remaining homes. The timing of sales cannot be predicted.

The Tables 2A and 2B below summarize the projected Fiscal Year 2012-13 and Fiscal Year 2013-14 Improvement Area C Special Tax levy to be made in accordance with the Improvement Area C Rate and Method:

Table 2A
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Improvement Area C
Fiscal Year 2012-13 Special Tax Levy

Improvement Area C Special Tax Class	Unit Type	Building Square Footage	Fiscal Year 2012-13 Improvement Area C Special Tax Rate	Units Levied ⁽¹⁾	Improvement Area C Special Taxes Levied	Fiscal Year 2012-13 Levy as Percent of Total
1	Detached	≤ 2,100	\$524.74	0	\$0.00	0.00%
2	Detached	2,101-2,400	1,237.22	14	17,321.08	3.53
3	Detached	2,401-2,700	1,400.20	11	15,402.20	3.14
4	Detached	2,701-3,000	1,726.16	37	63,867.92	13.00
5	Detached	3,001-3,300	1,997.76	43	85,903.68	17.49
6	Detached	3,301-3,600	2,758.32	51	140,674.32	28.64
7	Detached	3,601-3,900	3,192.92	32	102,173.44	20.80
8	Detached	>3,900	3,464.52	19	65,825.88	13.40
9	Attached	<1,000	141.84	0	0.00	0.00
10	Attached	>1,000	524.74	0	0.00	0.00
Total ⁽²⁾		N/A		207	\$491,168.52	100.00%

⁽¹⁾ Includes parcels with units under construction and vacant lots for which building permits were issued as of May 1, 2012, which are subject to the Improvement Area C Special Tax levy in Fiscal Year 2012-13. Based on information from Pulte Homes, as of August 14, 2012, building permits had been issued for all but six of Pulte Homes' 131 lots within Improvement Area C which are subject to the Improvement Area C Special Tax. **Subsequent Event: Pulte Homes has indicated that the remaining six building permits were issued on September 6, 2012.**

⁽²⁾ Totals may not add due to rounding.

Source: Dolinka Group, LLC.

Table 2B
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Improvement Area C
Estimated Fiscal Year 2013-14 Special Tax Levy

Improvement Area C Special Tax Class	Unit Type	Building Square Footage	Estimated Fiscal Year 2013-14 Improvement Area C Special Tax Rate	Units Levied ⁽¹⁾	Estimated Improvement Area C Special Taxes Levied	Estimated Fiscal Year 2013-14 Levy as Percent of Total
1	Detached	≤ 2,100	\$535.24	0	\$0.00	0.00%
2	Detached	2,101-2,400	1,261.96	14	17,667.44	3.15
3	Detached	2,401-2,700	1,428.20	14	19,994.80	3.56
4	Detached	2,701-3,000	1,760.68	57	100,358.76	17.89
5	Detached	3,001-3,300	2,037.72	53	107,999.16	19.26
6	Detached	3,301-3,600	2,813.48	51	143,487.48	25.58
7	Detached	3,601-3,900	3,256.78	32	104,216.96	18.58
8	Detached	>3,900	3,533.82	19	67,142.58	11.97
9	Attached	<1,000	144.66	0	0.00	0.00
10	Attached	>1,000	535.24	0	0.00	0.00
Total ⁽²⁾		N/A		240	\$560,867.18	100.00%

⁽¹⁾ Includes 33 parcels for which 27 building permits were issued on or after May 2, 2012, which will be subject to the Improvement Area C Special Tax levy in Fiscal Year 2013-14. **Subsequent Event: Pulte Homes has indicated that the remaining six building permits were issued on September 6, 2012.**

⁽²⁾ Totals may not add due to rounding.

Source: Dolinka Group, LLC.

As indicated above, the Maximum Improvement Area C Special Tax for each Assessor's Parcel of Developed Property of Residential Property is the Assigned Annual Special Tax and under the Improvement Area C Rate and Method, the Community Facilities District levies on Developed Property at the Improvement Area C Assigned Special Tax. A portion of the Improvement Area C Special Tax Requirement is utilized for acquisition and/or construction of School Facilities. Special Taxes are levied on Developed Property in amounts equal to the Improvement Area C Assigned Annual Special Tax, which is the maximum Special Tax which the Community Facilities District may levy under the Rate and Method. In the event the Community Facilities District were to levy Improvement Area C Special Taxes on Developed Property at less than the Assigned Annual Special Tax, pursuant to Section 53321 of the Act and a resolution adopted by the Community Facilities District, under no circumstances will the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within Improvement Area C by more than 10%. For such purposes, a parcel will be considered used for private residential purposes not later than the date on which an occupancy permit for private residential use is issued.

Proceeds of Foreclosure Sales

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Improvement Area C Special Tax, the Community Facilities District may order the institution of a superior court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory.

Under the Indenture, on or before June 1 of each Fiscal Year, the Community Facilities District will review the public records of the County of San Diego, California, to determine the amount of Improvement Area C Special Taxes actually collected in such Fiscal Year and proceed as follows:

Individual Delinquencies. If the Community Facilities District determines that (i) any single parcel subject to the Improvement Area C Special Tax is delinquent in the payment of the Improvement Area C Special Taxes in the aggregate amount of \$5,000 or more or (ii) any single parcel or parcels under common ownership subject to the Improvement Area C Special Taxes are delinquent in the payment of the Improvement Area C Special Taxes in the aggregate of \$10,000 or more, the Community Facilities District shall, not later than 45 days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The Community Facilities District shall cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than 90 days after such determination against any parcel for which a notice of delinquency was given and for which the Improvement Area C Special Taxes remain delinquent.

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

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

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

No assurances can be given that the real property subject to sale or foreclosure will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Improvement Area C Special Tax installment. The Act does not require the School District or the Community Facilities District to purchase or otherwise acquire any lot or parcel of property offered for sale or subject to foreclosure if there is no other purchaser at such sale. The Act does specify that the Improvement Area C Special Tax will have the same lien priority in the case of delinquency as for *ad valorem* property taxes.

If the Reserve Fund is depleted and delinquencies in the payment of Improvement Area C Special Taxes exist, there could be a default or delay in payments to the Bondowners pending prosecution of foreclosure proceedings and receipt by the Community Facilities District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method and the Act, the Community Facilities District may adjust the Improvement Area C Special Taxes levied on all property in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the Bonds and to replenish the Reserve Fund. There is, however, no assurance that the maximum Improvement Area C Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the Bonds by the Indenture.

Improvement Area C Special Tax Fund

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

Disbursements. Moneys in the Improvement Area C Special Tax Fund will be disbursed as needed to pay the obligations of the Community Facilities District in the following priority: (i) an amount up to the Administrative Expense Requirement to pay Administrative Expenses; (ii) amounts required to be deposited into the applicable Accounts in the Bond Service Fund in order to pay debt service on the 2012 Bonds, any parity bonds and any refunding bonds on the next Interest Payment Date; (iii) amounts required to replenish the Reserve Fund to the Reserve Requirement (as defined below); (iv) amounts required to fund the Rebate Fund; and (v) additional amounts required to pay Administrative Expenses. At any time following the deposit of Improvement Area C Special Taxes in an amount sufficient to make payment of all of the foregoing deposits for the current Bond Year (as that term is defined in the Indenture), any amounts in excess of such amounts remaining in the Improvement Area C Special Tax Fund shall remain on deposit in the Improvement Area C Special Tax Fund and shall be subsequently deposited or transferred pursuant to the above provisions; *provided, however*, that if the Community Facilities District notifies the Fiscal Agent that the levy of Improvement Area C Special Taxes on Developed Property exceeds the Annual Improvement Area C Special Tax Requirement (as defined in the Improvement Area C Rate and Method) then an amount up to such excess moneys may be paid to the School District to be used to pay for the acquisition, construction, rehabilitation or improvement of Infrastructure Improvements and related expenses.

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

Bond Service Fund

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

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

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

Redemption Fund

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

Reserve Fund

In order to further secure the payment of principal of and interest on the 2012 Bonds, certain proceeds of the 2012 Bonds will be deposited into the Reserve Fund in an amount equal to the Reserve Requirement (see “ESTIMATED SOURCES AND USES OF FUNDS” herein). The Reserve Requirement is defined in the Indenture to mean, as of any date of calculation, an amount equal to the least of (i) the then maximum annual debt service on the Bonds, (ii) 125% of the then average annual debt service on the Bonds or (iii) 10% of the original principal amount of the Bonds, less original issue discount, if any, plus original issue premium, if any.

Moneys in the Reserve Fund shall be used solely for the purpose of (i) making transfers to the Bond Fund and the Redemption Fund to pay the principal of, including mandatory sinking payments, and interest on the Bonds when due, in the event that moneys in the Bond Fund are insufficient therefor or (ii) defeasance of the Bonds. In addition, cash amounts, if any, in the Reserve Fund may be applied in connection with an optional redemption or a special mandatory redemption or a defeasance of the Bonds in whole or in part, or when the balance therein equals the principal and interest due on the Bonds to and including maturity, or to pay the principal of and interest due on the Bonds to maturity.

If Improvement Area C Special Taxes are prepaid and a portion of 2012 Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal of such 2012 Bonds to be redeemed and the original principal of such 2012 Bonds) will be applied to the redemption of such 2012 Bonds.

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

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

Administrative Expense Fund

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

Pursuant to the Indenture, moneys in the Administrative Expense Fund will not be construed as a trust fund held for the benefit of the Owners of the Bonds and will not be available for the payment of debt service on the 2012 Bonds.

Improvement Fund

The Fiscal Agent will deposit a portion of the proceeds of the 2012 Bonds in the Improvement Fund. Moneys in the Improvement Fund will be disbursed to pay for Infrastructure Improvements pursuant to a requisition of Improvement Area C.

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

Investment of Moneys in Funds

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

Letters of Credit/Cash Deposit

As a condition precedent to issuance of the 2012 Bonds, Pulte Homes shall provide a Letter of Credit in the applicable Stated Amount therefor (having the Fiscal Agent as beneficiary) for its discrete development (each a "Project Area") or a cash deposit in lieu thereof. The Letter of Credit and/or cash deposit shall secure payment of Improvement Area C Special Taxes levied against the applicable Project Area within Improvement Area C. The Stated Amount is the estimated amount of Improvement Area C Special Tax to be levied in the next Fiscal Year with respect to the applicable Project Area.

The Letter of Credit, or a Substitute Letter of Credit issued with respect thereto, shall be in effect in each Fiscal Year that individual homeowners own fewer than 60% of the lots within the applicable Project Area.

In the event fewer than 60% of the lots within the applicable Project Area are owned by individual homeowners as of each June 1, then the Community Facilities District shall cause Pulte Homes to provide to the Fiscal Agent, no later than the following June 15, (a) a Letter of Credit in the then-Stated Amount, (b) an irrevocable written commitment of a Letter of Credit Bank to provide a Letter of Credit in the then-Stated Amount or to extend the existing Letter of Credit in an amount equal to the then-Stated Amount, effective the next succeeding July 1 or (c) a cash deposit in lieu thereof.

In the event the Fiscal Agent does not receive (a) a Letter of Credit, (b) a Substitute Letter of Credit or (c) a cash deposit in lieu of the foregoing by June 15 of each year (assuming the Letter of Credit is required to be in effect during the next succeeding Fiscal Year), the Fiscal Agent shall, upon the written

direction of an Authorized Officer, immediately, with no further authorization or instruction, draw upon the applicable Letter of Credit in the full Stated Amount. The Fiscal Agent shall deposit the proceeds of such draw into the Letter of Credit Fund for use as described below.

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

Draws Prior to an Interest Payment Date. Ten (10) Business Days before each Interest Payment Date, the Fiscal Agent shall determine whether amounts on deposit in the Bond Service Fund for that Interest Payment Date will be sufficient to pay principal of and interest on the 2012 Bonds that will be due and payable on such Interest Payment Date and notify the Community Facilities District of any deficiency. If amounts in the Bond Service Fund will be insufficient to pay principal of and interest on the 2012 Bonds and such insufficiency is attributable to the delinquency in the payment of Improvement Area C Special Taxes levied on properties in the applicable Project Area owned by Pulte Homes pursuant to the Supplement to 4S Ranch Impact Mitigation Agreement, the Fiscal Agent shall upon the receipt of written direction of an Authorized Officer (prior to any withdrawals from the applicable Reserve Fund permitted by the applicable Indenture) draw upon the applicable Letter of Credit or withdraw money from the cash deposit; provided, however, that the amount of such draw or withdrawal (as set forth in said written direction of the Authorized Officer) shall equal the delinquent Improvement Area C Special Taxes levied on such properties.

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

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

Draws Prior to Termination of the Letter of Credit. If a Letter of Credit is not renewed, or a Substitute Letter of Credit or cash deposit is not provided within fifteen (15) days prior to the stated expiration date of such Letter of Credit and the requirements for the release or termination of such Letter of Credit have not then been met, the Fiscal Agent shall draw on the full amount of such Letter of Credit without instruction from the Community Facilities District. In the event the Fiscal Agent makes such a draw upon a Letter of Credit, the Fiscal Agent shall deposit the proceeds of such draw into the Letter of Credit Fund and pending any transfer to the Bond Service Fund for the purposes described in “Draws Prior to an Interest Payment Date” above, such proceeds shall be invested and reinvested by the Fiscal Agent in Government Obligations or money market funds unless Pulte Homes instructs that such proceeds or cash deposit be held uninvested. At no time shall the Community Facilities District direct that the proceeds of a draw on any Letter of Credit held in a Letter of Credit Fund be invested by the Fiscal Agent at a yield exceeding the Yield on the 2012 Bonds. Investment earnings and profits from such investments shall be retained in the Letter of Credit Fund.

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

Actions by the Community Facilities District. In the event a Letter of Credit Bank wrongfully refuses to honor any drawing made on its Letter of Credit, the Community Facilities District, on behalf of the owners of the applicable 2012 Bonds, shall immediately bring an action and pursue any remedy available at law or in equity for the purpose of compelling such Letter of Credit Bank to honor such drawing and to enforce the provisions of such Letter of Credit.

Compliance with Letter of Credit Requirements

Pulte Homes proposes to satisfy the letter of credit/cash deposit requirement through a cash deposit.

Payment of Rebate Obligation

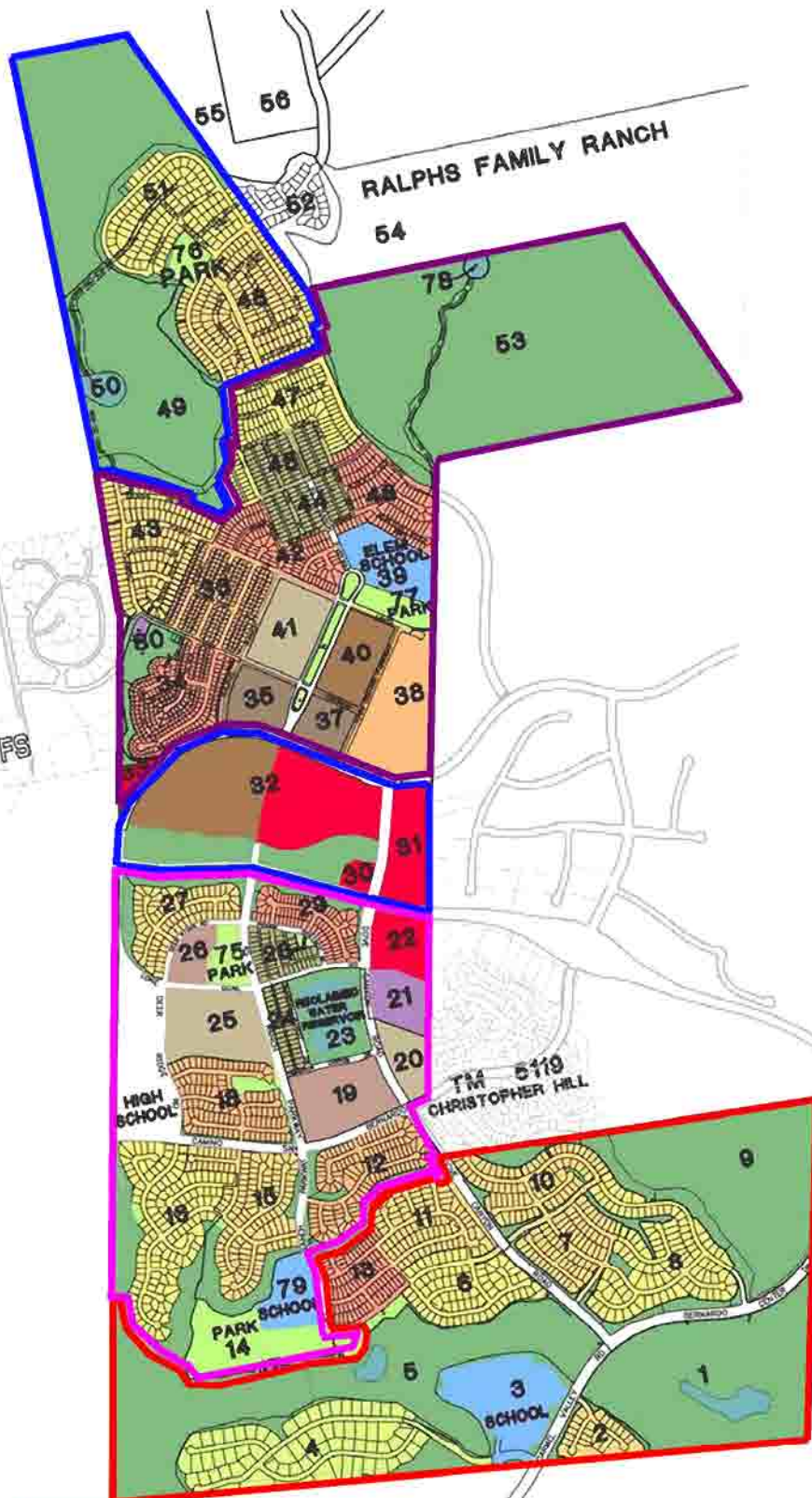
The Community Facilities District is required to calculate excess investment earnings in accordance with the requirements set forth in the Indenture. If necessary, the Community Facilities District may use amounts in the Improvement Area C Special Tax Fund, or amounts on deposit in the Administrative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

Parity Bonds for Refunding Purposes Only

Bonds issued on a parity with the 2012 Bonds (“Parity Bonds”) may be issued for refunding purposes only and subject to specific conditions including that the Community Facilities District must be in compliance with all covenants set forth in the Indenture and any Supplement then in effect and a certificate of the Community Facilities District to that effect will be filed with the Fiscal Agent. The aggregate principal amount of the 2012 Bonds and all Parity Bonds issued may not exceed \$14,000,000; 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. See APPENDIX D – “Summary of Certain Provisions of the Indenture.”

Improvement Area C Special Taxes Are Not Within Teeter Plan

The County has adopted a Teeter Plan as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. However, by policy, the County does not include assessments, reassessments and special taxes in its Teeter program. The Improvement Area C Special Taxes are not included in the County’s Teeter Program.



SUBJECT	PLANNING AREA NUMBER	TRACT/USE	MIN LOT SIZE/ZONE	NO. DU'S
	1	OPEN SPACE		-
K. HOWANAN	2	SFD	60 x 105	24
	3	MIDDLE SCHOOL		-
WOODBRIDGE HOMES	4	SFD	110 x 120	88
	5	OPEN SPACE		-
K. HOWANAN	6	SFD	70 x 105	73
FELDSTONE COMM	7	SFD	60 x 105	65
STD PACIFIC	8	SFD	65 x 128	106
	9	OPEN SPACE		-
PULTE	10	SFD	60 x 105	75
CENTEX	11	SFD	60 x 105	70
CHRISTOPHER	12	SOB7-6	50 x 100	108
BUE	13	SFD	45 x 100	82
	14	PARK		-
WILLIAM LYON HOMES	15	SOB7-3	60 x 100	123
BARRETT	16	SOB7-4	70 x 100	126
	17	PUMP STATION		-
FELDSTONE COMM	18	SOB7-3	55 x 90	103
SEA COUNTRY	19	S258	RV-9	133
BRIDGE	20	MF LOW	C34	120
	21	WATER RECLAMATION PLANT		-
	22	COMMERCIAL	C35	-
	23	RECLAIMED WATER RESERVOIR		-
WOODFIELD HOMES	24	SOB7-8	50 x 103	84
WILLIAM LYON HOMES	25	S258	RV-12	202
WILLIAM LYON HOMES	26	S258	RV-9	84
RYLAND HOMES	27	SOB7-1	60 x 100	75
BROOKFIELD HOMES	28	SOB7-7	50 x 103	46
DR. HORTON	29	SOB7-2	42 x 100	80
	30	COMMERCIAL	C35	-
	31	COMMERCIAL	C35	-
DAVIS RIDGE/RESIDUAL CTR	32	MF/COMMERCIAL	MF18/C34	540
	33	COMMERCIAL	C35	-
JOHN LANG HOMES	34	SFD	45 x 90	133
LENNAR HOMES	35	MF	RM-29	218
FELDSTONE COMM	36	SFD	50 x 100	127
SHEA HOMES	37	MF	RM-29	140
WILLIAM LYON HOMES	38	MF	RV-14	326
	39	ELEMENTARY SCHOOL		-
STD PACIFIC	40	MF	RV-18	209
SEA COUNTRY	41	SFD	RV-12	136
JOHN LANG HOMES	42	SFD	42 x 100	96
DAVIDSON/STD PACIFIC	43	SFD	60 x 105	131
WILLIAM LYON HOMES	44	SFD	50 x 103	80
WILLIAM LYON HOMES	45	SFD	50 x 103	80
BUE	46	SFD	45 x 90	101
K. HOW/ FELDSTONE	47	SFD	50 x 100	134
	48	SFD	60 x 100	125
	49	OPEN SPACE		-
	50	WATER TANK		-
	51	SFD	70 x 100	114
	52	SFD (RALPHS)		25
	53	OPEN SPACE		-
	75	PARK		-
	76	PARK		-
	77	PARK		-
	78	WATER TANK		-
	79	SCHOOL		-
	80	OPEN SPACE/DETENTION BASIN		-
	80	PUMP STATION		-
	64	RALPHS FAMILY RANCH (NOT SHOWN)		11
TOTAL				4,505

- Neighborhood No. 1
- Neighborhood No. 2
- Neighborhood No. 3
- Neighborhood No. 4



AUGUST 10, 2005

NOLTE

BEYOND ENGINEERING

1500 AVENUE OF TECHNOLOGY, SUITE 4000 FARMERSVILLE, TEXAS 76801

TEL: 817.520.1000 FAX: 817.520.1001 WWW.NOLTE.COM

4S RANCH

MASTER DEVELOPMENT PLAN

COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) IMPROVEMENT AREA C

General Information

The Community Facilities District is located in the unincorporated area of the County approximately 23 miles north of downtown San Diego and approximately 10 miles inland from the Pacific Ocean and the coastal cities of Del Mar, Encinitas and Solana Beach. The project is located approximately 8 miles east of Interstate 5 and approximately 2 miles west of Interstate 15. The Community Facilities District lies within the area of the new master-planned community known as “4S Ranch” and is part of the specific plan area known as “4S Ranch.” The Community Facilities District is an extension of the on-going development of the community of Rancho Bernardo. The Community Facilities District is comprised of approximately 2,888 gross acres (approximately 500 net residential acres) of rolling terrain with slopes and knolls within 4S Ranch. A map of the 4S Ranch planning areas is provided on the preceding page. Certain planning areas on the 4S Ranch Planning Area map are not a part of the Community Facilities District.

The Community Facilities District is within 4S Ranch. 4S Ranch is bordered on the south by Black Mountain Ranch and Rancho Peñasquitos, to the west by the Santa Fe Valley Specific Planning Area and Del Sur, to the northwest by the Santa Fe Lakes project, and to the east by Rancho Bernardo Road. Rancho Bernardo Road and Camino del Norte bisect 4S Ranch east to west. State Route 56 extends from Interstate 5 to Interstate 15, and is located approximately 2 miles south of 4S Ranch. The area is bounded on the east by completed Rancho Bernardo subdivisions and on the north, east and west by undeveloped property.

The residential land uses in the 4S Ranch Specific Plan are arranged around a mixed-use district which is located in the central portion of the community north of Camino del Norte. The mixed-use district is approximately 52 net commercial acres, of which 22 are proposed for residential use and serves the 4S Ranch community as well as existing and planned neighborhoods west of Interstate 15. The residential areas include Neighborhoods One and Two located to the south of the mixed-use district, and Neighborhoods Three and Four located north of the mixed-use district. The mixed-use district is part of Neighborhood Four as described in the master development plan. Rancho Bernardo Road, Ralphs Ranch Road and 4S Ranch Parkway will provide the primary access to Neighborhoods Three and Four. Neighborhoods close to the mixed-use district are higher density containing a mixture of single-family and multi-family units. Neighborhoods further to the north and south are lower density single-family units.

The Neighborhoods

- *Neighborhood One* is within the Community Facilities District but is not encompassed by any Improvement Area. Neighborhood One is complete within 4S Ranch and is approximately 145 net residential acres in size and includes a total of approximately 1,083 Detached Units and 120 Affordable Units. Neighborhood One also includes a neighborhood park, a 10-acre elementary school site and the water reclamation facility serving the project.

- *Neighborhood Two*, which is coterminous with the boundaries of Improvement Area A, is approximately 141 net residential acres located south of Neighborhood One. Neighborhood Two is complete and includes approximately 565 Detached Units, a 23-acre middle school and a 22-acre community park. Bernardo Center Drive/Carmel Valley Road passes through this Neighborhood. The central portion of Neighborhood Two includes the Lusardi Creek Natural Park, which is a major open-space corridor comprising approximately 161 gross acres.

- *Neighborhood Three*, which is coterminous with the boundaries of Improvement Area B, is located north of the mixed-use district and is approximately 182 net residential acres. Neighborhood Three is complete and includes approximately 1,105 Detached Units and approximately 763 Attached Units. Neighborhood Three also includes a 10-acre elementary school and an approximately 5-acre neighborhood park.

- *Neighborhood Four*, which is roughly coterminous with Improvement Area C is located north of Neighborhood Three. The northern portion of Neighborhood Four, which includes a small neighborhood park, as well as natural open space areas, is proposed for approximately 288 single-family homes. As of July 15, 2012, Improvement Area C Special Taxes have been prepaid with respect to 48 parcels and of the remaining 240 lots, 170 were complete homes with closed sales, 10 were completed-unsold homes (including 6 model homes and 1 production home owned by Pulte Homes and 2 model homes and 1 production home owned by California West), 27 homes were under construction and 33 lots were vacant, for which all but 14 building permits had been issued as of July 15, 2012. Pulte Homes has indicated that between July 15, 2012 and August 14, 2012, 8 additional building permits had been issued. **Subsequent Event: Pulte Homes has indicated that the remaining six building permits were issued on September 6, 2012.** In addition, Pulte Homes has indicated that between July 15, 2012, and August 14, 2012, an additional 5 homes had closed escrow. California West has indicated that as of August 14, 2012, its remaining 3 homes had closed escrow.

- *The mixed use district located in the central portion.* The foregoing acreage does not include the 52 acres in the 4S Commons (PA 32) which is currently zoned for commercial use. Approximately 22 of such 52 acres is an apartment complex of approximately 540 units, 519 of which are Attached Units and 21 of the apartments are Affordable Units. The owner of the apartment complex prepaid the Improvement Area C Special Tax for all units except the Affordable Units.

Drainage is and will be within master-planned facilities throughout the community. Neighborhood One is generally above grade of Camino del Norte, and then gradually sloping down to the south into Neighborhood Two. Neighborhoods Three and Four have a gradual slope up to the north. None of the developable areas in 4S Ranch are within a 100-year flood plain.

Improvement Area C encompasses Neighborhood Four only and does not include any of the property within Neighborhoods One, Two or Three.

4S Ranch Specific Plan. The 4S Ranch Specific Plan (the “Specific Plan”) was adopted by the Board of Supervisors of the County in November, 1998. The Community Facilities District is in an unincorporated area of the County and is not currently within the sphere of influence of any existing city. The 4S Specific Plan provided direction for future development of the property located within the Community Facilities District. 4S Ranch is expected to ultimately include in excess of 4,000 dwelling units, schools, neighborhood parks, an employment center, a commercial and industrial property and approximately 1,612 acres of open space designated as Multiple Species Habitat Conservation Plan (MSHCP) Preserve.

Utility services for parcels in the Community Facilities District are provided by San Diego Gas & Electric (gas and electricity), the Olivenhain Municipal Water District (water and sewage), Cox Communications and Time Warner (cable), and Pacific Bell Telephone (telephone). Waste Management and EDCO provide refuse service.

Authority for Issuance

The 2012 Bonds are issued pursuant to the Act and the Indenture. In addition, as required by the Act, the Board of Education of the School District has taken the following actions with respect to establishing the Community Facilities District, Improvement Area C and authorizing issuance of the 2012 Bonds:

Resolutions of Intention: On September 16, 2002, the Board of Education adopted Resolution No. 19-2003 stating its intention to establish Improvement Area A, Improvement Area B and Improvement Area C and to authorize the levy of a special tax therein pursuant to a separate Rate and Method of Apportionment of Special Tax for each Improvement Area. The Improvement Area C Rate and Method will finance Infrastructure Improvements. See “INFRASTRUCTURE IMPROVEMENTS TO BE FINANCED WITH PROCEEDS OF THE 2012 BONDS.”

Resolution of Formation: Immediately following a noticed public hearing on October 21, 2002, the Board of Education adopted Resolution No. 30-2003 (the “Resolution of Formation”), which approved the financing of the Infrastructure Improvements and approved the original rate and method of apportionment applicable to each Improvement Area and authorized the levy of the applicable Special Taxes within each such Improvement Area pursuant to the applicable rate and method of appointment, subject to the approval of such levy by the qualified voters of each such Improvement Area.

Landowner Election and Declaration of Results: On October 21, 2002, an election was held within the Community Facilities District and each of the Improvement Areas, in which the landowners eligible to vote (4S Kelwood), being the qualified electors, approved the ballot proposition authorizing the issuance of up to \$140,000,000 in bonds to finance the acquisition and construction of the Infrastructure Improvements. The qualified electors within each Improvement Area also approved the levy of a special tax within each such Improvement Area in accordance with the applicable rate and method and the establishment of an appropriations limit for the Improvement Areas.

On October 21, 2002, the Board of Education adopted Resolution No. 31-2003 pursuant to which the Board of Education approved the canvass of the votes.

Improvement Area C Special Tax Lien and Levy: Notice of Special Tax Lien for Improvement Area C was recorded in the real property records of San Diego County on November 14, 2002, as Document No. 2002-1019184 (the “Original Notice of Special Tax Lien”).

Ordinance Levying Improvement Area C Special Taxes: On November 14, 2002, the Board of Education adopted an Ordinance No. 2003-1 levying the Improvement Area C Special Tax within Improvement Area C.

Change Proceedings: Subsequent to the completion of the above proceedings, 4S Kelwood requested that the Board of Education, acting in its capacity as the legislative body of the Community Facilities District, initiate proceedings to amend the original rate and method of apportionment of special taxes for Improvement Area C to eliminate the authority to levy the Improvement Area C Special Taxes within Planning Area 32 of Improvement Area C. The Improvement Area C Rate and Method was approved at a landowner election held on October 20, 2003. An amendment to the Notice of Special Tax Lien for Improvement Area C was recorded on November 4, 2003, as Document No. 2003-1338319.

Resolution Authorizing Issuance of the 2012 Bonds: On August 20, 2012, the Board of Education adopted Resolution No. 06-2013, approving issuance of the 2012 Bonds.

Improvement Area C Special Tax Collections

The Improvement Area C Special Tax on Developed Property authorized for the 2011-12 Fiscal Year in Improvement Area C was \$387,244.80, which was levied against 169 parcels. All of such parcels had paid the second installment of Improvement Area C Special Taxes as of June 30, 2012. For the Fiscal Year 2011-12, no Improvement Area C Special Taxes were levied on Undeveloped Property. The Improvement Area C Special Tax on Developed Property authorized for the 2012-13 Fiscal Year in Improvement Area C is \$491,168.52 levied against 207 parcels.

Table 3 below sets forth the Improvement Area C Special Tax collections for Fiscal Years 2009-10 through Fiscal Year 2011-12, all of which was levied on Developed Property.

Table 3
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Improvement Area C
Improvement Area C Special Tax Collections⁽¹⁾
(As of June 30 of the applicable Fiscal Year)

Subject Fiscal Year					June 30, 2012				
Fiscal Year Ending June 30	Aggregate Improvement Area C Special Tax	Total Improvement Area C Special Taxes Collected	Parcels Levied	Parcels Delinq.	Fiscal Year Amount Delinq.	Fiscal Year Delinq. Rate	Remaining Parcels Delinq.	Remaining Amount Delinq.	Remaining Delinq. Rate
2010	\$14,201.66	\$14,201.66	7	0	\$0.00	0.00%	0	0.00	0.00%
2011	106,464.50	106,464.50	49	0	0.00	0.00	0	0.00	0.00
2012	387,244.80	387,244.80	169	0	0.00	0.00	0	0.00	0.00

⁽¹⁾Delinquency information is provided to the School District by the County of San Diego as of June 30, 2012.

Source: Dolinka Group, LLC.

Property Ownership

Based on the Summary Appraisal Report, as of July 15, 2012, of the 288 projected homes in Improvement Area C, the Improvement Area C Special Taxes had been prepaid on 48 parcels. Of the remaining 240 projected homes which would be subject to the Improvement Area C Special Taxes, there were approximately 180 homes completed (170 completed-sold homes and 10 completed-unsold homes, including 8 model homes and 2 production homes). In addition, there were 27 homes under construction and 33 vacant lots for which all but 14 building permits had been issued as of July 15, 2012. Pulte Homes has indicated that between July 15, 2012 and August 14, 2012, an additional 8 building permits had been issued and Pulte Homes had closed escrow on an additional 5 homes. California West has indicated that as of August 14, 2012, California West had closed escrow on its remaining 3 homes. The following tables set forth the top taxpayers in Fiscal Year 2012-13 and Fiscal Year 2013-14 based on ownership as of August 14, 2012. Pulte Homes Special Tax liability will decrease as home sales occur.

Table 4A
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Improvement Area C
Top Owners of Taxable Property and
Allocation of Improvement Area C Special Tax Liability
Fiscal Year 2012-13

Merchant Builder and/or Property Owner Name ⁽¹⁾	Total Improvement Area C Special Tax Amount ⁽²⁾	Number of Parcels	Percent Share of Total Improvement Area C Special Taxes
Pulte Homes	\$79,773.84	29	16.24%
Individual Owners	<u>411,394.68</u>	<u>178</u>	<u>83.76</u>
Total⁽³⁾	\$491,168.52	207	100.00%

⁽¹⁾ Ownership status is based on updated information provided by Pulte Homes and California West as to their respective ownership as of August 14, 2012.

⁽²⁾ The Fiscal Year 2012-13 Improvement Area C Special Tax levy is \$491,168.52.

⁽³⁾ Totals may not add due to rounding.

Source: Dolinka Group, LLC.

Table 4B
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Improvement Area C
Top Owners of Taxable Property and
Allocation of Improvement Area C Special Tax Liability
Fiscal Year 2013-14

Merchant Builder and/or Property Owner Name ⁽¹⁾	Estimated Total Improvement Area C Special Tax Amount ⁽²⁾	Number of Parcels	Percent Share of Total Improvement Area C Special Taxes
Pulte Homes	\$141,244.76	62	25.18%
Individual Owners	<u>419,622.42</u>	<u>178</u>	<u>74.82</u>
Total⁽³⁾	\$560,867.18	240	100.00%

⁽¹⁾ Ownership status is based on updated information provided by Pulte Homes and California West as to their respective ownership as of August 14, 2012. The actual Fiscal Year 2013-14 Special Tax levy on parcels owned by Pulte Homes will decrease as home sales occur.

⁽²⁾ The Fiscal Year 2013-14 Improvement Area C Special Tax levy is estimated to be \$560,867.18.

⁽³⁾ Totals may not add due to rounding.

Source: Dolinka Group, LLC.

Appraised Property Values

The Summary Appraisal Report with respect to Improvement Area C, dated July 18, 2012, was prepared by the Appraiser, Stephen G. White, MAI of Fullerton, California, in connection with the issuance of the 2012 Bonds. The purpose of the Summary Appraisal Report was to estimate the market value of the properties within Improvement Area C as of July 15, 2012, as segregated into the four (4) different tracts of homes.

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

The Summary Appraisal Report is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, as of July 15, 2012, the Appraiser estimated that the market value of the completed homes within Improvement Area C (subject to the lien of the Improvement Area C Special Taxes) was as follows:

Table 5
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Improvement Area C
Summary Appraisal Report Market Values

Product Type Name/(Builder)⁽¹⁾⁽²⁾	Planning Area/Status	Market Values
The Pines (Pulte Homes)		
Individual Owners	23	\$15,640,000
Builder Ownership	<u>44</u>	<u>17,610,000</u>
Subtotal	67	\$33,250,000
The Willows (Pulte Homes)		
Individual Owners	12	\$9,120,000
Builder Ownership	<u>23</u>	<u>10,910,000</u>
Subtotal	35	\$20,030,000
Monteluz (California West)		
Individual Owners	57	\$43,320,000
Andalusia (California West)		
Individual Owners	78	\$53,040,000
Builder Ownership	<u>3</u>	<u>2,040,000</u>
Subtotal	81	\$55,080,000
Totals:	240	\$151,680,000

⁽¹⁾ For convenience of reference, this table uses common builder names. In many cases, the landowner and/or merchant builder is a separate limited liability company or other entity. No affordable units are included in the information presented.

⁽²⁾ As of July 15, 2012, there were 180 completed homes, including 170 owned by individual homeowners and 10 builder-owned homes. Of the 10 completed builder-owned homes, 1 production home and 6 model homes were owned by Pulte Homes, including 3 model homes in The Pines and 3 model homes in The Willows. Between July 15, 2012, and August 14, 2012, Pulte Homes closed escrow on an additional 5 homes. Of the 10 completed builder-owned homes as of July 15, 2012, one production home and two model homes were owned by California West in Andalusia. As of August 14, 2012, California West had closed escrow on the last of its homes within Improvement Area C.

The Summary Appraisal Report reports an aggregate market value of \$151,680,000 for the property appraised. The value-to-lien ratio is 7.84 to 1 with respect to Improvement Area C, calculated with respect to all direct and overlapping tax and assessment bonds as presented in Tables 6A and 6B in the section entitled “ – Value-to-Lien Ratios” below as of the estimated date of issuance of the 2012 Bonds. The value-to-lien ratio of individual parcels will differ from the foregoing aggregate values. Based on estimated debt service on the Bonds and the number of building permits issued as of January 1, 2012, the Community Facilities District did not levy an Improvement Area C Special Tax in Fiscal Year 2012-13 on Undeveloped Property. The value-to-lien ratio of individual parcels will differ from the foregoing aggregate value.

See “SECURITY FOR THE 2012 BONDS – Rates and Methods,” “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) IMPROVEMENT AREA C – Direct and Overlapping Debt” and “BONDOWNERS’ RISKS –Appraised Values” herein and APPENDIX C – “Summary Appraisal Report” appended hereto for further information on the Summary Appraisal Report, for limiting conditions relating to the Summary Appraisal Report and for information relating to overlapping indebtedness.

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

Value-to-Lien Ratios

Tables 6A and 6B below set forth Value-to-Lien category ranges for the 240 parcels utilizing the appraised values of \$151,680,000 as of July 15, 2012, which value includes the 180 completed homes valued in the Summary Appraisal Report, the appraised value for the 27 parcels under construction and the appraised value for 33 vacant lots. Between July 15, 2012, and August 14, 2012, California West closed escrow on the 3 homes which it owned in Improvement Area C. Between July 15, 2012, and August 14, 2012, Pulte Homes closed escrow on 5 additional homes in Improvement Area C.

Table 6A
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Improvement Area C
Combined Assessed Value and Value-to-Burden Ratio

Value-to-Lien Category	Number of Parcels⁽¹⁾	Combined Overlapping Liens⁽²⁾	Appraised Value⁽³⁾	Combined Value-to-Lien Burden Ratio	Estimated Fiscal Year 2013-14 Improvement Area C Special Tax	Percentage Share of Improvement Area C Special Tax
10:1 and above	36	\$2,177,663.82	\$25,520,000	11.72:1	\$56,125.14	10.01%
7:1 to 10:1	144	12,301,842.03	102,640,000	8.34:1	367,572.72	65.54
5:1 to 7:1	19	1,459,868.33	8,510,000	5.83:1	38,661.44	6.89
3:1 to 5:1	41	3,404,870.96	15,010,000	4.41:1	98,507.88	17.56
3:1 and below	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00:1</u>	<u>0.00</u>	<u>0.00%</u>
Total⁽⁴⁾	240	\$19,344,245.14	\$151,680,000	7.84:1	\$560,867.18	100.00%

⁽¹⁾ Includes 33 parcels for which 27 building permits were issued on or after May 2, 2012, which will be subject to the Improvement Area C Special Tax levy in Fiscal Year 2013-14 and for which as of August 14, 2012, six building permits had not yet been issued. **Subsequent Event: Pulte Homes has indicated that the remaining six building permits were issued on September 6, 2012.**

⁽²⁾ See "Direct and Overlapping Debt" below for a description of overlapping liens; the combined overlapping liens include the 2012 Bonds.

⁽³⁾ Source: Summary Appraisal Report.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 6B
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Improvement Area C
Combined Assessed Value and Value-to-Burden Ratio by Ownership and Development Status

<u>Ownership⁽¹⁾</u>	<u>Number of Parcels⁽²⁾</u>	<u>Total Appraised Value⁽³⁾</u>	<u>Estimated Fiscal Year 2013-14 Assigned Annual Improvement Area C Special Tax Levy⁽²⁾</u>	<u>Percentage of Fiscal Year 2013-14 Levy</u>	<u>Principal Amount of 2012 Bonds</u>	<u>Other Overlapping Debt⁽⁴⁾</u>	<u>Value-to-Lien⁽⁵⁾</u>
Individual Owners	178	\$125,910,000	\$419,622.42	74.82%	\$7,085,143.26	\$7,240,594.07	8.79:1
<u>Pulte Homes</u>							
Completed Unsold (models)	6	4,320,000	15,440.20	2.75	260,701.11	254,869.46	8.38:1
Under Construction	23	10,110,000	56,509.30	10.08	954,135.11	976,999.59	5.24:1
Vacant	<u>33</u>	<u>11,340,000</u>	<u>69,295.26</u>	<u>12.36</u>	<u>1,170,020.52</u>	<u>1,401,782.02</u>	<u>4.41:1</u>
Subtotal	62	\$25,770,000	\$141,244.76	25.18%	\$2,384,856.74	\$2,633,651.07	5.13:1
Total⁽⁶⁾	240	\$151,680,000	\$560,867.18	100.00%	\$9,470,000.00	\$9,874,245.14	7.84:1

- (1) Ownership status is based on updated information provided by Pulte Homes and California West as to their respective ownership as of August 14, 2012.
- (2) Includes 33 parcels for which 27 building permits were issued on or after May 2, 2012, which will be subject to the Improvement Area C Special Tax levy in Fiscal Year 2013-14 and for which as of August 14, 2012, six building permits had not yet been issued. **Subsequent Event: Pulte Homes has indicated that the remaining six building permits were issued on September 6, 2012.**
- (3) Source: Summary Appraisal Report.
- (4) Represents the principal of 2012 Bonds plus the estimated portion of Community Facilities District No. 6 and Olivenhain Municipal Water District Reassessment District No. 96-1 overlapping debt as of September 2, 2012, based on estimated Fiscal Year 2013-14 levy which amount is greater than the amount shown in Table 2A which reflects the Fiscal Year 2012-13 levy.
- (5) Average value-to-lien per lot; actual value-to-lien may vary.
- (6) Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Direct and Overlapping Debt

Table 7 below sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied within Improvement Area C, prepared by National Tax Data, Inc., and prepared during August 2012 (the “Debt Report”). The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, which will change significantly as sales occur and assessed values increase to reflect housing values. The Community Facilities District believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the County, may issue additional indebtedness at any time, without the consent or approval of the School District or the Community Facilities District and the Community Facilities District expects to issue additional debt secured by special taxes on Developed Property in the future. See “ – Overlapping Direct Assessments” below.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement Area C in whole or in part. Such long term obligations generally are not payable from property taxes, assessment or special taxes on land in Improvement Area C. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Additional indebtedness could be authorized by the Community Facilities District, the School District, the County or other public agencies at any time.

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

Table 7
Community Facilities District No. 6 (4S Ranch)
Improvement Area C
of the Poway Unified School District

POWAY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 6

Detailed Direct and Overlapping Debt

I. Assessed Value

2011-2012 Secured Roll Assessed Value

\$328,671,979⁽¹⁾

II. Secured Property Taxes

Description on Tax Bill	Type	Total		%		Parcels	Levy
		Parcels	Total Levy	Applicable	Levy		
Basic Levy	PROP13	960,202	\$3,661,027,974.96	0.08967%		310	\$3,282,869.79
Voter Approved Debt	VOTER	959,996	329,883,676.91	0.01745%		310	57,578.07
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	50,137	1,366,988.24	1.04564%		1	14,293.80
County of San Diego Service Area No. 83 (Park Maintenance)	OPENSOURCE	4,943	496,132.00	6.37480%		290	31,627.40
County of San Diego Street Lighting, Zone A	LLMD	96,702	718,512.90	1.15869%		115	8,325.34
County of San Diego Vector Control, Zone B	VECTOR	359,853	750,258.20	0.09421%		310	706.80
County of San Diego Vector Disease Control	VECTOR	946,116	5,250,491.66	0.03207%		310	1,683.62
Metropolitan Water District of Southern California Standby Charge	STANDBY	24,709	403,970.40	1.36898%		310	5,530.26
Olivenhain Municipal Water District AD No. 96-1	1915	22,976	1,406,519.46	2.21267%		308	31,121.66
Olivenhain Municipal Water District Sewer Charge	SEWER	4,737	3,713,156.26	12.21623%		267	453,607.70
Olivenhain Municipal Water District Water Standby Charge	STANDBY	67	7,100.00	57.74648%		41	4,100.00
Palomar Pomerado Health GOB 2004	GOB	188,744	13,977,186.38	0.55195%		310	77,147.54
Poway Unified School District CFD No. 6	CFD	3,650	8,543,913.36	4.73097%		133	398,927.56
Poway Unified School District CFD No. 6, Impv Area C	CFD	323	387,244.80	100.00000%		169	387,244.80
Rancho Santa Fe Fire Protection District Special Tax	FIRE	12,274	1,011,280.00	6.98817%		308	70,670.00
San Diego County Water Authority Standby Charge	STANDBY	24,938	352,562.64	1.36356%		310	4,807.40
2011-2012 TOTAL PROPERTY TAX LIABILITY							\$4,830,241.74

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2011-2012 ASSESSED VALUATION

1.47%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	%		Parcels	Amount
				Applicable	Parcels		
Olivenhain Municipal Water District AD No. 96-1	1915	\$22,530,000	\$15,510,000	2.21267%		308	\$343,185
Poway Unified School District CFD No. 6	CFD	128,855,000	124,530,000	4.73097%		135	5,891,477
Poway Unified School District CFD No. 6, Impv Area C	CFD	-0-	-0-	100.00000%		182	-0-
TOTAL LAND SECURED BOND INDEBTEDNESS ⁽²⁾							\$6,234,662
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS ⁽²⁾							\$6,234,662

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	%		Parcels	Amount
				Applicable	Parcels		
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$196,545,000	0.01590%		310	\$31,245
Palomar Community College District GOB 2006	GOB	334,998,901	318,573,901	0.37018%		310	1,179,295
Palomar Pomerado Health GOB 2004	GOB	495,999,997	474,631,554	0.54369%		310	2,580,502
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS ⁽²⁾							\$3,791,042
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS ⁽²⁾							\$3,791,042
TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT							\$10,025,704.27
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT ⁽²⁾							32.78:1

⁽¹⁾ Includes the assessed value of the 240 parcels within Improvement Area C which are subject to the levy of Improvement Area C Special Taxes.

⁽²⁾ Additional bonded indebtedness or available bond authorization may exist but is not shown because a tax was not levied for the referenced fiscal year. Excludes the 2012 Bonds.

Source: National Tax Data, Inc.

Table 8 below sets forth estimated Fiscal Year 2012-13 overall tax rates projected to be applicable to a Detached Unit. Table 8 also sets forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

Table 8
Community Facilities District No. 6 (4S Ranch)
Improvement Area C
of the Poway Unified School District
Estimated Fiscal Year 2012-13 Tax Rates
(Single Family Detached Units with 3,114 sq. ft.)

Assessed Valuations and Property Taxes

Estimated Assessed Valuation ⁽¹⁾	\$671,209
Homeowner's Exemption	<u>(7,000)</u>
Net Assessed Value ⁽²⁾	\$664,209

Ad Valorem Property Taxes	Percent of Total AV	Projected Amount ⁽³⁾
General Purposes	1.000000%	\$6,642.09
<i>Ad Valorem</i> Tax Overrides ⁽³⁾		
Palomar Pomerado Debt Service	0.02350%	156.08
Palomar Community College Debt Service	0.01384%	91.90
Metropolitan Water District Debt Service	0.00370%	24.57
Total Ad Valorem Property Taxes	1.04104%	\$6,914.64

Assessments, Special Taxes and Parcel Charges ⁽³⁾⁽⁴⁾

Poway Unified School District CFD No. 6 Imp. Area C ⁽⁵⁾	\$1,997.76
Poway Unified School District CFD No. 6 ⁽⁵⁾	3,077.12
Olivenhain Municipal Water District Sanitation (4S Ranch)	435.00
County of San Diego CSA 83 Zone A Park Maintenance	109.06
Olivenhain Municipal Water District Assessment District No. 96-1	55.22
County of San Diego CSA 17 Emergency Ambulance Service	20.00
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
San Diego County Street Light Zone A	6.48
County of San Diego Mosquito/Disease Control	5.86
County of San Diego Mosquito/Rat Control	2.28

Total Assessment Special Taxes and Parcel Charges \$5,730.28

Projected Total Property Taxes **\$12,644.92**

Projected Total Effective Tax Rate 1.88%

- ⁽¹⁾ Fiscal Year 2012-13 assessed valuation for a single family detached residential unit with 3,114 building square feet, selected to represent the median effective tax rate for a Detached Unit within Improvement Area C.
- ⁽²⁾ Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption.
- ⁽³⁾ These amounts are based on Fiscal Year 2011-12 charges, Fiscal Year 2012-13 data is not yet available, unless otherwise noted.
- ⁽⁴⁾ All charges and special assessments are based on a Lot size of less than one (1) acre.
- ⁽⁵⁾ This amount is based on Fiscal Year 2012-13 charges.

Source: Dolinka Group, LLC.

Overlapping Direct Assessments

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

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

Accordingly, the debt on the property within the Community Facilities District could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the ratio that exists at the time the 2012 Bonds are issued between the value of the property and the debt secured by the Improvement Area C Special Taxes and other taxes and assessments which may be levied on such property. The incurring of such additional indebtedness could also affect the ability and willingness of the property owners within the Community Facilities District to pay the Improvement Area C Special Taxes when due.

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

Pulte Home Corporation

Pulte Home Corporation, a Michigan corporation (“Pulte Homes”), is a subsidiary of PulteGroup, Inc. (“PulteGroup”), a publicly-held holding company whose subsidiaries engage in the homebuilding and financial services businesses. PulteGroup is a Michigan corporation organized in 1956 whose common stock trades on the New York Stock Exchange under the symbol “PHM.” PulteGroup is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). Such filings, particularly PulteGroup’s Annual Report on Form 10-K for the year ended December 31, 2011 and Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, set forth certain data relative to the consolidated results of operations and financial position of PulteGroup and its subsidiaries as of such dates. The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including PulteGroup. The address of such Internet website is www.sec.gov.

Description of Project. Pulte Homes acquired 131 lots in Improvement Area C pursuant to agreements entered into in 2010 with the final take down in March 2012. The project is being developed in two product types, The Pines and The Willows. The Pines has 3 model homes and The Willows has 3 model homes. Each product type has three floor plans ranging from 2,679 to 3,262 square feet in The Pines and from 3,345 to 3,986 square feet in The Willows. As of July 15, 2012, Pulte Homes prepaid Improvement Area C Special Taxes on 29 homes, leaving 102 lots subject to the Improvement Area C Special Tax as of such date. The development status of such 102 taxable lots within Pulte Homes' projects, including minimum lot sizes, unit sizes and estimated base sales price range, as of July 15, 2012, is set forth below.

**Pulte Homes
Development Status
As of July 15, 2012**

Project Name	Minimum Lot Sizes (Sq. Ft.)	Estimated Unit Sizes (Sq. Ft.)	Estimated Base Sales Price ⁽¹⁾	Total Units Planned	Closed Sales/Models/ Production Homes ⁽²⁾	Homes Under Construction	Vacant Lots ⁽³⁾
The Pines	6,000	2,679 to 3,262	\$660,880 to \$706,880	67	23/3/1	13	27
The Willows	7,000	3,345 to 3,986	\$722,000 to \$749,000	35	12/3/0	14	6
				102	35/6/1	27	33

⁽¹⁾ Base sales prices are subject to change and exclude upgrades, options and premiums, as well as incentives.

⁽²⁾ Production homes represent completed production homes owned by Pulte Homes.

⁽³⁾ As of July 15, 2012, building permits had been issued for 13 of the 27 vacant lots within The Pines and all 6 vacant lots within The Willows. Between July 15, 2012, and August 14, 2012, building permits were issued for an additional 8 lots within The Pines, leaving 6 lots without permits. **Subsequent Event: Pulte Homes has indicated that the remaining six building permits were issued on September 6, 2012.**

Between July 15, 2012 and August 14, 2012, Pulte Homes closed escrow on an additional 5 homes, 2 in The Pines and 3 in The Willows. As of August 14, 2012, Pulte Homes had commenced construction on all but 18 lots within The Pines and all but 3 lots within The Willows.

Status of Permits and Approvals. All backbone public improvements and in-tract street, sewer, water and dry utility improvements for the detached single housing lots within Improvement Area C, including the 131 lots acquired by Pulte Homes have been completed. Pulte Homes has provided information to the Appraiser that the remaining costs are approximately \$25,000 per lot for the 33 vacant lots to fully finished condition. As mentioned above, as of August 14, 2012, Pulte Homes had acquired building permits for all but six lots within The Pines and all lots within The Willows. **Subsequent Event: Pulte Homes has indicated that the remaining six building permits were issued on September 6, 2012.** In addition to the remaining costs mentioned above, Pulte Homes' remaining costs relate primarily to production home construction.

Absorption. Pulte Homes projects final sales to occur October 2012 within The Willows and March 2013 within The Pines and final closings to occur in January 2013 within The Willows and June 2013 within The Pines. No assurance can be given that home construction will be carried out on the schedule or according to the plans described in this Official Statement or that Pulte Homes' construction plans will not change after the date of this Official Statement.

Plan of Finance. Pulte Homes anticipates financing remaining site development and home construction costs related to its property in Improvement Area C with a combination of cash generated from its home building operations (including revenues generated from home sales in Improvement Area C) and, where necessary, internal corporate financing from the parent entity, PulteGroup.

Notwithstanding the internal corporate financing from its parent entity, PulteGroup, and revenues generated from home sales in Improvement Area C, there can be no assurance that Pulte Homes will have timely access to the sources of funds which will be necessary to complete the proposed development in Improvement Area C. Neither Pulte Homes nor its parent has a legal obligation to Bondowners to make any such funds available to fund the remaining development cost or to pay *ad valorem* property taxes or Improvement Area C Special Taxes related to the property in Improvement Area C. Many factors beyond Pulte Homes' control, or a decision by Pulte Homes to alter its current plans, may cause the actual sources and uses to differ from the projections.

At the time of execution of the 2012 Bonds, a representative of Pulte Homes will make the following representations in a certificate (the "Letter of Representations"):

- To the Actual Knowledge of the Pulte Homes Representative (as defined below), Pulte Homes is able to pay its bills as they become due and no legal proceedings are pending against Pulte Homes (with proper service of process having been accomplished) or, to the Actual Knowledge of Pulte Homes, threatened in writing in which Pulte Homes may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.
- No action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against Pulte Homes (with proper service of process to Pulte Homes having been accomplished) or, to the Actual Knowledge of the Pulte Homes Representative, is pending against any current Relevant Entity (as defined below) (with proper service of process to such Relevant Entity having been accomplished) or to the Actual Knowledge of the Pulte Homes Representative is threatened in writing against Pulte Homes or any such Relevant Entity (a) to restrain or enjoin the development of its property within Improvement Area C as proposed in this Official Statement, (b) in any way contesting or affecting the validity of the Special Taxes, or (c) which is reasonably likely to materially and adversely affect Pulte Homes' ability to complete the development and sale of its property within Improvement Area C as proposed in this Official Statement or the payment of the Improvement Area C Special Taxes due with respect to its property within Improvement Area C.

As used in this Official Statement, the phrase "Actual Knowledge of the Pulte Homes Representative" shall mean the knowledge that the Pulte Homes' representative executing the Letter of Representations currently has as of the date thereof or has obtained from interviews with such current officers and responsible employees of the Pulte Homes and its Relevant Entities as the representative has determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth herein. The representative has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Pulte Homes' current business and operations. Pulte Homes notes that PulteGroup, including its subsidiaries such as Pulte Homes, have undergone several restructurings, including office closures and division consolidations. Individuals who are no longer with the various entities have not been contacted. For purposes hereof, the term "Relevant Entity" means, with respect to a Person (i) any other Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with such Person, and (ii) for whom information, including financial information or operating data, concerning such Person referenced in clause (i) is material to an evaluation of the Community Facilities District and the 2012 Bonds (i.e., information relevant to Pulte Homes development of its

property within Improvement Area C, the payment of its Improvement Area C Special Taxes, or such Person's assets or funds that would materially affect Pulte Homes' ability to develop its property in Improvement Area C as proposed in this Official Statement or to pay its Improvement Area C Special Taxes). For purposes of the Letter of Representations of Pulte Homes, Relevant Entities shall be solely comprised of Pulte Homes' ultimate parent, PulteGroup. "Person" means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof. For purposes hereof, the term "control" (including the terms "controlling," "controlled by" or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

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 2012 Bonds. The Community Facilities District cautions prospective investors that this discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the 2012 Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area C to pay their Improvement Area C Special Taxes and the Community Facilities District Special Taxes when due. Any such failure to pay Improvement Area C Special Taxes could result in the inability of the Community Facilities District to make full and punctual payments of debt service on the 2012 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in Improvement Area C.

Risks of Real Estate Secured Investments Generally

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

Risks Related to Current Market Conditions

The housing market in southern California experienced significant price appreciation and accelerating demand from approximately 2002 to 2006 but subsequently the housing market weakened substantially, with changes from the prior pattern of price appreciation and a slowdown in demand for new housing and declining prices. Since 2006, home developers, appraisers and market absorption consultants have reported weak new home market conditions due to factors including, but not limited to, the following: (i) lower demand for new homes; (ii) significant increase in cancellation rates for homes under contract; (iii) the exit of speculators from the new home market; (iv) increasing mortgage defaults and foreclosures; (v) a growing supply of new and existing homes available for purchase; (vi) increase in competition for new homes orders; (vii) prospective home buyers having a more difficult time selling their existing homes in the more competitive environment; (viii) reduced sales prices and/or higher incentives required to stimulate new home orders or to induce home buyers not to cancel purchase contracts; (ix) more stringent credit qualification requirements by home loan providers and (x) increased unemployment levels. Any such factors may affect the willingness or ability of taxpayers to pay their Improvement Area C Special Tax payment prior to delinquency.

Economic Uncertainty

The 2012 Bonds are being issued at a time of economic uncertainty and volatility. Unemployment rates have decreased to approximately 5.5% for the Poway area as of July, 2012 (not seasonally adjusted) as compared to 5.9% for calendar year 2011 and approximately 9.2% (not seasonally adjusted) for San Diego County as compared to 10.0% for calendar year 2011. The Community Facilities District cannot predict how long these conditions will last or whether to what extent they may affect the ability of homeowners to pay Improvement Area C Special Taxes or the marketability of the 2012 Bonds.

Improvement Area C Special Taxes Are Not Personal Obligations

The current and future owners of land within Improvement Area C are not personally liable for the payment of the Improvement Area C Special Taxes. Rather, the Improvement Area C Special Tax is an obligation only of the land within Improvement Area C. If the value of the land within Improvement Area C is not sufficient to fully secure the Improvement Area C Special Tax, then Improvement Area C has no recourse against the landowner under the laws by which the Improvement Area C Special Tax has been levied and the 2012 Bonds have been issued.

The 2012 Bonds Are Limited Obligations of the Community Facilities District

The Community Facilities District has no obligation to pay principal of and interest on the 2012 Bonds in the event Improvement Area C Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Improvement Area C Special Tax are delinquent, nor is the Community Facilities District obligated to advance funds to pay such debt service on the 2012 Bonds.

Appraised Values

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

The opinion of value relates to sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell nor to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

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

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

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

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

The table in the section entitled “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) IMPROVEMENT AREA C – Direct and Overlapping Debt” states the presently outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property and furthermore states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels of Taxable Property. The table does not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Improvement Area C Special Tax securing the 2012 Bonds.

In general, as long as the Improvement Area C Special Tax is collected on the County tax roll, the Improvement Area C Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Improvement Area C Special Taxes securing the 2012 Bonds, the Improvement Area C Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Improvement Area C Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro rata basis. Although the Improvement Area C Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Improvement Area C Special Tax or not, this result may not apply in the case of bankruptcy.

While governmental taxes, assessments and charges are a common claim against the value of a parcel of Taxable Property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Improvement Area C Special Tax is a claim with regard to a hazardous substance. See “Factors Affecting Parcel Values and Aggregate Value – *Hazardous Substances*” below.

Disclosure to Future Purchasers

The Community Facilities District has recorded a Notice of Special Tax Lien in the Office of the San Diego County Recorder on November 14, 2002, as Document No. 2002-1019184 with respect to Improvement Area C, and March 27, 1998, as Document No. 1998-0169295 with respect to the Community Facilities District. An amendment to the Notice of Special Tax Lien for Improvement Area C was recorded on November 4, 2003, as Document No. 2003-1338319. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Improvement Area C Special Tax obligation and Community Facilities District Special Tax obligation in the purchase of a parcel of land or a home in Improvement Area C or the lending of money thereon. The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers, other than those covered by the above requirement, the seller must at least make a good faith

effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Improvement Area C Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Improvement Area C Special Tax when due.

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

State Budget

As a result of the slow State and United States of America economies, the State is experiencing serious budgetary shortfalls for the current and prior fiscal years. The effect of the State revenue shortfalls on the local or State economy or on the demand for, or value of, the property within the Community Facilities District cannot be predicted.

Insufficiency of the Improvement Area C Special Tax

The principal source of payment of principal of and interest on the 2012 Bonds is the proceeds of the annual levy and collection of the Improvement Area C Special Tax against property within Improvement Area C. The annual levy of the Improvement Area C Special Tax is subject to the maximum tax rates authorized. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Improvement Area C Special Tax, together with other available funds, will not be sufficient to pay debt service on the 2012 Bonds. Other funds which might be available include funds derived from the payment of penalties on delinquent Improvement Area C Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Improvement Area C Special Tax are delinquent.

The levy of the Improvement Area C Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Taxable Property and the amount of the levy of the Improvement Area C Special Tax against such parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of such parcels and the proportionate share of debt service on the 2012 Bonds, and certainly not a direct relationship.

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

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

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

Except as set forth above under “SECURITY FOR THE 2012 BONDS – Improvement Area C Special Taxes” and “ – Rates and Methods” herein, the Indenture provides that the Improvement Area C Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY FOR THE 2012 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 2012 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 2012 BONDS – Proceeds of Foreclosure Sales.”

In addition, the Improvement Area C Rate and Method limits the increase of Improvement Area C Special Taxes levied on parcels of Developed Property to cure delinquencies of other property owners in Improvement Area C. See “SECURITY FOR THE 2012 BONDS – Rates and Methods” herein.

Exempt Properties

Certain properties are exempt from the Improvement Area C Special Tax in accordance with the Improvement Area C Rate and Method (see “SECURITY FOR THE 2012 BONDS – Rates and Methods” herein). In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Improvement Area C Special Tax; *provided, however*, that property within Improvement Area C acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Improvement Area C Special Tax, will continue to be subject to the Improvement Area C Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Improvement Area C Special Tax. In addition, although the Act provides that if property subject to the Improvement Area C Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Improvement Area C Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Improvement Area C Special Tax. In the event that additional property is dedicated to the School District or other public entities, this additional property might become exempt from the Improvement Area C Special Tax.

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

Depletion of Reserve Fund

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement (see “SECURITY FOR THE 2012 BONDS – Reserve Fund” herein). Funds in the Reserve Fund may be used to pay principal of and interest on the 2012 Bonds, in the event the proceeds of the levy and collection of the Improvement Area C Special Tax against property within the Community Facilities District are insufficient. If funds in the Reserve Fund are depleted, the funds can be replenished from the proceeds of the levy and collection of the Improvement Area C Special Tax that are in excess of the amount required to pay all amounts to be paid to the Bondowners pursuant to the Indenture. However, no replenishment from the proceeds of an Improvement Area C Special Tax levy can occur as long as the proceeds that are collected from the levy of the Improvement Area C Special Tax against property within Improvement Area C, at the maximum tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the Improvement Area C Special Tax.

Potential Delay and Limitations in Foreclosure Proceedings

The payment of property owners’ taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Improvement Area C Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. See “SECURITY FOR THE 2012 BONDS – Proceeds of Foreclosure Sales” and “BONDOWNERS’ RISKS – Bankruptcy and Foreclosure Delay” herein. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The ability of the Community Facilities District to collect interest and penalties specified by State law and to foreclose against properties having delinquent Improvement Area C Special Tax installments may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”) has or obtains an interest. The FDIC would obtain such an interest by taking over a financial institution which has made a loan which is secured by property within Improvement Area C. See “BONDOWNERS’ RISKS – Payments by FDIC and Other Federal Agencies” herein.

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

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

In addition, potential investors should be aware that judicial foreclosure proceedings are not summary remedies and can be subject to significant procedural and other delays caused by crowded court calendars and other factors beyond the control of the Community Facilities District or the School District. Potential investors should assume that, under current conditions, it is estimated that a judicial foreclosure of the lien of Improvement Area C Special Taxes may take up to two or three years from initiation to the lien foreclosure sale. At an Improvement Area C Special Tax lien foreclosure sale, each parcel will be

sold for not less than the “minimum bid amount” which is equal to the sum of all delinquent Improvement Area C Special Tax installments, penalties and interest thereon, costs of collection (including reasonable attorneys’ fees), post-judgment interest and costs of sale. Each parcel is sold at foreclosure for the amounts secured by the Improvement Area C Special Tax lien on such parcel and multiple parcels may not be aggregated in a single “bulk” foreclosure sale. If any parcel fails to obtain a “minimum bid,” the Community Facilities District may, but is not obligated to, seek superior court approval to sell such parcel at an amount less than the minimum bid. Such superior court approval requires the consent of the owners of 75% of the aggregate principal amount of the outstanding Bonds.

Delays and uncertainties in the Improvement Area C Special Tax lien foreclosure process create significant risks for Bondowners. High rates of special tax payment delinquencies which continue during the pendency of protracted Improvement Area C Special Tax lien foreclosure proceedings, could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon foreclosure. In that event, there could be a default in payment of the principal of, and interest on, the 2012 Bonds. See “Improvement Area C Special Tax Collections” above.

Bankruptcy and Foreclosure Delay

The payment of Improvement Area C Special Taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent Improvement Area C Special Taxes as discussed in the section herein entitled “SECURITY FOR THE 2012 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 2012 Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the obligation to pay the Improvement Area C Special Tax to become extinguished, bankruptcy of a property owner or of a partner or other equity owner of a property owner, could result in a stay of enforcement of the lien for the Improvement Area C Special Taxes, a delay in prosecuting superior court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Improvement Area C Special Taxes and could result in the possibility of delinquent Improvement Area C Special Taxes not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Improvement Area C Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Improvement Area C Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Improvement Area C Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the 2012 Bonds and the possibility of delinquent Improvement Area C Special Taxes not being paid in full. Moreover, amounts received upon foreclosure sales may not be sufficient to fully discharge delinquent installments. To the extent that a significant percentage of the property in Improvement Area C is owned by Pulte Homes or any other property owner, and Improvement Area C Special Taxes have been levied on such property, and such owner is the subject of bankruptcy proceedings, the payment of the Improvement Area C Special Tax and the ability of Improvement Area C to foreclose the lien of a delinquent unpaid Improvement Area C Special Tax could be extremely curtailed by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure.

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

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

The Act provides that the Improvement Area C Special Taxes are secured by a continuing lien, which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Improvement Area C Special Taxes levied after the filing of a petition in bankruptcy. *Glasply* is controlling precedent for bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Improvement Area C Special Tax, the amount of Improvement Area C Special Tax received from parcels whose owners declare bankruptcy could be reduced.

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

Payments by FDIC and Other Federal Agencies

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

Mortgage Interests. The supremacy clause of the United States Constitution reads as follows: “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.”

The foregoing is generally interpreted to mean that, unless the United States Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Improvement Area C Special Taxes but does not pay taxes and assessments levied on the parcel (including Improvement Area C Special Taxes), the applicable State and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless the United States Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the Community Facilities District wishes to foreclose on the parcel as a result of delinquent Improvement Area C Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Improvement Area C Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson*, 597 F.2d 174 (9th Cir. 1979), the United States Court of Appeal, Ninth Circuit (the "Ninth Circuit"), held that FNMA is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. For a discussion of risks associated with taxable parcels within Improvement Area C becoming owned by the federal government, federal government entities or federal government sponsored entities, see the caption " – Potential Delay and Limitations in Foreclosure Proceedings."

The Community Facilities District has not otherwise undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Improvement Area C Special Taxes within Improvement Area C, and therefore expresses no view concerning the extent to which the risks described above will materialize while the Bonds are outstanding.

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. With respect to property in California owned by the FDIC on January 9, 1997 and that was owned by the Resolution Trust Corporation (the "RTC") on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

The Community Facilities District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency on a parcel within Improvement Area C in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the 2012 Bonds should assume that the Community Facilities District will be unable to collect Improvement Area C Special Taxes or to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the 2012 Bonds. Based upon the secured tax roll as of January 1, 2001, the FDIC does not presently own any of the property in Improvement Area C. The Community Facilities District expresses no view concerning the likelihood that the risks described above will materialize while the 2012 Bonds are outstanding.

Factors Affecting Parcel Values and Aggregate Value

Geologic, Topographic and Climatic Conditions. The value of the Taxable Property in Improvement Area C in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on the parcels of Taxable Property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such as earth movements, landslides, liquefaction, floods or fires, and climatic conditions such as tornadoes, droughts, and the possible reduction in water allocation or availability. It can be expected that one or more of such conditions may occur and may result in damage to improvements of varying seriousness, that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the Taxable Property may well depreciate or disappear.

Seismic Conditions. Improvement Area C is located in a seismically active region in Southern California. Active faults which could cause significant ground shaking over Improvement Area C include, but are not limited to, the Rose Canyon fault zone (approximately 20 miles west), the Elsinore fault zone (approximately 23 miles northeast), the San Jacinto fault zone (approximately 45 miles northeast) and the San Andreas fault zone (approximately 72 miles northeast). Earthquakes of magnitude of 6 (Rose Canyon fault) to 8 (San Andreas fault) on the Richter scale are possible.

In the event of a severe earthquake, there may be significant damage to both property and infrastructure in Improvement Area C. As a result, the property owners may be unable or unwilling to pay the Improvement Area C Special Taxes when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in Improvement Area C could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Improvement Area C Special Taxes. Development within Improvement Area C has been built in accordance with applicable building codes, including requirements relating to seismic safety. No assurances can be given that any earthquake insurance will be obtained as to any of the improvements within the Community Facilities District.

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

condition of property whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect therefore, should any of the parcels be affected by a hazardous substance, would be to reduce the marketability and value by the costs of remedying the condition, because the purchaser, upon becoming owner, may become obligated to remedy the condition just as is the seller.

4S Kelwood retained Geocon Consultants, Inc. to conduct a Phase I Environmental Site Assessment of its proposed development site in Neighborhoods Three and Four dated April 2, 2003. In Geocon Consultants, Inc.'s opinion, each site could be developed as planned provided certain recommendations of the report were followed.

One issue with respect to development in certain portions of the County related to methane gas. In March 2002, the County had established guidelines relating to the testing protocol and mitigation measures (e.g. passive venting and vapor barriers) required with respect to methane vapors. On April 20, 2005, based on the science available, the Board of Supervisors of the County repealed the ordinance requiring mitigation measures for structures located on mass graded sites.

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

Further, it is possible that liabilities may arise in the future with respect to any of the land within Improvement Area C resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly adversely affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Improvement Area C Special Tax installments.

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

No Acceleration Provisions

The 2012 Bonds do not contain a provision allowing for the acceleration of the 2012 Bonds in the event of a payment default or other default under the terms of the 2012 Bonds or the Indenture. Pursuant to the Indenture, a Bondowner is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies (see APPENDIX D – “Summary of Certain Provisions of the Indenture” herein). So long as the 2012 Bonds are in book-entry form, DTC will be the sole Bondowner and will be entitled to exercise all rights and remedies of Bondowner.

Community Facilities District Formation

California voters, on June 6, 1978, approved an amendment (“Article XIII A”) to the California Constitution. Section 4 of Article XIII A, requires a vote of two-thirds of the qualified electorate to impose “special taxes,” or any additional *ad valorem*, sales or transaction taxes on real property. At an election held in Improvement Area C pursuant to the Act, more than two-thirds of the qualified electors

within the Improvement Area C, consisting of the landowners within the boundaries of Improvement Area C, authorized the Community Facilities District to incur bonded indebtedness to finance Infrastructure Improvements and approved the Improvement Area C Rate and Method. The Supreme Court of the State has not yet decided whether landowner elections (as opposed to resident elections) satisfy requirements of Section 4 of Article XIII A, nor has the Supreme Court decided whether the special taxes of a community facilities district constitute a “special tax” for purposes of Article XIII A.

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

Billing of Improvement Area C Special Taxes

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

Under provisions of the Act, the Improvement Area C Special Taxes are billed to the properties within the Community Facilities District which were entered on the Assessment Roll of the County Assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such Improvement Area C Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Improvement Area C Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Improvement Area C Special Taxes in the future. See “SECURITY FOR THE 2012 BONDS – Proceeds of Foreclosure Sales” for a discussion of the provisions which apply and procedures which the Community Facilities District is obligated to follow in the event of delinquency in the payment of installments of Improvement Area C Special Taxes.

Inability to Collect Improvement Area C Special Taxes

In order to pay debt service on the 2012 Bonds, it is necessary that the Improvement Area C Special Tax levied against land within Improvement Area C be paid in a timely manner. The Community Facilities District has covenanted in the Indenture under certain conditions to institute foreclosure proceedings against property with delinquent Improvement Area C Special Tax in order to obtain funds to pay debt service on the 2012 Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Improvement Area C Special Tax to protect its security interest. In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the 2012 Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Improvement Area C Special Tax installment. Although the Act authorizes the Board of Education to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the Board of Education with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale. See “SECURITY FOR THE 2012 BONDS – Proceeds of Foreclosure Sales.”

Right to Vote on Taxes Act

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

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

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

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Improvement Area C Special Taxes if such reduction would interfere with the timely retirement of the 2012 Bonds.

It may be possible, however, for voters of Improvement Area C to reduce the Improvement Area C Special Taxes in a manner which does not interfere with the timely repayment of the 2012 Bonds but which does reduce the maximum amount of Improvement Area C Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Improvement Area C Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Improvement Area C Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2012 Bonds.

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

The foregoing discussion of the Initiative should not be considered an exhaustive or authoritative treatment of the issues. The Community Facilities District does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of the Initiative on the 2012 Bonds as well as the market for the 2012 Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of the Initiative.

Ballot Initiatives and Legislative Measures

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

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the 2012 Bonds or, if a secondary market exists, that such 2012 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 2012 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 2012 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2012 Bonds as a result of future acts or omissions of the Community Facilities District and the School District in violation of certain provisions of the Code and the covenants of the Indenture. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2012 Bonds, the Community Facilities District has covenanted in the Indenture not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the 2012 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the 2012 Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the Indenture. See "THE 2012 BONDS – Redemption."

IRS Audit of Tax-Exempt Bond Issues

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 2012 Bonds will be selected for audit by the IRS. It is also possible that the market value of such 2012 Bonds might be affected as a result of such an audit of such 2012 Bonds (or by an audit of similar bonds or securities).

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

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2012 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 Beneficial Owners of the 2012 Bonds from realizing the full current benefit of the tax status of such interest. See, for example "LEGAL

MATTERS – American Jobs Act of 2011; Debt Reduction Act” for a description of legislative proposals which may affect the market price for, or marketability of, the 2012 Bonds.

The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2012 Bonds. Prospective purchasers of the 2012 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

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 2012 Bonds or to preserve the tax-exempt status of the 2012 Bonds. See “Payments by FDIC and other Federal Agencies,” “No Acceleration Provisions” and “Billing of Improvement Area C Special Taxes” herein.

LEGAL MATTERS

Legal Opinion

The legal opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, approving the validity of the 2012 Bonds will be made available to purchasers at the time of original delivery and is attached hereto as Appendix F. A copy of the legal opinion will be printed on each 2012 Bond. McFarlin & Anderson LLP, Laguna Hills, California is serving as Disclosure Counsel. Best Best & Krieger LLP will also pass upon certain legal matters for the School District and the Community Facilities District as special counsel to these entities.

Tax Exemption

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the 2012 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations nor is such interest included in adjusted current earnings when calculating corporate alternative minimum taxable income, *provided, however*, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Community Facilities District comply with all requirements of the Internal Revenue Code of 1986 (the “Code”) that must be satisfied subsequent to the issuance of the 2012 Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Community Facilities District has covenanted in the Indenture to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2012 Bonds.

In the further opinion of Bond Counsel, interest on the 2012 Bonds is exempt from California personal income taxes.

To the extent the issue price of any maturity of the 2012 Bonds is less than the amount to be paid at maturity of such 2012 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2012 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the 2012 Bonds

which is excluded from gross income for federal income tax purposes and State personal income taxes. For this purpose, the issue price of a particular maturity of the 2012 Bonds is the first price at which a substantial amount of such maturity of the 2012 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2012 Bonds accrues daily over the term to maturity of such 2012 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2012 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2012 Bonds. Owners of the 2012 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the 2012 Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2012 Bonds in the original offering to the public at the first price at which a substantial amount of such 2012 Bonds is sold to the public.

The 2012 Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Bond, and under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Owners of the 2012 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2012 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2012 Bonds other than as expressly described above.

Should the interest on the 2012 Bonds become includable in gross income for federal income tax purposes, the 2012 Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Indenture.

Bond Counsel’s opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2012 Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value of tax treatment of a 2012 Bond and Bond Counsel expresses no opinion with respect thereto.

Although Bond Counsel has rendered an opinion that interest on the 2012 Bonds is excluded from gross income for federal income tax purposes provided the Community Facilities District continues to comply with certain requirements of the Code, the accrual or receipt of interest on the 2012 Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient’s particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the 2012 Bonds.

It is possible that subsequent to the issuance of the 2012 Bonds there might be federal, state or local statutory changes (or judicial or regulatory interpretations of federal, state or local law) that affect the federal, state or local tax treatment of the 2012 Bonds or the market value of the 2012 Bonds. No assurance can be given that subsequent to the issuance of the 2012 Bonds such changes or interpretations will not occur. See “LEGAL MATTERS – American Jobs Act of 2011; Debt Reduction Act.”

IRS Audit Program. The IRS had initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2012 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2012 Bonds might be affected as a result of such an audit of the 2012 Bonds (or an audit of another series of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, that Congress or the IRS might change the Code (or interpretation thereof) subsequent to the delivery of the 2012 Bonds to the extent that it adversely affects the exclusion from gross income of interest with respect to the 2012 Bonds or the market value of the 2012 Bonds.

It is possible that subsequent to the delivery of the 2012 Bonds there might be federal, State or local statutory changes (or judicial or regulatory interpretations of federal, State or local law) that affect the federal, State or local tax treatment of the 2012 Bonds or the market value of the 2012 Bonds. No assurance can be given that subsequent to the delivery of the 2012 Bonds such changes or interpretations will not occur.

American Jobs Act of 2011; Debt Reduction Act

On September 12, 2011, President Obama submitted to Congress a legislative proposal, the “American Jobs Act of 2011” (the “Jobs Act”), containing a series of spending programs and tax incentives designed to stimulate jobs growth. To avoid adding to the deficit, the proposal includes a number of changes to the Code, including one that would reduce the tax value of all itemized deductions and targeted tax expenditures for high-income taxpayers in tax years commencing on or after January 1, 2013. The concept of “high-income taxpayers” generally captures taxpayers with adjusted gross income of \$250,000 or more for married couples filing jointly (or \$200,000 for single taxpayers). Among the targeted tax expenditures is interest on any bond excludable from gross income under Section 103 of the Code, whether the bond is outstanding on the enactment date of the proposed legislation or is issued thereafter, and would include interest on the 2012 Bonds. The American Jobs Act of 2011 failed to gain 60 votes in the Senate on October 11, 2011, in connection with a parliamentary procedure by which debate is ended and an immediate vote is taken on the matter under discussion. Portions of the Jobs Act may be introduced for a vote at a later date or dates. The week of September 26, 2011, President Obama submitted draft legislation to the congressional Deficit Reduction Committee entitled the “Debt Reduction Act of 2011” (the “Debt Reduction Act”). The Debt Reduction Act would require the Office of Management and Budget to establish steadily declining annual ratios for debt as a percentage of gross domestic product, effective for taxable years beginning on or after January 1, 2013. Under the proposal, if the ratios are not met, automatic cuts in spending and tax preferences, such as tax-exempt interest, would be triggered. Prospective purchasers should consult with their own tax advisors regarding the Jobs Act, the Debt Reduction Act, and any other pending or proposed federal income tax legislation. The likelihood of the Jobs Act or the Debt Reduction Act being enacted or whether the currently proposed terms of the Jobs Act or Debt Reduction Act will be altered or removed during the legislative process cannot be reliably predicted.

Absence of Litigation

No litigation is pending or threatened concerning the validity of the 2012 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 2012 Bonds or in any way contesting or affecting the validity of the 2012 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 2012 Bonds.

No General Obligation of School District or Community Facilities District

The 2012 Bonds are not general obligations of the School District or the Community Facilities District, but are limited obligations of the Community Facilities District payable solely from proceeds of the Improvement Area C Special Tax and proceeds of the 2012 Bonds, including amounts in the Reserve Fund, Improvement Area C Special Tax Fund and Bond Service Fund and investment income on funds held pursuant to the Indenture (other than as necessary to be rebated to the United States of America pursuant to Section 148(f) of the Code and any applicable regulations promulgated pursuant thereto). Any tax levied for the payment of the 2012 Bonds shall be limited to the Improvement Area C Special Taxes to be collected within Improvement Area C.

NO RATING

The 2012 Bonds have not been rated by any securities rating agency.

UNDERWRITING

The 2012 Bonds are being purchased by the Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, at a purchase price of \$9,329,653.45 (which represents the aggregate principal amount of the 2012 Bonds of \$9,470,000.00, less a net original issue discount of \$7,766.55 and less an underwriter's discount of \$132,580.00).

The purchase agreement relating to the 2012 Bonds provides that the Underwriter will purchase all of the 2012 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 2012 Bonds to certain dealers and others at prices lower than the offering price stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

PROFESSIONAL FEES

Fees payable to certain professionals, including the Underwriter, Nossaman LLP, as Underwriter's Counsel, McFarlin & Anderson LLP, as Disclosure Counsel, Best Best & Krieger LLP, as Bond Counsel, and Zions First National Bank, as the Fiscal Agent, are contingent upon the issuance of the 2012 Bonds. The fees of Dolinka Group, LLC, as Special Tax Consultant, are in part contingent upon the issuance of the 2012 Bonds. The fees of Stephen G. White, MAI, as Appraiser, are not contingent upon the issuance of the 2012 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 2012 Bonds.

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

COMMUNITY FACILITIES DISTRICT NO. 6 (4S
RANCH) OF THE POWAY UNIFIED SCHOOL
DISTRICT

By: /s/ John P. Collins
John P. Collins, Ed.D., Superintendent of the
Poway Unified School District on behalf of
Community Facilities District No. 6 (4S Ranch) of
the Poway Unified School District

APPENDIX A

GENERAL INFORMATION ABOUT THE POWAY UNIFIED SCHOOL DISTRICT

The following information relating to the School District is included only for the purpose of supplying general information regarding the School District. Neither the faith and credit nor the taxing power of the School District has been pledged to payment of the 2012 Bonds, and the 2012 Bonds will not be payable from any of the School District's revenues or assets.

Introduction

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the School District. Additional information concerning the School District and copies of the most recent and subsequent audited financial reports of the School District may be obtained by contacting: Poway Unified School District, 15250 Avenue of Science, San Diego, CA 92128-3406, Attention: Planning Director. There may be a charge for copying, mailing and handling.

General Information

The Poway Unified School District (the "School District") is a school district organized under the laws of the State of California (the "State"). The School District was established in 1962. The School District provides education instruction for grades K-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 and Torrey Highlands. The School District currently operates 25 elementary schools (K-5), six middle schools (6-8), five high schools (9-12) and one continuation high school. The School District's projected average daily attendance ("ADA") computed in accordance with State law for the 2011-12 academic year is 33,450. The estimated population within the School District's boundaries was approximately 197,429. The School District reported 34,135 students enrolled at the California Basic Educational Data System ("CBEDS") for Fiscal Year 2010-11, 34,569 students enrolled at the CBEDS for Fiscal Year 2011-12 and estimates approximately 34,748 students enrolled at the CBEDS during Fiscal Year 2012-13.

Administration and Enrollment

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

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

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

From Fiscal Year 2006-07 through Fiscal Year 2011-12 the School District's enrollment has been stable. The demographics of the School District reflect an increasing trend in elementary school population, stable trend in middle school population and slight decrease in high school

population. Experience shows that the east side of the School District is nearly built out and west and south areas are experiencing developments and new families. California voters approved Proposition 13 that not only limits the tax rate on property, but gives an incentive for owners to occupy longer resulting in slower turnover of homes to new families. This impacts the east side with declining enrollment. The School District however has offsetting growth on the west side. Information concerning enrollment for these years is set forth below:

**Poway Unified School District
Student Enrollment**

Fiscal Year	CBEDS Enrollment	District Average Daily Attendance	District Base Revenue Limit
2006-07	32,873	31,817	5,527
2007-08	33,283	32,075	5,780
2008-09	33,305	32,366	6,110
2009-10	33,797	32,646	5,202
2010-11	34,135	33,046	5,207
2011-12	34,569	33,450	5,170

Source: California Department of Education and the School District.

Labor Relations

As of March 27, 2012, the School District employed approximately 1,770 certificated professionals and approximately 1,821 classified employees. The professionals, except management and some part-time employees, are represented by the bargaining units as noted below:

**Poway Unified School District
District Employees**

Labor Organization	Approximate Number of Employees In Organization¹	Contract Expiration Date
Poway Federation of Teachers (PFT), Local 2357	1,483	6/30/12*
Service Employees International Union	441	6/30/13
Poway Schools Employees Association	1,284	6/30/12*

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

*As of August 22, 2012, contracts are being finalized.

Source: The School District.

Retirement Programs

The School District participates in the State of California Teachers' Retirement System ("STRS"). This plan covers certificated employees. The School District's contribution to STRS for Fiscal Year 2007-08 was \$11,588,843, in Fiscal Year 2008-09 was \$11,570,502, in Fiscal Year 2009-10 was \$10,272,133, in Fiscal Year 2010-11 was \$9,706,048 and in Fiscal Year 2011-12 was \$9,941,337. The School District's contribution to STRS for Fiscal Year 2012-13 is estimated to be \$10,561,473. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The School District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers certificated employees who elect and all classified personnel who are employed 1,000 or more hours per fiscal year. The School District's contribution to PERS for Fiscal Year 2007-08 was \$6,158,527, in Fiscal Year 2008-09 was \$6,244,809, in Fiscal Year 2009-10 was \$5,929,446, in Fiscal Year 2010-11 was \$6,380,309 and in Fiscal Year 2011-12 was \$5,275,444. The School District's contribution to PERS for Fiscal Year 2012-13 is estimated to be \$5,733,293.

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

The School District offers post retirement benefits for employees up to age 65. The School District's contribution for these benefits for the Fiscal Year ending June 30, 2008, was \$1,134,471, for the Fiscal Year ending June 30, 2009, was \$1,353,447, for the Fiscal Year ending June 30, 2010, was \$1,571,614, for the Fiscal Year ending June 30, 2011, was \$2,256,489 and for the Fiscal Year ending June 30, 2012, was \$1,986,310. The School District contribution for these benefits is estimated to be \$2,258,328 for Fiscal Year 2012-13. The program is operated on a pay-as-you go basis and budgets the current costs each year with an increase based on actual health and welfare increases.

Insurance

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

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

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

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APPENDIX B

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
OF THE POWAY UNIFIED SCHOOL DISTRICT (IMPROVEMENT AREA C)**

AND

**RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
OF THE POWAY UNIFIED SCHOOL DISTRICT**

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**SECOND AMENDED
RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 6
OF THE POWAY UNIFIED SCHOOL DISTRICT
(IMPROVEMENT AREA C)**

An Annual Special Tax shall be levied on and collected in Improvement Area ("IA") C of Community Facilities District ("CFD") No. 6 of the Poway Unified School District ("School District") each Fiscal Year in an amount determined through the application of the rate and method of apportionment described below. All of the real property in IA C of CFD No. 6, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

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

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

"Administrative Expenses" means any ordinary and necessary expenses of the School District to carry out its duties as the legislative body of IA C of CFD No. 6.

"Annual Special Tax" means the Special Tax levied each Fiscal Year on an Assessor's Parcel as set forth in Section F. Prior to the issuance of Bonds, Annual Special Tax revenues shall be used entirely to fund Non-School Facilities. Each Fiscal Year after Bonds have been issued, the Annual Special Tax revenues shall be used in the following order of priority (i) to satisfy the Annual Special Tax Requirement and (ii) to fund School Facilities.

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the annual debt service on all outstanding Bonds, (ii) the Administrative Expenses of IA C of CFD No. 6, (iii) any costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, less (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

"Assessor's Parcel" means a Lot or parcel of land in IA C of CFD No. 6 which is designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

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

"Associate Superintendent" means the Associate Superintendent of Business Support Services of the School District or his/her designee.

"Attached Unit" means a Unit that consists or shall consist of a building or buildings in which each of the individual Units has at least one common wall with another Unit.

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

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

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to the repayment of which Special Taxes of IA C of CFD No. 6 are pledged.

"Building Permit" means a permit for the construction of one or more Units issued by the County, or another public agency in the event the County no longer issues said permits for the construction of Units within IA C of CFD No. 6. For the purposes of this definition "Building Permit" shall not include permits for the construction or installation of commercial/industrial structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation.

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

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

"County" means the County of San Diego.

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

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

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

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

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

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

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

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, which can be levied by IA C of CFD No. 6 on any Assessor's Parcel in any Fiscal Year.

"Non-School Facilities" means any infrastructure necessary to develop the Project owned or to be owned by a public agency other than the School District.

"Planning Area 32" means approximately 57.4 gross acres of Acreage located within the area identified as Planning Area 32 in Exhibit A to this Second Amended Rate and Method of Apportionment, subject to interpretation by the Associate Superintendent.

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

"Project " means 4S Ranch.

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

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

"Special Tax" means any of the special taxes authorized to be levied in IA C of CFD No. 6 under the Act.

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

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

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

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

For each Fiscal Year, beginning with Fiscal Year 2002-03, (i) each Assessor's Parcel shall be classified as Taxable Property or Exempt Property; (ii) each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property; (iii) each Assessor's Parcel of Developed Property shall be classified as an Detached Unit or Attached Unit and (iv) each Detached Unit and Attached Unit shall be classified according to its Building Square Footage.

**SECTION C
MAXIMUM SPECIAL TAX**

1. Developed Property

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

2. Undeveloped Property

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

**SECTION D
ASSIGNED ANNUAL SPECIAL TAXES**

1. Developed Property

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 2002-03 shall be the amount determined by reference to Table 1.

TABLE 1

ASSIGNED ANNUAL SPECIAL TAX FOR DEVELOPED PROPERTY FISCAL YEAR 2002-03		
Unit Type	Building Square Footage	Assigned Annual Special Tax
Detached Unit	≤ 2,100	\$524.75 per Unit
Detached Unit	2,101 - 2,400	\$1,014.96 per Unit
Detached Unit	2,401 - 2,700	\$1,148.66 per Unit
Detached Unit	2,701 - 3,000	\$1,416.05 per Unit
Detached Unit	3,001 - 3,300	\$1,638.87 per Unit
Detached Unit	3,301 - 3,600	\$2,262.78 per Unit
Detached Unit	3,601 - 3,900	\$2,619.30 per Unit
Detached Unit	> 3,900	\$2,842.13 per Unit
Attached Unit	< 1,000	\$141.84 per Unit
Attached Unit	> 1,000	\$524.75 per Unit

Each July 1, commencing July 1, 2003, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

2. Undeveloped Property

The Assigned Annual Special Tax for an Assessor's Parcel of Undeveloped Property in Fiscal Year 2002-03 shall be \$16,636.00 per acre of Acreage.

Each July 1, commencing July 1, 2003, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Undeveloped Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

**SECTION E
BACKUP ANNUAL SPECIAL TAX**

Each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. The Backup Annual Special Tax for Developed Property shall be the rate per Lot calculated according to the following formula:

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

The terms above have the following meanings:

- B = Backup Annual Special Tax per Lot for the applicable Fiscal Year
- Z = Assigned Annual Special Tax per Acre of Undeveloped Property for the applicable Fiscal Year
- A = Acreage of Developed Property expected to exist in the applicable Final Subdivision Map at buildout, as determined by the Associate Superintendent pursuant to Section J
- L = Lots in the Final Subdivision Map

Notwithstanding the foregoing, if all or any portion of the Final Subdivision Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property in such Final Subdivision Map area 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 Final Subdivision Map area prior to the change or modification.
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 Final Subdivision Map area, 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 Final Subdivision Map area for all remaining Fiscal Years in which the Special Tax may be levied.

SECTION F METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 2002-03, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in IA C of CFD No. 6 in such Fiscal Year. The Annual Special Tax shall be levied as follows:

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

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

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

SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAX

The property owner of any Final Subdivision Map where no Building Permits have been issued may prepay the entire Annual Special Tax obligation of IA C of CFD No. 6 for all Assessor's Parcels created by such Final Subdivision Map. In order to prepay the entire Annual Special Tax obligation of IA C of CFD No. 6 (i) there must be no delinquent Special Taxes, penalties, or interest charges outstanding with respect to any Assessor's Parcel in the Final Subdivision Map at the time the Annual Special Tax obligation is prepaid, (ii) prepayment for each Assessor's Parcel in the Final Subdivision Map shall be collected prior to the issuance of the first Building Permit in such Final Subdivision Map, and (iii) the Final Subdivision Map must ultimately contain at least 25 Detached Units or 50 Attached Units. The Prepayment Amount for an Assessor's Parcel in a Final Subdivision Map eligible for prepayment shall be determined as described below.

1. Prior to Issuance of Bonds

Prior to the issuance of Bonds, the Prepayment Amount in Fiscal Year 2002-03 for each Assessor's Parcel of Developed Property and each Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued shall be the amount equal to the Gross Prepayment Amount. The Gross Prepayment Amount shall be the amount determined by reference to Table 2.

TABLE 2

GROSS PREPAYMENT AMOUNT FISCAL YEAR 2002-03		
Unit Type	Building Square Footage	Gross Prepayment Amount
Detached Unit	≤ 2,100	\$5,666.09 per Unit
Detached Unit	2,101 - 2,400	\$10,959.32 per Unit
Detached Unit	2,401 - 2,700	\$12,402.93 per Unit
Detached Unit	2,701 - 3,000	\$15,290.15 per Unit
Detached Unit	3,001 - 3,300	\$17,696.17 per Unit
Detached Unit	3,301 - 3,600	\$24,433.02 per Unit
Detached Unit	3,601 - 3,900	\$28,282.65 per Unit
Detached Unit	> 3,900	\$30,688.66 per Unit
Attached Unit	< 1,000	\$1,531.56 per Unit
Attached Unit	> 1,000	\$5,666.09 per Unit

Each July 1, commencing July 1, 2003, the Gross Prepayment Amount shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

2. Subsequent to Issuance of Bonds

Subsequent to the issuance of Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. For each Assessor's Parcel of Developed Property, compute the Assigned Annual Special Tax and the Backup Annual Special Tax. For each Assessor's Parcel of Undeveloped Property, compute the Assigned Annual Special Tax and the Backup Annual Special Tax applicable to the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit issued for that Assessor's Parcel.
2. For each Annual Special Tax obligation to be prepaid, (a) divide the

Assigned Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Assigned Annual Special Tax applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Associate Superintendent, and (b) divide the Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Backup Annual Special Tax applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Associate Superintendent.

3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the face value of all outstanding Bonds. The product is the "Bond Redemption Amount."
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
5. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 9) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
6. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
7. Subtract the amount computed pursuant to paragraph 6 from the amount computed pursuant to paragraph 5. This difference is the "Defeasance."
8. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
9. Assuming the reserve fund was funded by Bond proceeds, calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.

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

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Associate Superintendent shall indicate in the records of IA C of CFD No. 6 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Tax that may be levied in IA C of CFD No. 6, net of an allocable portion of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year, as reasonably determined by the Associate Superintendent. Such determination shall include identifying all Assessor Parcels that are expected to become Exempt Property.

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 partially prepaid.

1. Partial Prepayment Times and Conditions

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

2. Partial Prepayment Amount

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

$$PP = P_G \times F$$

The terms above have the following meanings:

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

3. Partial Prepayment Procedures and Limitations

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of IA C of CFD No. 6 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease. Additionally, the notice shall indicate that the Assigned Annual Special Tax and Backup Annual Special Tax for the Assessor's Parcels has been reduced by an amount equal to the percentage which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property after such partial prepayment, net of allocable Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year, as reasonably determined by the Associate Superintendent.

**SECTION I
TERMINATION OF SPECIAL TAX**

The Annual Special Tax shall be levied for a term of thirty-three (33) Fiscal Years after the issuance of Bonds by IA C of CFD No. 6, but in no event shall the Annual Special Tax be levied after Fiscal Year 2045-46.

**SECTION J
EXEMPTIONS**

The Associate Superintendent shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction, (v) Assessor's Parcels located within Planning Area 32, and (iv) other types of Assessor's Parcels, at the reasonable discretion of the Associate Superintendent. Notwithstanding the above, the Associate Superintendent shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the Acreage of all Taxable Property to less than 46.88 acres of Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 46.88 acres of Acreage will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

**SECTION K
APPEALS**

Any owner of an Assessor's Parcel claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Associate Superintendent not later than one (1) Calendar Year after having paid the first installment of the Special Tax that is being disputed. The Associate Superintendent shall reasonably and promptly review the appeal, and if necessary, reasonably meet with the property owner, reasonably consider written and oral evidence regarding the amount of the Special Tax, and reasonably rule on the appeal. If the Associate Superintendent's decision reasonably requires that the Special Tax for an Assessor's Parcel be reasonably modified or reasonably changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

**SECTION L
MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that IA C of CFD No. 6 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.





**EXHIBIT A
MAP IDENTIFYING PLANNING AREA 32**

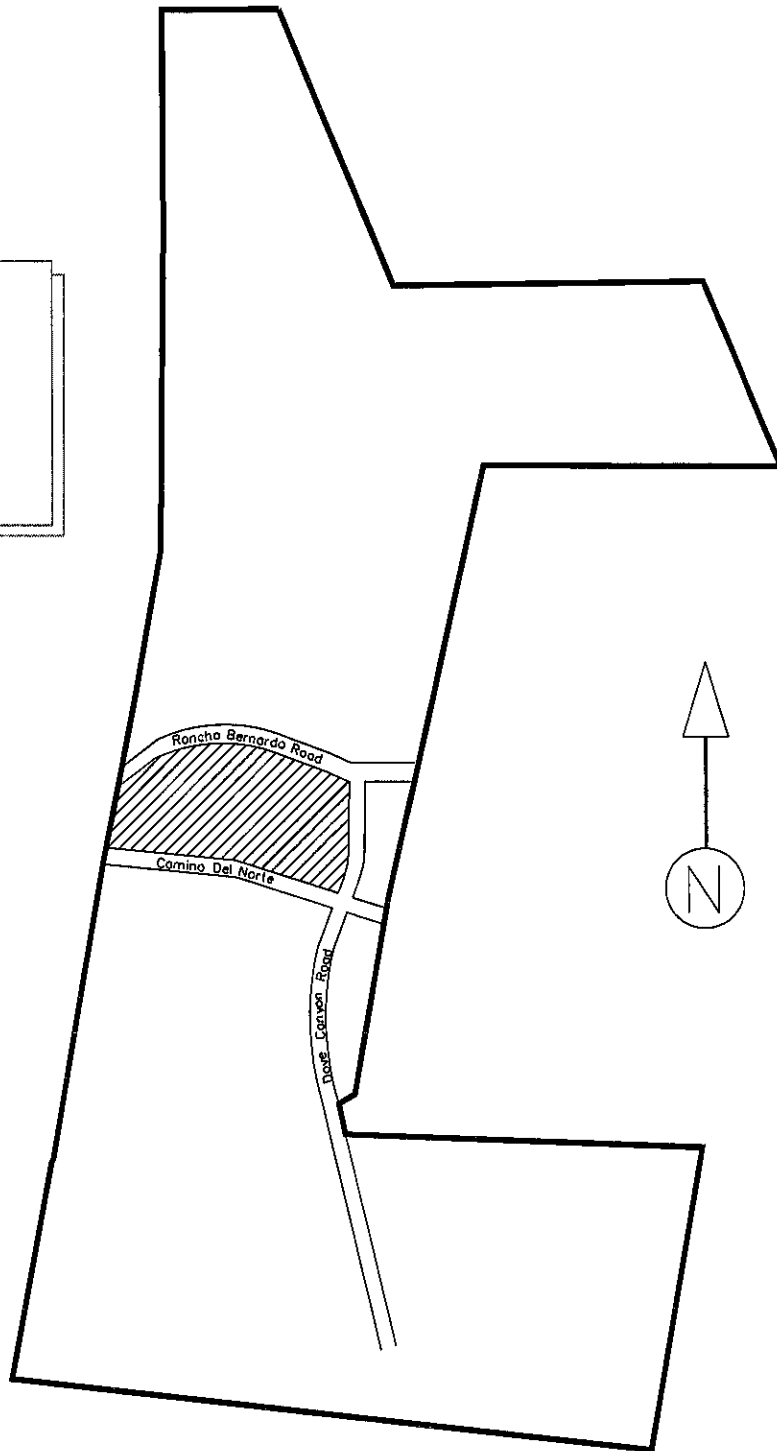
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EXHIBIT A

PLANNING AREA 32 OF COMMUNITY FACILITIES DISTRICT NO. 6 OF THE POWAY UNIFIED SCHOOL DISTRICT

LEGEND

	Amended Boundaries of Community Facilities District No. 6
	Assessor Parcel Line
	Assessor Parcel Number
	Planning Area 32



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**RATE AND METHOD OF APPORTIONMENT
OF THE SPECIAL TAX
FOR COMMUNITIES FACILITIES DISTRICT NO. 6
OF THE POWAY UNIFIED SCHOOL DISTRICT**

A One-Time Special Tax and an Annual Special Tax shall be levied on and collected in Community Facilities District No. 6 ("CFD No. 6") of the Poway Unified School District (the "School District") in amounts to be determined through the application of this Rate and Method of Apportionment of the Special Tax ("RMA"). All of the real property in CFD No. 6, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

"Acreage" means the land area of an Assessor's Parcel, exclusive of land area identified as open space on a Final Map and land area encumbered with public or utility easements making impractical such land area use for purposes other than those set forth in the easements, including recorded easements for conservation or open space purposes, as reasonably calculated or determined by the Assistant Superintendent based on the applicable Assessor Parcel Map, Final Map, parcel map, condominium plan, or other recorded County parcel map or applicable data.

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

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of the CFD related to the determination of the amount of the levy of special taxes (e.g., administration consultant, fiscal agent, arbitrage consultant, etc.), the collection of special taxes including the expenses of collecting delinquencies, the administration of Bonds, the cost of complying with disclosure requirements of applicable federal and state security laws and the Act, and the costs of the payment of the appropriate allocable share of salaries and benefits of any School District employee whose duties are directly related to the administration of the CFD.

"Affordable Unit" means one of not more than 150 Units that (i) 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 and (ii) is subject to affordable housing restrictions under any applicable law. The first 150 Units which meet the criteria set forth in (i) and (ii) of the preceding sentence and for which Building Permits are issued will be designated permanently and irrevocably as Affordable Units.

"Annual Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

"Assigned Annual Special Tax" means (i) for Developed Property, the special tax of that name calculated as described in Section E.1. below, or (ii) for Undeveloped Property, the special tax of that name calculated as described in Section E.2. below.

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

"Attached Unit" means a Unit that (i) 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, and (ii) is not an Affordable Unit.

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

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof incurred by CFD No. 6 or the School District.

"Building Square Footage" or **"BSF"** for any Residential Property means all of the square footage within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, detached accessory structure, or similar area, as defined in Section 65995 of the Government Code.

"Building Permit" means a permit for construction of a residential or commercial/industrial structure. For purposes of this definition, "Building Permit" shall not include permits for construction or installation of utility improvements, retaining walls, parking structures or other such improvements not intended for human habitation or commercial/industrial use.

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

"CFD No. 6" means Community Facilities District No. 6 established by the School District under the Act.

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

"County" means the County of San Diego.

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

"Developed Property" means all Assessor's Parcels in CFD No. 6 for which Building Permits for new construction were issued after the formation of CFD No. 6 and on or before January 1 of the prior Fiscal Year.

"Exempt Property" means the property designated as being exempt from special taxes in Section J.

"Facilities" means those school facilities (including land) and other facilities which the School District is authorized by law to construct, own or operate and which would service the properties within CFD No. 6.

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

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

"Gross Floor Area" or "GFA" means for 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, or utility or disposal area, as defined in Section 65995 of the Government Code.

"Gross Prepayment Amount" for any Assessor's Parcel of Developed Property means that gross prepayment amount determined by reference to Table 2 and adjusted as set forth in Section G.

"Index" means the Marshall & Swift Western Region Class D Wood Frame Index ("M&S Index"), and if the M&S Index ceases to be used by the State Allocation Board, a reasonably comparable index used by the State Allocation Board to estimate increases or decreases 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.

"Land Use Class" means any of the classes of Developed Property, i.e., Commercial/Industrial Property, Exempt Property, and Residential Property.

"Master Developer" means 4S Kelwood General Partnership, a California general partnership or any successor.

"Maximum Special Tax" means the maximum special tax, determined in accordance with Section C, that can be levied by CFD No. 6 on any Assessor's Parcel in any Fiscal Year.

"One-Time Special Tax" means the single payment special tax to be collected from the owner of an Assessor's Parcel of Undeveloped Property, pursuant to Section D below.

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

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

"Prepayment Ratio" means, with respect to an Assessor's Parcel, for each series of Bonds, the ratio of (i) the Assigned Annual Special Tax or portion thereof applicable to the Assessor's Parcel at the time each such series of Bonds was issued and which was used in providing the minimum debt service coverage required to issue such series of Bonds, as reasonably determined by the Assistant Superintendent, to (ii) the sum of all the Assigned Annual Special Taxes used in providing the minimum debt service coverage required to issue such series of Bonds, as reasonably determined by the Assistant Superintendent.

"Residential Property" means all Assessor's Parcels of Developed Property for which the Building Permit was issued for purposes of constructing a Unit(s).

"Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the regularly scheduled debt service payments on all Bonds which are due in the Calendar Year commencing during such Fiscal Year, assuming that principal is paid when due without acceleration or optional redemption, (ii) credit or liquidity fees on the Bonds, (iii) the cost of acquisition or construction of Facilities, (iv) Administrative Expenses, (v) the costs associated with the release of funds from an escrow account, (vi) any amount required to establish, maintain, or replenish any reserve funds and credit enhancement facilities established in association with the Bonds, (vii) lease payments for Facilities, and (viii) any other payments permitted by law.

"Special Tax Requirement A" means, in Fiscal Years in which an elementary school located within or financed by CFD No. 6 is opened, the amount required to fund the Technology Budget, less any amount previously received by CFD No. 6 for such purpose from Master Developer. In Fiscal Years in which no elementary school located within or financed by CFD No. 6 is opened, the Special Tax Requirement A shall be \$0.

"Taxable Property" means all Assessor's Parcels within the boundaries of CFD No. 6 which are not exempt from the special tax pursuant to law or Section J below.

"Technology Budget" means, for Fiscal Year 1997-98, \$238,770 for each elementary school constructed in CFD No. 6. Each July 1, commencing July 1, 1998, the Technology Budget for each elementary school constructed in CFD No. 6 shall be increased or decreased by the annual percentage change in the Index. For purposes of this calculation, the annual percentage change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Fiscal Year.

"Undeveloped Property" means all Assessor's Parcels in CFD No. 6 for which no Building Permit was issued after the formation of CFD No. 6 and on or before January 1 of the prior Fiscal Year.

"Undeveloped Special Tax Requirement" means the greater of (i) \$0 or (ii) the amount required in any Fiscal Year to pay: (1) the regularly scheduled debt service payments on all Bonds which are due in the Calendar Year commencing during such Fiscal Year, assuming that principal is paid when due without acceleration or optional redemption, (2) credit or liquidity fees on the Bonds, (3) Administrative Expenses, and (4) any amount required to establish, maintain, or replenish any reserve funds and credit enhancement facilities established in association with the Bonds, less the sum of the amounts levied on Developed Property in Section F.1.

"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 Affordable Unit, an Attached Unit, or a Detached Unit.

"Zone A" means the area within the boundaries of CFD No. 6 designated as Zone A on the map of the boundaries of CFD No. 6 most recently recorded in the Maps of Assessment and Community Facilities Districts in the Office of the Recorder of the County, which area is designated at the time of the formation of CFD No. 6 as Assessor's Parcel Numbers 678-030-06-00 and 678-050-09-00.

SECTION B PROPERTY CLASSIFICATION

For each Fiscal Year, beginning Fiscal Year 1997-98, each Assessor's Parcel in CFD No. 6 shall be classified as an Assessor's Parcel of Developed Property, Undeveloped Property or Exempt Property.

SECTION C MAXIMUM SPECIAL TAX

1. Developed Property

In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Residential Property shall be the Assigned Annual Special Tax. In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Commercial/Industrial Property shall be the amount of any portion of the One-Time Special Tax that is not collected at the issuance of a Building Permit, which amount may be levied on such Assessor's Parcel when classified as Developed Property in any following Fiscal Year.

2. Undeveloped Property

In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Undeveloped Property not located in Zone A shall be the sum of (i) the Assigned Annual Special Tax and (ii) the One-Time Special Tax. In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Undeveloped Property located in Zone A shall be the sum of (i) the Assigned Annual Special Tax, (ii) the Zone A Assigned Annual Special Tax, and (iii) the One-Time Special Tax.

**SECTION D
ONE-TIME SPECIAL TAX**

A One-Time Special Tax shall be collected from the owner of each Assessor's Parcel of Undeveloped Property on the date a Building Permit is issued for such Assessor's Parcel. There shall be no One-Time Special Tax for Assessor's Parcels of Undeveloped Property for which the Building Permit is issued for the construction of a residential structure. The One-Time Special Tax for Calendar Year 1997 for Assessor's Parcels of Undeveloped Property for which the Building Permit is issued for the construction of a structure other than a residential structure shall be \$0.30 per square foot of Gross Floor Area.

On each January 1, commencing January 1, 1998, the amount of the One-Time Special Tax shall be increased by the greater of the annual percentage change in the Index or two percent (2.00%) of the amount in effect in the prior Calendar Year. The annual percent change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Calendar Year.

**SECTION E
ASSIGNED ANNUAL SPECIAL TAX**

1. Developed Property

a. **Assigned Annual Special Tax for New Developed Property**

The Assigned Annual Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be the amount determined by reference to Table 1 below, subject to adjustment as described below, as applicable.

**TABLE 1
ASSIGNED ANNUAL SPECIAL TAX
FOR NEW DEVELOPED PROPERTY
FOR FISCAL YEAR 1997-98**

Land Use Class	Unit Type	Assigned Annual Special Tax 1997-98
Residential Property	Detached Unit	\$1,770.00 per Unit
Residential Property	Attached Unit	\$782.88 per Unit
Residential Property	Affordable Unit	\$0.00 per Unit
Commercial/Industrial Property	NA	\$0.00 per GFA

Each July 1, commencing July 1, 1998, the Assigned Annual Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be increased by the greater of the annual percentage change in the Index or two percent (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Calendar Year.

b. Assigned Annual Special Tax for Existing Developed Property

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

2. Undeveloped Property

1. Assigned Annual Special Tax

The Assigned Annual Special Tax for Undeveloped Property shall be \$1,000 per acre of Acreage in Fiscal Year 1997-98. On each July 1, commencing July 1, 1998, the Assigned Annual Special Tax shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

a. Zone A Assigned Annual Special Tax

The Zone A Assigned Annual Special Tax for Undeveloped Property located in Zone A shall be \$5,000 per acre of Acreage in Fiscal Year 1997-98. On each July 1, commencing July 1, 1998, the Zone A Assigned Annual Special Tax shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

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

Commencing Fiscal Year 1997-98 and for each subsequent Fiscal Year, the Assistant Superintendent shall reasonably determine the Special Tax Requirement and the Undeveloped Special Tax Requirement. In addition, in any Fiscal Year in which an elementary school located within or financed by CFD No. 6 is opened, the Assistant Superintendent shall reasonably determine the Special Tax Requirement A.

The Annual Special Tax shall be levied as follows:

1. Special Tax Requirement

An Annual Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

2. Undeveloped Special Tax Requirement

If the Undeveloped Special Tax Requirement is greater than \$0, an Annual Special Tax shall additionally be levied on every Assessor's Parcel of Undeveloped Property at the same amount per acre of Acreage as necessary to satisfy the Undeveloped Special Tax Requirement, up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

3. Special Tax Requirement A

An Annual Special Tax shall additionally be levied on every Assessor's Parcel of Undeveloped Property located in Zone A at the same amount per acre of Acreage as necessary to satisfy the Special Tax Requirement A, up to the Zone A Assigned Annual Special Tax applicable to each such Assessor's Parcel.

**SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAX**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued may be prepaid. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 6 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Assistant Superintendent shall reasonably determine the Prepayment Amount of such Assessor's Parcel and shall notify such owner of such Prepayment Amount.

1. Bond Proceeds Allocation

Prior to the calculation of any Prepayment Amount, a calculation shall be performed to determine the amount of Bond proceeds that are allocable to the Assessor's Parcel for which the Annual Special Tax obligation is to be prepaid, if any. For purposes of this analysis, Bond proceeds shall equal the par amount of Bonds. For each series of Bonds, Bond proceeds of such series shall be allocated to each Assessor's Parcel in an amount equal to the Bond proceeds times the Prepayment Ratio applicable to such Assessor's Parcel for such series of Bonds. For each series of Bonds, an amount of Regularly Retired Principal shall also be allocated to each Assessor's Parcel, to be calculated pursuant to Section G.3.E. below. If, after such allocations, the amount of Bond proceeds allocated to the Assessor's Parcel for which the Annual Special Tax obligation is to be prepaid less the amount of Regularly Retired Principal allocated to such Assessor's Parcel is less than the sum of all the Gross Prepayment Amounts applicable to such Assessor's Parcel pursuant to Section G.2., then the Prepayment Amount for such Assessor's Parcel shall be calculated pursuant to Section G.2. Otherwise, the Prepayment Amount shall be calculated pursuant to Section G.3.

2. Prepayment Amount for Assessor's Parcel with Allocation of Bonds Less than Applicable Gross Prepayment Amounts

The Prepayment Amount for each Assessor's Parcel for which the Prepayment Amount is to be calculated pursuant to this Section G.2. shall be calculated by (i) counting all the Units of each Land Use Class applicable to such Assessor's Parcel, (ii) multiplying the sum of the Units for each Land Use Class for such Assessor's Parcel by the applicable Gross Prepayment Amount per Unit, and (iii) adding all the products derived from the immediately preceding step which are applicable to such Assessor's Parcel. This sum is the Prepayment Amount for the Assessor's Parcel. The Gross Prepayment Amounts for Calendar Year 1997 shall be determined by reference to Table 2 below.

**TABLE 2
GROSS PREPAYMENT AMOUNT**

Land Use Class	Unit Type	Gross Prepayment Amount 1997
Residential Property	Detached Unit	\$16,328.43 per Unit
Residential Property	Attached Unit	\$7,011.61 per Unit
Residential Property	Affordable Unit	\$0.00 per Unit
Commercial/Industrial Property	NA	\$0.00 per GFA

On each January 1, commencing January 1, 1998, the Gross Prepayment Amounts applicable to each Assessor's Parcel shall be increased by the greater of the annual percentage change in the Index or two percent (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Calendar Year.

3. Prepayment Amount for Assessor's Parcel with Allocation of Bonds Equal to or More than Applicable Gross Prepayment Amounts

The Prepayment Amount for each Assessor's Parcel for which the Prepayment Amount is to be calculated pursuant to this Section G.3. shall be the amount calculated as shown below.

	Bond proceeds allocated to Assessor's Parcel
plus	A. Redemption Premium
plus	B. Defeasance
plus	C. Prepayment Fees and Expenses
less	D. Reserve Fund Credit
less	E. Regularly Retired Principal
less	F. Partial Prepayment Credit
equals	Prepayment Amount

Detailed explanations of items A through F follow:

A. Redemption Premium

The Redemption Premium is calculated by multiplying (i) the principal amount of the Bonds to be redeemed with the proceeds of the Prepayment Amount by (ii) the applicable redemption premium, if any, on the Bonds to be redeemed.

B. Defeasance

The Defeasance is the amount needed to pay interest on the portion of the Bonds to be redeemed with the proceeds of the Prepayment Amount until the earliest call date of the Bonds to be redeemed, net of interest earnings to be derived from the reinvestment of the Prepayment Amount until the redemption date of the portion of the Bonds to be redeemed with the Prepayment Amount. Such amount of interest earnings will be calculated reasonably by the Assistant Superintendent.

C. Prepayment Fees and Expenses

The Prepayment Fees and Expenses are the costs of the computation of the Prepayment Amount and an allocable portion of the costs of redeeming Bonds and recording any notices to evidence the prepayment and the redemption, as calculated reasonably by the Assistant Superintendent.

D. Reserve Fund Credit

The Reserve Fund credit, if any, shall be calculated as the sum of (i) the reduction in the applicable reserve fund requirements resulting from the redemption of Bonds with the Prepayment Amount, plus (ii) the reduction in the applicable reserve fund requirements attributable to the allocable portion of regularly scheduled retirement of principal that has occurred, as well as any other allocable portion of principal retired not related to Prepayment Amounts or Partial Prepayment Amounts. The allocable portion of regularly scheduled retirement of principal that has occurred means the total regularly scheduled retirement of principal that has occurred with respect to each series of Bonds times the applicable Prepayment Ratio for each such series of Bonds. The allocable portion of principal retired not related to Prepayment Amounts or Partial Prepayment Amounts means the total principal retired not related to Prepayment Amounts or Partial Prepayment Amounts with respect to each series of Bonds times the applicable Prepayment Ratio for each such series of Bonds.

E. Regularly Retired Principal

The Regularly Retired Principal is the total regularly scheduled retirement of principal that has occurred with respect to each series of Bonds times the applicable Prepayment Ratio for each such series of Bonds.

F. Partial Prepayment Credit

Partial prepayments of the Annual Special Tax obligation occurring prior to the issuance of Bonds will be credited in full. Partial prepayments of the Annual Special Tax obligation occurring subsequent to the issuance of Bonds will be credited in an amount equal to the greatest amount of principal of the Bonds that could have been redeemed with the Partial Prepayment Amount(s), taking into account Redemption Premium, Defeasance, Prepayment Fees and Expenses, and Reserve Fund Credit, if any, but exclusive of restrictions limiting early redemption on the basis of dollar increments, i.e., the full amount of the Partial Prepayment Amount(s) will be taken into account in the calculation. The sum of all applicable partial prepayment credits is the Partial Prepayment Credit.

With respect to an Annual Special Tax obligation that has been prepaid, the Assistant Superintendent shall reasonably indicate in the records of CFD No. 6 that there has been a prepayment of the Annual Special Tax and shall reasonably cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment of Annual Special Taxes, to indicate reasonably the prepayment of Annual Special Taxes and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

Notwithstanding the foregoing, no prepayment shall be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property both prior to and after the proposed prepayment is at least 1.1 times annual debt service on all outstanding Bonds.

**SECTION H
PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX**

At the time a Final Map is recorded for any Taxable Property, the owner filing said Final Map for recordation concurrently may elect for all of the Assessor's Parcels created by said Final Map to prepay a portion of the applicable Annual Special Tax obligation, provided that the Final Map contains at least 15 Detached Units or 30 Attached Units. The partial prepayment of the Annual Special Tax obligation for every Assessor's Parcel shall be collected prior to the issuance of a Building Permit. The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F.$$

These terms have the following meanings:

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

The owner of any Assessor's Parcel who desires such partial prepayment shall notify the Assistant Superintendent of (i) such owner's intent to partially prepay the Annual Special Tax obligation and, (ii) the percentage by which the Annual Special Tax obligation shall be prepaid. The Assistant Superintendent shall reasonably provide the owner with a statement of the amount required for the partial prepayment of the Annual Special Tax obligation for an Assessor's Parcel within thirty (30) days of the request and may reasonably charge a reasonable fee for providing this service.

With respect to an Annual Special Tax obligation that is partially prepaid, the Assistant Superintendent shall reasonably indicate in the records of CFD No. 6 that there has been a partial prepayment of the Annual Special Tax and shall reasonably cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of Annual Special Taxes, to indicate reasonably the partial prepayment of Annual Special Taxes and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property both prior to and after the proposed partial prepayment is at least 1.1 times annual debt service on all outstanding Bonds.

SECTION I TERMINATION OF ANNUAL SPECIAL TAX

The Annual Special Tax shall be levied for a term of twenty-five (25) Fiscal Years after the last bond series is issued, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.

SECTION J EXEMPTIONS

The Assistant Superintendent shall not levy a special tax on Assessor's Parcels owned by the State of California, Federal or other local governments except as otherwise provided in Sections 53317.3, 53317.5 and 53340.1 of the Government Code or on Assessor's Parcels within the boundaries of CFD No. 6 which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization. Notwithstanding the above, the Assistant Superintendent shall not levy a special tax on Assessor's Parcels owned by a homeowners' association, Assessor's Parcels with public or utility easements making impractical their use for purposes other than those set forth in the easements, and Assessor's Parcels identified entirely as open space on a Final Map.

SECTION K

APPEALS

Any owner of an Assessor's Parcel claiming that the amount or application of the special tax is not correct may file a written notice of appeal with the Assistant Superintendent not later than one (1) calendar year after having paid the first installment of the special tax that is being disputed. The Assistant Superintendent shall reasonably and promptly review the appeal, and if necessary, reasonably meet with the property owner, reasonably consider written and oral evidence regarding the amount of the special tax, and reasonably rule on the appeal. If the Assistant Superintendent's decision reasonably requires that the special tax for an Assessor's Parcel be reasonably modified or reasonably changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION L MANNER OF COLLECTION

The One-Time Special Tax shall be collected on or before the date a Building Permit is issued, provided that any portion of the One-Time Special Tax that is not collected at the issuance of a Building Permit may be levied on such Assessor's Parcel in any following Fiscal Year. The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided that CFD No. 6 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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APPENDIX C

SUMMARY APPRAISAL REPORT

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SUMMARY APPRAISAL REPORT

COVERING

Poway Unified School District
CFD No. 6, Improvement Area C
(4S Ranch)

DATE OF VALUE:

July 15, 2012

SUBMITTED TO:

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

Attn: Sandra G. Burgoyne
Planning Director

DATE OF REPORT:

July 18, 2012

SUBMITTED BY:

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

Stephen G. White, MAI



Real Estate Appraiser

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

July 18, 2012

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

Re: CFD No. 6, Improvement Area C
(4S Ranch)

Attn: Sandra G. Burgoyne
Planning Director

Dear Ms. Burgoyne:

In accordance with your request and authorization, I have completed an appraisal of the taxable properties within Improvement Area C of the above-referenced Community Facilities District (CFD). The taxable properties in Improvement Area C consist of a total of 240 single-family residential lots (excluding 48 parcels that have prepaid the special taxes) within four separate product types of homes, two of which are built-out and two of which are partially built-out with homes still under construction as well as remaining vacant lots. The 240 taxable properties are categorized as follows:

Product Type Name/ (Builder)	Completed Homes	Homes Under Construction	Vacant Lots	Total Lots
The Pines (Pulte Homes)	27	13	27	67
The Willows (Pulte Homes)	15	14	6	35
Monteluz (Cal. West Communities)	57	0	0	57
Andalusia (Cal. West Communities)	<u>81</u>	<u>0</u>	<u>0</u>	<u>81</u>
	180	27	33	240

The purpose of this appraisal is to estimate the aggregate market value of the as is condition of the properties within each of the four product types, reflecting the status of completed-sold homes (closed sale to homeowner), completed-unsold homes (builder-owned), homes under construction and vacant lots. The appraised values are also allocated to Developed Property (lots for which a building permit had been issued as of the July 15, 2012 date of value for the appraisal) and Undeveloped Property. However, it is noted that the Undeveloped Property consists of only 14 vacant lots located in The Pines product type. In addition, this appraisal reflects the proposed CFD bond financing, as well as the overall tax rates of approximately 1.8% to 2.0% reflecting the current home pricing and including special taxes for this CFD and other overlapping debt.

MS. SANDRA G. BURGOYNE
 JULY 18, 2012
 PAGE 2

Based on the general inspections of the subject properties and analysis of matters pertinent to value, the following conclusions of market value have been arrived at, subject to the Assumptions and Limiting Conditions, and as of July 15, 2012:

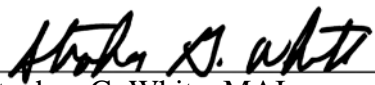
<u>Product Type/(Builder)</u>	<u>No. Lots</u>	<u>Developed</u>	<u>Undeveloped</u>	<u>Market Value</u>
The Pines (Pulte Homes)				
<i>Individual Owners:</i>	23	\$15,640,000	\$0	\$15,640,000
<i>Builder Ownership:</i>	<u>44</u>	<u>\$12,850,000</u>	<u>\$4,760,000</u>	<u>\$17,610,000</u>
	67	\$28,490,000	\$4,760,000	\$33,250,000
The Willows (Pulte Homes)				
<i>Individual Owners:</i>	12	\$9,120,000	\$0	\$ 9,120,000
<i>Builder Ownership:</i>	<u>23</u>	<u>\$10,910,000</u>	<u>\$0</u>	<u>\$10,910,000</u>
	35	\$20,030,000	\$0	\$20,030,000
Monteluz (California West)				
<i>Individual Owners:</i>	57	\$43,320,000	\$0	\$43,320,000
Andalusia (California West)				
<i>Individual Owners:</i>	78	\$53,040,000	\$0	\$53,040,000
<i>Builder Ownership:</i>	<u>3</u>	<u>\$2,040,000</u>	<u>\$0</u>	<u>\$ 2,040,000</u>
	81	\$55,080,000	\$0	\$55,080,000
TOTALS	240	\$146,920,000	\$4,760,000	\$151,680,000

(ONE HUNDRED FIFTY-ONE MILLION SIX HUNDRED EIGHTY THOUSAND DOLLARS)

(Note: The Individual Owners category represents completed-sold homes and the Builder Ownership category represents completed-unsold homes, homes under construction and vacant lots.)

The following is the balance of this 47-page Summary Appraisal Report which includes the Certification, Assumptions and Limiting Conditions, definitions, property data, exhibits, valuation and market data from which the value conclusions were derived.

Sincerely,


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

SGW:sw
 Ref: 12004

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CERTIFICATION

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

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

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



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

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

ASSUMPTIONS AND LIMITING CONDITIONS, Continuing

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

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

PURPOSE AND INTENDED USE/USER OF THE APPRAISAL

The purpose of this appraisal is to estimate the aggregate market value by product type of the as is condition of the taxable property located within Community Facilities District No. 6, Improvement Area C (4S Ranch) of the Poway Unified School District, reflecting the proposed CFD bond financing. It is intended that this Summary Appraisal Report is to be used by the client, the financing team and others as required in the planned CFD bond issuance.

SCOPE OF THE APPRAISAL

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

DATE OF VALUE

The date of value for this appraisal is July 15, 2012.

PROPERTY RIGHTS APPRAISED

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

DEFINITION OF MARKET VALUE

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

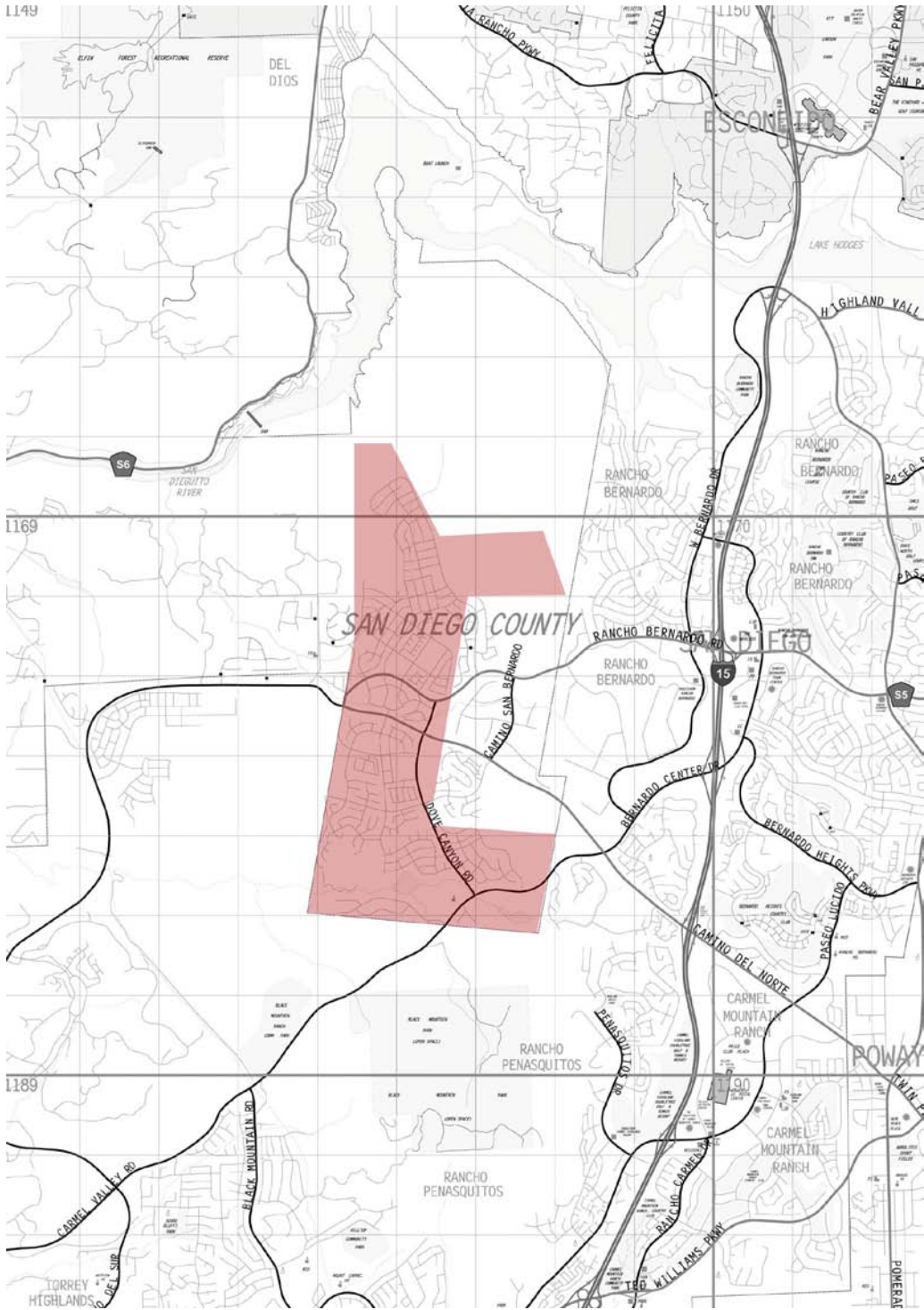
DEFINITION OF FINISHED LOT

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

DEFINITION OF FINISHED LOT, Continuing

development fees paid, exclusive of building permit fees, in accordance with the conditions of approval of the specific tract map.

LOCATION MAP



GENERAL PROPERTY DATA

LOCATION

The map on the opposite page indicates the approximate location of the master-planned community of 4S Ranch, which is to the north and south of Rancho Bernardo Rd. and Camino Del Norte, and just under 2 miles to the west of the 15 Freeway. The subject properties consisting of the four neighborhoods or product types of homes are located at the northerly end of the community. This location is in unincorporated San Diego County but with a San Diego mailing address.

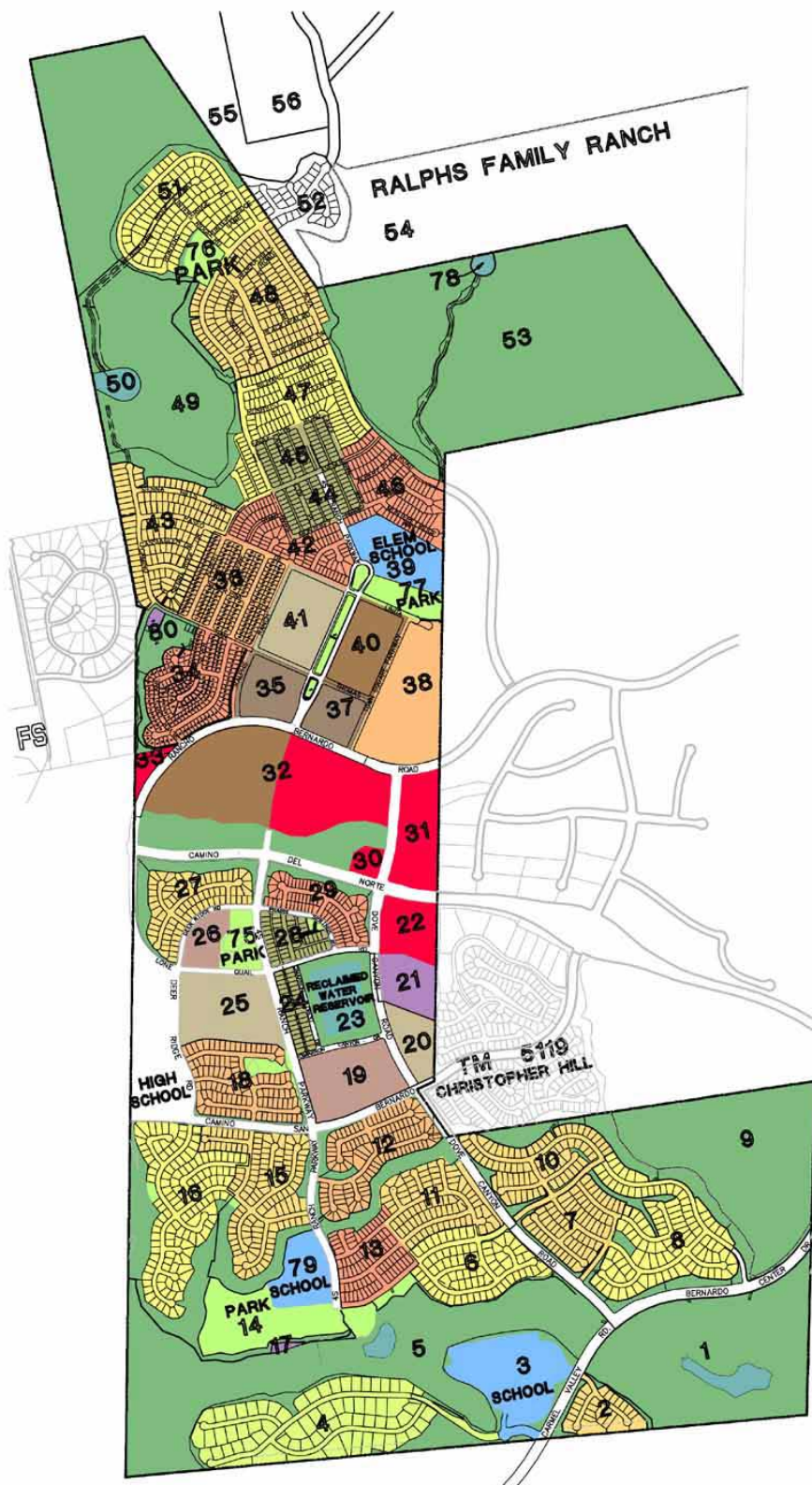
GENERAL AREA DESCRIPTION

The immediate subject area is located within unincorporated San Diego County, with the most northerly end of the City of San Diego surrounding the south portion of 4S Ranch nearby to the west, south and east. The subject area is located about 23 miles northerly of downtown San Diego, and about 10 miles inland of the ocean at Encinitas and Solana Beach.

The area to the north is mostly hilly and undeveloped for some distance, with Lake Hodges being located several miles to the north and the City of Escondido farther to the north and northeast. Nearby to the east/northeast is the community of Rancho Bernardo within the City of San Diego and nearby to the southeast is the community of Rancho Penasquitos within the City of San Diego. Farther to the east is the City of Poway.

To the south of 4S Ranch is a large area of undeveloped land, sloping down into a valley area then sloping up into a hilly area. This area is within the City of San Diego, and includes the large open space area of Black Mountain Ranch and Black Mountain Park. Farther south is more of the community of Rancho Peñasquitos. To the west and southwest is the recently developing community of Del Sur, which is part of the overall Black Mountain Ranch project. This community is planned for a total of ±3,000 dwelling units, including ±200 affordable apartment units, plus some commercial space, and home construction started in late 2005.

The subject area is a desirable residential area due to its relatively close-in location to central San Diego and the good freeway proximity. The subject area also has good arterial road access by Camino Del Norte and Rancho Bernardo Rd., both of which have interchanges at the freeway. Many stores, restaurants and commercial services are available in the commercial areas in the center of the community, and there are two elementary schools, a middle school and a high school within 4S Ranch. There are also the nearby recreational facilities at Lake Hodges and Lake Poway, various nearby golf courses, and ocean recreation within 10 miles.



DEVELOPMENT SUMMARY

BUILDER	PLANNING AREA NUMBER	TRACT/USE	MIN LOT SIZE/ NO. DU'S	ZONE
	1	OPEN SPACE		-
K. HOHANMAN	2	SFD	60 x 105	24
	3	MIDDLE SCHOOL		-
WOODBRIDGE HOMES	4	SFD	110 x 120	66
	5	OPEN SPACE		-
K. HOHANMAN	6	SFD	70 x 105	73
FIELDSTONE COMM	7	SFD	60 x 105	65
STD. PACIFIC	8	SFD	65 x 125	105
	9	OPEN SPACE		-
PULTE	10	SFD	60 x 105	79
CENTEX	11	SFD	60 x 105	75
CHRISTOPHER	12	5067-6	50 x 100	108
BUE	13	SFD	45 x 100	82
	14	PARK		-
WILLIAM LYON HOMES	15	5067-5	60 x 100	123
DAVISON	16	5067-4	70 x 100	126
	17	PUMP STATION		-
FIELDSTONE COMM	18	5067-3	56 x 98	103
SEA COUNTRY	19	5256	RV9	133
BRIDGE	20	MF LOW	C34	120
	21	WATER RECLAMATION PLANT		-
	22	COMMERCIAL	C36	-
	23	RECLAIMED WATER RESERVOIR		-
BROOKFIELD HOMES	24	5067-B	50 x 103	34
WILLIAM LYON HOMES	25	5256	RV-12	202
WILLIAM LYON HOMES	26	5258	RV-9	54
RYLAND HOMES	27	5067-1	60 x 100	75
BROOKFIELD HOMES	28	5067-7	50 x 103	48
DR. HORTON	29	5067-2	42 x 100	80
	30	COMMERCIAL	C35	-
	31	COMMERCIAL	C35	-
SARES REGS/REGENCY CTRS	32	MF/COMMERCIAL	MF18/C34	540
	33	COMMERCIAL	C35	-
JOHN LAING HOMES	34	SFD	45 x 90	133
LENNAR HOMES	35	MF	RM-29	218
FIELDSTONE COMM	36	SFD	50 x 100	127
SHEA HOMES	37	MF	RM-29	140
WILLIAM LYON HOMES	38	MF	RV-14	326
	39	ELEMENTARY SCHOOL		-
STD. PACIFIC	40	MF	RV-18	209
SEA COUNTRY	41	SFD	RV-12	136
JOHN LAING HOMES	42	SFD	42 x 100	86
DAVISON/STD. PACIFIC	43	SFD	60 x 105	131
WILLIAM LYON HOMES	44	SFD	50 x 103	80
WILLIAM LYON HOMES	45	SFD	50 x 103	60
BUE	46	SFD	45 x 90	101
K. HOV/ FIELDSTONE	47	SFD	50 x 100	134
	48	SFD	60 x 100	175
	49	OPEN SPACE		-
	50	WATER TANK		-
	51	SFD	70 x 100	114
	52	SFD (RALPHS)		25
	53	OPEN SPACE		-
	75	PARK		-
	76	PARK		-
	77	PARK		-
	78	WATER TANK		-
	79	SCHOOL		-
	80	OPEN SPACE/DETENTION BASIN		-
	80	PUMP STATION		-
	64	RALPHS FAMILY RANCH (NOT SHOWN)		11
TOTAL				4,505

AUGUST 10, 2005



NOLTE
BEYOND ENGINEERING

13100 AVENUE 19, CECHELY, NORTH BLDG SAN DIEGO, CA 92128
858.281.0000 TEL 858.280.0400 FAX WWW.NOLTE.COM



4S RANCH
MASTER DEVELOPMENT PLAN

OVERVIEW OF 4S RANCH

4S Ranch is a mixed-use master planned community that contains a total of ±2,900 acres. The community is planned for a total of over 4,000 dwelling units, consisting of mostly single family detached homes, but also including some attached homes and apartments. There is also a 53-acre mixed-use district called 4S Commons which includes the 4S Commons Town Center that includes tenants such as World Market, Ralph's, Bed Bath & Beyond, CVS/Pharmacy, Ace Hardware, Pet People, Wells Fargo Bank, Bank of America, Chase Bank, and various other stores and restaurants. In addition, there is a nearby L.A. Fitness, and a separate and smaller commercial center called 4S Ranch Village that includes Union Bank, Starbucks, Subway, Chevron gas station with car wash, and various other stores.

Community amenities include four schools (two elementary schools, a middle school and a high school), a fire station, a sheriff substation, a library, 1,600 acres of permanent open space/wildlife habitat, a 25-acre community park with Little League and soccer fields, three neighborhood parks, pocket parks and public greens, and more than 10 miles of hiking and biking trails winding throughout the community. The trails connect to the pedestrian promenades along 4S Ranch Parkway, providing walking or biking access from throughout the community to the 4S Commons. There is also a community-wide intranet system.

4S Ranch was granted Specific Plan approval in 1999, and the first residential land sales to builders closed in December 1999, located in Neighborhood One in the southwest part of the community. Construction of the first homes commenced shortly thereafter, and there are now 34 built-out tracts or product types of homes, 2 others (2 of the 4 subject product types) at the northerly end of the community that have construction currently ongoing, and a future product type of 25 homes called Mission Ranch that is in the early stage of construction and also located at the northerly end of the community.

STREETS AND ACCESS

The primary access to 4S Ranch is by Camino Del Norte and Rancho Bernardo Rd., which are primary roads extending northwesterly and westerly to this area from the 15 Freeway.

Access into Neighborhoods One and Two is by Dove Canyon Rd. and 4S Ranch Parkway which extend southerly from Camino Del Norte, and by Bernardo Center Dr./Carmel Valley Rd. which extends southwestly from Camino Del Norte. 4S Ranch Parkway extends north-south through the overall community providing access to Neighborhoods One through Four.

Primary access into Neighborhoods Three and Four is by 4S Ranch Parkway and Ralphs Ranch Rd. which extend northeasterly from Rancho Bernardo Rd.

UTILITIES

The utilities for the community are provided as follows:

Water & Sewer:	Olivenhain Municipal Water District
Gas & Electric:	San Diego Gas & Electric
Telephone:	Pacific Bell
Cable:	Cox Communication and Time Warner

ZONING/APPROVALS

As previously indicated, 4S Ranch was granted Specific Plan approval in 1999. This approval provides for the zoning and necessary approvals for the planned residential development of the subject properties. In addition, there is a recorded tract map which includes all of the subject properties.

DRAINAGE/FLOOD HAZARD

Drainage is within master-planned facilities that have been constructed throughout the community. Neighborhood One is generally above grade of Camino Del Norte, and then gradually sloping down to the south into Neighborhood Two. Neighborhoods Three and Four have a gradual slope up to the north/northwest into the hills. None of the developable areas in 4S Ranch are within the floodplain.

TOPOGRAPHY/VIEWS

The subject area comprising the northerly end of 4S Ranch has a gradual slope up to the northwest with hills along the southwest and northeast sides. The low area is in the center along 4S Ranch Parkway and Hunters Ridge Rd., with the lots gradually terracing up to the northwest, and also up to the southwest and northeast. This terracing results in minor territorial views to some of the lots which back to the south-southeast.

SOIL/GEOLOGIC CONDITIONS

This appraisal has assumed that all necessary grading and compacting has been properly completed by the master developer and the merchant builders, and that there are no abnormal soil or geologic conditions that would affect the continued development of the land as planned.

ENVIRONMENTAL CONDITIONS

This appraisal has assumed that all necessary environmental permits and approvals have been obtained for continued development of the land as planned. It has also been assumed that there are no other environmental conditions, including endangered species or significant habitat, watercourses or wetlands that would have a negative effect on the planned development.

TITLE REPORT

A Preliminary Report has been reviewed which is dated December 16, 2010, by First American Title Company and covers the Andalusia Phase 3 takedown of Lots 953 through 957 and 966 through 992 of Tract No. 5229-3. This report notes exceptions which include the lien of special tax for CFD No. 6 (4S Ranch) recorded November 14, 2002; and terms and provisions contained in various documents pertaining to water service, fire protection/emergency medical response, school services, wastewater-recycled water, and public benefits for 4S Ranch. In addition, there are various easements for public utilities, drainage facilities, ingress and egress affecting some of the lots.

It is noted that all of these exceptions are fairly typical for a community such as 4S Ranch, as well as the various easements being fairly typical on tract maps. It has further been assumed that there are no other exceptions to title which would have a negative impact on the continuing use and/or development of the subject properties as planned.

HIGHEST AND BEST USE

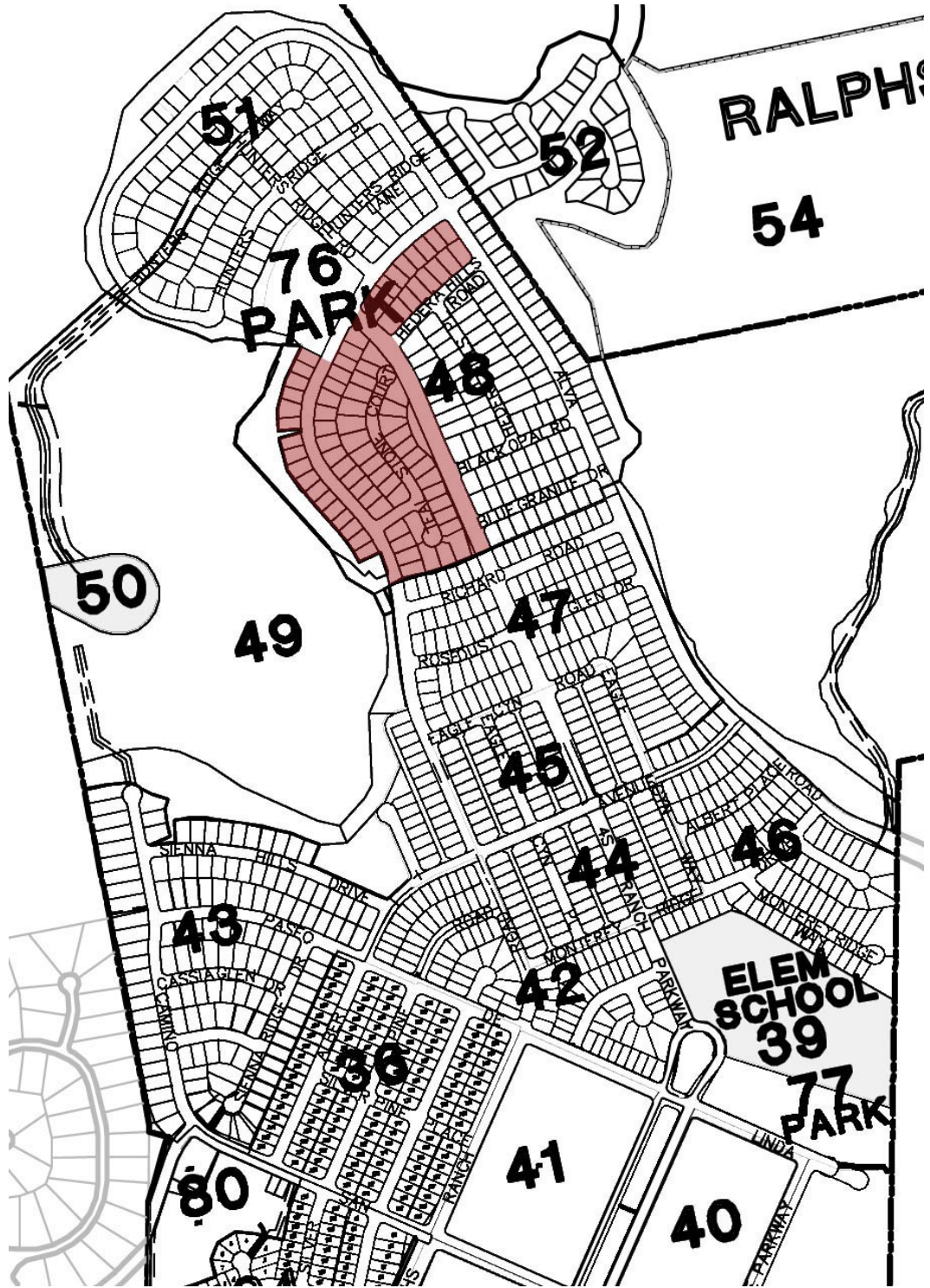
The term highest and best use is defined as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal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

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

In terms of the financial feasibility and maximum productivity, it is noted that at the appropriate price points there has been good recent sales activity in all four of the product types of subject homes. This is evidenced by the sell-out of the Monteluz homes in September 2011, the recent sell-out of the Andalusia homes, and the significant number of recent closed builder sales and current pending sales of homes in The Pines and The Willows product types.

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

MAP OF THE PINES



THE PINES (PULTE HOMES)

PROPERTY DATA

Location

This product type is located along both sides of 4S Ranch Pkwy., extending south from Ralphs Ranch Rd., and only on the westerly side of 4S Ranch Pkwy. south of Hedera Hills Rd. and extending south to just north of Richard Rd.

Record Owner/Ownership History

Of the 81 lots in this product type, the special taxes have been prepaid on 14 of the lots, thus only 67 lots are included in this appraisal. As of the July 15, 2012 date of value and of the 67 lots included in the appraisal, individual homeowners owned 23 of the lots (Lots 876, 878 to 883, 885, 888, 891, 892, 912, 914, 915, 931, 936 to 939, 1028, 1039, 1040 & 1041), and the remaining 44 lots are owned by Pulte Home Corp.

4S Kelwood General Partnership is the master developer of 4S Ranch and originally acquired the land for this community many years ago. The sale of these 81 lots to Pulte Home Corp. was negotiated in mid-2010 at a price based on \$360,000 per finished lot. The first two takedowns totaling 41 lots closed on December 15, 2010, a third takedown of 12 lots closed thereafter and the final takedown of 28 lots closed on March 15, 2012.

The sales of the 23 completed homes from Pulte Home Corp. to the homeowners closed from June 24, 2011 through July 10, 2012 at indicated prices ranging from \$652,000 to \$737,000. Thus far, there have been no resales.

Legal Description

The 81 lots comprising this product type are described as Lots 876 to 939 & 1025 to 1041 of County of San Diego Tract No. 5229-3, according to Map No. 15200; however, the 67 lots included in this appraisal are Lots 876, 878 to 883, 885, 888, 891 to 910, 912, 914 to 918, 920 to 932, 935 to 939 & 1028 to 1041.

Assessor Data-2011/12

The 67 lots included in this appraisal comprise Assessor Parcel Nos. 678-663-10, 12 to 17 & 19 to 23, 678-664-03, 06 to 25, 27, 29 to 33, 35 to 47 & 50, and 678-666-08 to 21. The assessed values of these 67 parcels range from \$837 to \$338,071 for land and \$0 for improvements, with the low end of the range apparently not yet reflecting the sale of vacant lots to Pulte Home Corp. The tax rate area is 64-105 which indicates a current tax rate of 1.04104% excluding special taxes, or the effective tax rate is approximately 1.8% including special taxes for this CFD.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This product type comprises a total of 81 lots, though only 67 of the lots are included in this appraisal. These lots are $\pm 6,000$ s.f. minimum, or $\pm 60'$ by $100'$. Many of the lots are wider and/or deeper, but this includes side and/or rear slope areas.

Existing and Planned Development/Status of Construction

The 67 lots included in this appraisal are currently being developed with a product type of homes called The Pines at 4S Ranch. As of the July 15, 2012 date of value, there were 23 completed-sold homes (closed sales), 4 completed-unsold homes (including the 3 models), 13 homes under construction, and 27 vacant lots in near finished condition. Of the 13 homes under construction, 4 were an average of ± 10 -20% completed, 7 were an average of ± 50 -60% completed and 2 were ± 80 -90% completed.

(Note: As of July 15, 2012, building permits had not been issued on 14 of the remaining 27 vacant lots, thus the Undeveloped Property comprises Lots 898 to 905, 1029 to 1032, 1035 and 1037.)

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

Plan 1: 2,679 s.f., two-story, with 4 bedrooms, 2.5 baths, great room, kitchen, nook, flex space, downstairs laundry, upstairs game room, and a $2\frac{1}{2}$ -car garage; optional bedroom 5 & bath 3 in lieu of flex space.

Plan 2: 3,000 s.f., two-story, with 4 bedrooms, 3.5 baths, great room, kitchen, nook, den, upstairs game room and laundry, and a 3-car tandem garage; optional bedroom 5/bath 4 and bedroom 6/bath 5 in lieu of den and 3rd-car garage space.

Plan 3: 3,262 s.f., two-story, with 5 bedrooms, 4 baths, great room, kitchen, nook, formal dining room, upstairs game room, upstairs laundry, and a 3-car tandem garage; optional bedroom 6 & bath 5 in lieu of 3rd-car garage space.

The mix of the 23 completed-sold homes is 9 of the Plan 1 homes, 7 of the Plan 2 homes and 7 of the Plan 3 homes, and the sizes of these homes, per Building Permit data, results in an average home size of 2,962 s.f. The mix of the 4 completed-unsold homes is 2 of the Plan 1 homes and 1 each of the Plan 2 and 3 homes, with an average home size of 2,998 s.f.

VALUATION

Method of Analysis

The analysis of the completed-sold homes is of the aggregate value and on a mass appraisal basis by means of the Sales Comparison Approach. Primary consideration

VALUATION, Continuing

is given to the recent builder sales of The Pines product type, and secondary consideration is given to recent builder sales of The Willows and the Andalusia homes, and recent resales of homes of similar product types elsewhere in 4S Ranch. For the completed-unsold homes, the analysis considers a discount due to the bulk ownership by the builder with the discount reflecting holding/sales costs plus profit in order to sell off the homes.

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

Analysis of Completed-Sold Homes

These are the 23 homes for which the builder sales closed from June 24, 2011 through July 10, 2012. The indicated range of sale prices is \$652,000 to \$737,000 or an average of \pm \$683,000, reflecting an average home size of 2,962 s.f. If considering all 34 closed builder sales that have taken place, including the 11 parcels that have prepaid the special taxes, the indicated price range is \$651,000 to \$737,000 or a slightly higher average of \pm \$685,000, though for a slightly larger average home size of 3,003 s.f.

However, if considering only the most recent 14 sales (including 8 that prepaid) that closed from January 2012 and later, the indicated price range is \$653,000 to \$707,500, with a similar average of \pm \$685,000, and a slightly larger average home size of 3,029 s.f. Thus, due to the slightly larger average home sizes, the indications at an average of \pm \$685,000 would tend to support an upper limit as an average for the 23 completed-sold homes, and the indication at an average of \$683,000 is more supportable.

It is noted that the current pricing for new homes indicates from \$660,880 for Plan 1 homes, from \$684,880 for Plan 2 homes and from \$706,880 for Plan 3 homes, which indicates an average of \pm \$684,000 for an average size of 2,980 s.f. The average price is similar to the most recent closed builder sales though for a smaller average home size. In addition, it is noted that this pricing is about \$8,000 higher than 3 to 4 months ago, thus supporting at least a very minor increase in prices.

As previously indicated, there have been no resales of The Pines homes thus far.

As to other recent builder sales in the immediate subject area of 4S Ranch, as discussed later for The Willows homes, the indication at \$756,000 as an average from the most recent sales and for an average home size of 3,644 s.f. supports a far

VALUATION, Continuing

upper limit for The Pines homes due to being much larger homes and on larger lots. In addition, as discussed later, the most recent sales of the Andalusia homes at an average of \$680,000 for an average home size of 2,943 s.f. supports a close indication to close lower limit for the subject homes due to the slightly smaller average home size.

Lastly, recent sales of other similar homes in the Neighborhood Three area of 4S Ranch have been considered, which are located nearby to the south of the subject area. The resales are from the SilverCrest, Rosemary Lane, Silhouette, Chanteclair, Evergreen and Pienza product types, and the recent builder sales are from the Silhouette product type. The sales are shown in the following table:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	17082 Albert Ave.	5/31/12	\$609,000	2,968	2006	5,990	SilverCrest; average condition; lender sale
2	17062 Albert Ave.	4/20/12	\$610,000	2,968	2006	5,654	SilverCrest; good condition; standard sale
3	17022 Albert Ave.	3/29/12	\$610,000	3,166	2006	5,654	SilverCrest; average condition; short sale
4	16930 Silver Crest Dr.	5/30/12	\$635,000	3,282	2005	5,790	Rosemary Lane; good condition; standard sale
5	16964 Silver Crest Dr.	1/11/12	\$647,500	3,272	2005	4,672	Rosemary Lane; good cond; pool/spa; std sale
6	16970 Silver Pine Rd.	1/11/12	\$629,000	2,763	2006	4,500	Rosemary Lane; good cond; view; short sale
7	10438 Paseo De Linda	6/8/12	\$650,000	3,358	2011	4,644	Silhouette; builder sale
8	10432 Paseo De Linda	6/1/12	\$645,000	3,213	2011	4,644	Silhouette; builder sale
9	17160 Glen Aspen Dr.	6/1/12	\$620,000	3,169	2011	4,542	Silhouette; builder sale
10	10426 Paseo De Linda	5/25/12	\$660,000	3,358	2011	4,644	Silhouette; builder sale
11	10416 Glen Aspen Ct.	5/10/12	\$631,000	3,169	2011	4,637	Silhouette; builder sale
12	17124 Silver Pine Rd.	3/13/12	\$595,000	3,334	2007	5,157	Silhouette; average condition; short sale
13	17116 Silver Pine Rd.	2/29/12	\$650,500	3,169	2006	5,387	Silhouette; good condition; lender sale
14	17136 Glen Aspen Ct.	1/18/12	\$690,000	3,194	2011	6,854	Silhouette; builder sale
15	17337 Albert Ave.	4/25/12	\$620,000	2,687	2006	5,716	Chanteclair; good condition; standard sale
16	10528 Albert Pl.	4/17/12	\$595,000	3,025	2007	5,347	Chanteclair; good condition; short sale
17	17320 Albert Ave.	2/3/12	\$641,000	3,080	2006	5,752	Chanteclair; average condition; standard sale
18	10416 Eagle Canyon Rd.	5/24/12	\$650,000	3,019	2007	6,630	Evergreen; good condition; standard sale
19	10577 Richard Rd.	Escrow	<u>\$645,000</u>	<u>3,365</u>	2009	5,490	Pienza; average condition; short sale
			±\$633,000	3,135			(Avg.)

VALUATION, Continuing

It is noted that the average home size of 3,135 s.f. is much larger than the average of 2,962 s.f. for the 23 completed-sold subject homes. However, it is also noted that most of these sales are on smaller lots than the 6,000 s.f. minimum of the subject homes, and many of these sales are 5 to 7 years old in contrast to the subject homes being up to a year old. In addition, of these 19 sales, 5 were short sales and 2 were lender sales, which would tend to result in conservative prices due to the conditions of sale and/or the condition of the property which would tend to be inferior to the typical condition of the subject homes. Thus, the indication at an average of \$633,000 supports a far lower limit as an average for the subject completed-sold homes.

Considering only the 12 standard or builder sales, the indicated average price is \pm \$642,000 for an average home size of 3,147 s.f. The much larger average size than the subject average of 2,962 s.f. is still well more than offset by the smaller lot sizes, the age of the homes, and the negative impact within these various product types by the other short and lender sales. Thus, the indication at \$642,000 is concluded to support a closer but still far lower limit indication as an average for The Pines homes.

In summary, the indications of average value for the 23 completed-sold homes support far lower limits at \$633,000 and \$642,000, a close indication to close lower limit at \$680,000, close indications to close upper limits from \$683,000 to \$685,000, and a far upper limit at \$756,000. The conclusion is an average value of \$680,000 for the 23 completed-sold homes.

Analysis of Completed-Unsold Homes

These 4 homes consist of the 3 model homes and one Plan 1 production home, resulting in an average home size of 2,998 s.f. It is noted that this is slightly larger than the average size of 2,962 s.f. for the completed-sold homes, due to the mix of floor plans as well as the optional living area in the Plan 2 model.

The value conclusion for these three homes is the same as for the completed-sold homes, or an average of \$680,000. Then, due to the conclusion of a conservative value since 3 of the 4 homes are the upgraded models, and the production home is sold and soon to close escrow, no discount has been applied to reflect the bulk ownership by the builder, including holding/sales costs plus profit.

Analysis of Homes Under Construction

For the 4 homes that were under construction and estimated to be \pm 10-20% completed, I have considered a cost amount of 15% of \pm \$50.00 per s.f. direct or hard construction costs, or \pm \$7.50 per s.f. on the average home size of 3,000 s.f., or an amount rounded to \$25,000. This is added to the estimated value of \$365,000 for the

VALUATION, Continuing

vacant lot in finished condition, as discussed next, resulting in a total of \$390,000 for these 4 homes.

For the 7 homes that were under construction and estimated to be $\pm 50\text{-}60\%$ completed, I have considered a cost amount of 55% of $\pm \$50.00$ per s.f. for construction costs, or $\pm \$27.50$ per s.f. on the average home size of 2,917 s.f., or an amount rounded up to \$85,000. This is added to the estimated value of \$365,000 for the vacant lot, resulting in a total of \$450,000 for these 7 homes.

For the 2 homes that were under construction and estimated to be $\pm 80\text{-}90\%$ completed, I have considered a cost amount of 85% of $\pm \$50.00$ per s.f. for construction costs, or $\pm \$42.50$ per s.f. on the average home size of 3,131 s.f., or an amount rounded to \$135,000. This is added to the estimated value of \$365,000 for the vacant lot, resulting in a total of \$500,000 for these 2 homes.

Analysis of Vacant Lots

These are the 27 vacant lots that are in a near finished condition. A search was made for recent sales of bulk single-family lots in the general North San Diego County area, and the pertinent data is discussed and analyzed in the following paragraphs:

Subject Property: As previously indicated, Pulte Homes purchased the 81 lots comprising The Pines product type at a price based on \$360,000 per finished lot. The deal was negotiated in mid-2010, with the first takedowns totaling 41 lots closing in December 2010 and the last takedown of 28 lots closing in March 2012. At time of sale, the projected home pricing was \$648,000 to \$694,000, say an average of $\pm \$671,000$, which is slightly lower than the most recent builder home sales that have averaged $\pm \$685,000$. This would indicate that there could be a very minor upward time adjustment since this sale was negotiated, as supported by a sale and resale discussed later. Overall, the price of \$360,000 per finished lot supports a close indication to close lower limit for the subject at current date.

The Willows: As discussed next, Pulte Homes concurrently purchased the 50 lots comprising The Willows product type at a price based on \$385,000 per finished lot. These are 7,000 s.f. minimum lots, and the single takedown of all 50 lots closed in December 2010. At time of sale, the projected home pricing was \$730,000 to \$790,000, say an average of $\pm \$760,000$, which is fairly similar to the most recent home sales that have been at an average of $\pm \$756,000$. Considering the larger size of these lots, resulting in the potential for larger and higher-priced homes, this superior factor is more than offsetting to a minor upward time adjustment, resulting in a firm upper limit for the subject at \$385,000 per finished lot.

North of Camino Del Sur, west of The Lakes Dr., Unincorporated/San Diego area: This was a recent sale of 49 lots comprising the first phase of lots in Unit 2 of The Lakes Above Rancho Santa Fe community, $\pm 8,000$ s.f. minimum, which were in near finished condition with a recorded tract map, and a CFD in place with an effective tax rate of $\pm 1.8\%$. The sale to Van Daele Homes recorded on May 24, 2012 at a sale price reflecting finished lots at $\pm \$350,000$. They are planning homes of $\pm 2,800$ s.f. to 4,000 s.f. with pricing from the low \$700,000's to the mid \$800,000's, indicating a finished lot ratio of about .44.

VALUATION, Continuing

In comparison to the subject, the location is considered to be slightly inferior, the minimum lot size is larger, the bulk size is fairly similar, the status of entitlements and physical condition were fairly similar, and the effective tax rate is fairly similar. It is noted that the planned homes are somewhat larger and higher-priced than the subject homes. However, it is also noted that the indicated finished lot ratio of 44% is relatively low, suggesting that the price was either not reported accurately or was on the conservative side relative to the other sales data. Overall, the indication at ±\$350,000 per finished lot is of general interest, but it tends to support a lower limit for the subject.

North end Torrey Ranch Ct., nearby to the N/O Torrey Meadows Dr., San Diego: This was a sale of 73 lots in the Torrey Highlands area, ±3,000 s.f. minimum with an average of ±4,500 s.f., which were in near finished condition with a recorded tract map, and a CFD in place. The sale to D.R. Horton took place in a series of takedowns that recorded from August 2009 through April 2011 at a total price of \$14,509,155 or \$198,756 per lot, based on finished lots at \$345,000. The proforma base home pricing at time of purchase was an average of ±\$592,500, indicating a finished lot ratio of .58. It is noted that more recent base home pricing was an average of just under \$550,000, which indicates a 7.5% reduction from the proforma estimate.

In comparison to the subject, the location is considered to be slightly superior, the minimum lot size is much smaller, the bulk size is effectively smaller due to the smaller size of the phased takedowns, the status of entitlements and physical condition were fairly similar, and the effective tax rate is fairly similar. While there could be a minor upward time adjustment, this is offset by a minor downward adjustment to reflect the multi-phased takedown structure of the transaction over ±20 months. Overall, the indication at \$345,000 per finished lot supports a firm lower limit for the subject, but the indication at a finished lot ratio of .58 supports an upper limit due to being a more marketable/lower-priced product, resulting in the following:

$$\$685,000 \times .58 = \$397,000/\text{finished lot}$$

S/S Carmel Valley Rd. at Country Villas Pl., San Diego: This was a sale of two sites in the Torrey Highlands area, consisting of a 41-lot site on the south side of Carmel Valley Rd. and a 44-lot site across the open space to the southwest which is on the north side of Torrey Meadows Dr. Both sites were in raw and sloping condition but with final tract maps that were ready to record, with ±5,000 s.f. minimum lots, and a CFD that will result in an effective tax rate of ±1.5%. The north site was planned to be a gated neighborhood of homes ranging in size from 2,796 s.f. to 3,107 s.f., with base pricing starting at ±\$800,000. The south site was planned for homes ranging in size from 2,606 s.f. to 2,769 s.f., with base pricing starting at ±\$750,000. The sale to Davidson Communities recorded on January 26, 2011 at a price of \$14,500,000 or \$170,588 per lot, with finished lots estimated at ±\$400,000.

In comparison to the subject, the location is considered to be superior, the lots are smaller at 5,000 s.f. minimum but the planned homes were slightly larger and much higher-priced than the subject homes, the bulk size of 85 lots is larger than the subject size of 45 lots though two separate segments of similar size, and the effective tax rate of ±1.5% to future homeowners is lower than for the subject homes. In addition, the raw condition with an approved tract map is inferior to the subject near finished lot condition due to the time and risk to complete approvals and land development work to get to finished lot condition.

VALUATION, Continuing

Initially, the superior location is evident by the much higher projected home pricing, which is more than offsetting to the smaller lot sizes and inferior physical condition at time of sale, thus supporting a far upper limit for the subject at \$400,000 per finished lot. Secondly, estimating an overall average base price of near \$800,000 for the Davidson Communities homes, the indicated finished lot ratio is .50 ($\$400,000 \div \$800,000$). Applying this ratio to the current subject average home pricing of $\pm\$676,000$ results in the following:

$$\$685,000 \times .50 = \$342,500/\text{finished lot}$$

This indication tends to support a firm lower limit for the subject due to the inferior entitlement status and physical condition.

N/S Torrey Meadows Dr. W/O Camino Del Sur, San Diego: This sale consists of the resale of the south 44-lot site discussed above. It was resold in October 2011 from Davidson Communities to Pulte Homes at a price based on \$420,000 per finished lot, and the lots were in a partially finished condition at time of sale. This price reflects a 5% increase which is considered to be partly due to time/market conditions as well as being in a superior physical condition and more ready for construction to commence. Pulte Homes planned to build homes ranging in size from 2,606 s.f. to 2,977 s.f. with pricing from $\pm\$735,000$ to \$770,000, or fairly similar to what Davidson Communities had originally planned. This results in an indicated finished lot ratio of .56 ($\$420,000 \div \$752,500$).

The comparison to the subject is similar to the above, resulting in a far upper limit for the subject at \$420,000 per finished lot, and a closer indication based on the finished lot ratio of .56 as follows:

$$\$685,000 \times .56 = \$384,000/\text{finished lot}$$

NW/O Cannon Rd., SW/O College Blvd., Carlsbad: This sale is located in Planning Area 18 of The Foothills master-planned community in the north part of Carlsbad. The transaction comprises 78 lots, 5,000 s.f. minimum size, with a recorded tract map, and that ranged from blue-topped to near finished condition. The sale closed on June 23, 2011 from Brookfield Homes to D.R. Horton at an indicated price of \$17,711,000 or \$227,064 per lot, with finished lots estimated at $\pm\$300,000$. D.R. Horton planned to build a neighborhood of homes called Laurels at The Foothills, with homes ranging in size from 1,998 s.f. to 2,968 s.f. and with base pricing ranging from \$534,990 to \$599,990 or an average of $\pm\$567,500$ which indicates a finished lot ratio of .53. The purchase includes the pay-off of the Assessment District, thus the tax rate to future homeowners is estimated at 1.25% on average.

In comparison to the subject, the general location is considered to be inferior, the lots are smaller at 5,000 s.f. minimum, the bulk size is larger, the entitlement and physical status is fairly similar, but the effective tax rate is much lower. It is noted that the inferior location is evident by the much lower-priced homes that were planned in contrast to the subject home pricing. Overall, considering also a minor upward time adjustment, the indication at \$300,000 supports a far lower limit for the subject, and the finished lot ratio of .53 supports a closer indication as follows:

$$\$685,000 \times .53 = \$363,000/\text{finished lot}$$

In summary, on a finished lot basis, the data supports a far lower limit at \$300,000, closer but firm lower limits from \$342,500 to \$350,000, closer indications at \$360,000 and \$363,000, firm upper limits from \$384,000 to \$397,000, and far upper

VALUATION, Continuing

limits at \$400,000 and \$420,000. The conclusion for the subject lots is \$365,000 per finished lot.

Lastly, a deduction is made for the remaining costs to complete to get the vacant lots from as is near finished condition to fully finished condition or "finished lots". Information provided through the master developer is that the remaining costs are a total of ±\$25,000 per lot, which primarily are for street improvements and fees. Thus, deducting this cost estimate from the value conclusion of \$365,000 per finished lot results in a value of \$340,000 per lot for the as is condition.

Conclusion of Value

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

23 completed-sold homes @ \$680,000 =	\$15,640,000
4 completed-unsold homes @ \$680,000 =	\$ 2,720,000
4 homes under construction @ \$390,000 =	\$ 1,560,000
7 homes under construction @ \$450,000 =	\$ 3,150,000
2 homes under construction @ \$500,000 =	\$ 1,000,000
27 vacant lots @ \$340,000 =	<u>\$ 9,180,000</u>
Value Indication, As Is:	\$33,250,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of The Pines product type, subject to the Assumptions and Limiting Conditions, and as of July 15, 2012:

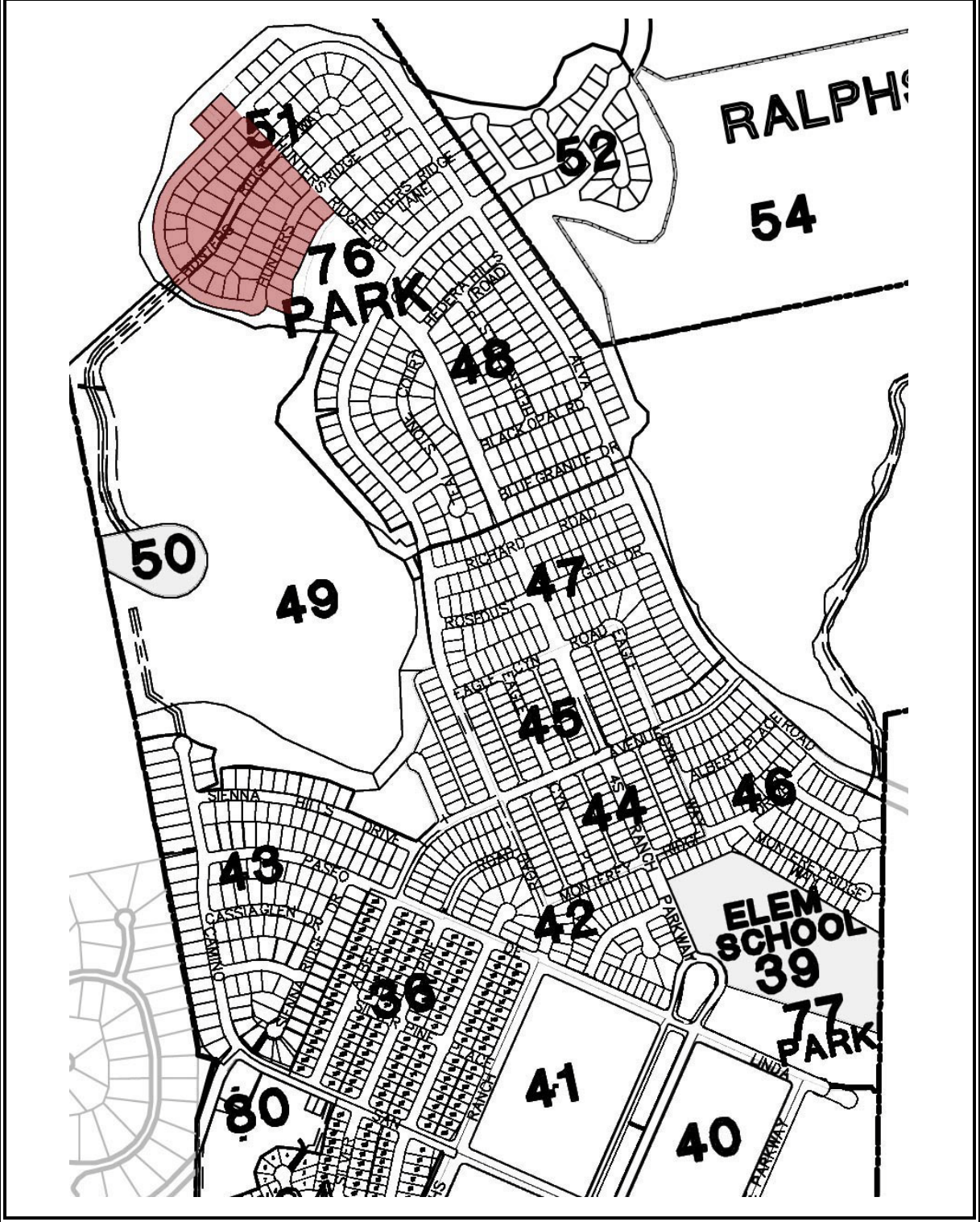
\$33,250,000

(THIRTY-THREE MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS)

Then, the overall value conclusion is allocated to the individual owners (completed-sold homes) and the builder ownership (completed-unsold homes, homes under construction and vacant lots), and also allocated to Developed Property and Undeveloped Property (14 vacant lots @ \$340,000 per lot) as follows:

<u>Ownership</u>	<u>Developed</u>	<u>Undeveloped</u>	<u>Market Value</u>
<i>Individual Owners:</i>	\$15,640,000	\$0	\$15,640,000
<i>Builder Ownership:</i>	<u>\$12,850,000</u>	<u>\$4,760,000</u>	<u>\$17,610,000</u>
	\$28,490,000	\$4,760,000	\$33,250,000

MAP OF THE WILLOWS



THE WILLOWS (PULTE HOMES)

PROPERTY DATA

Location

This product type is located southwesterly of Hunter's Ridge Rd. extending southerly from the north side of Alva Rd. to the southerly side of Hunter's Ridge Pl.

Record Owner/Ownership History

Of the 50 lots in this product type, the special taxes have been prepaid on 15 of the lots, thus only 35 lots are included in this appraisal. As of the July 15, 2012 date of value and of the 35 lots included in the appraisal, individual homeowners owned 12 of the lots (Lots 1105, 1106, 1109, 1120, 1125, 1127, 1134, 1136, 1139, 1142, 1152 & 1153), and the remaining 23 lots are owned by Pulte Home Corp.

4S Kelwood General Partnership is the master developer of 4S Ranch and originally acquired the land for this community many years ago. The sale of these 50 lots to Pulte Home Corp. was negotiated in mid-2010 and closed on December 15, 2010 at a price based on \$385,000 per finished lot.

The sales of the 12 completed homes from Pulte Home Corp. to the homeowners closed from June 22, 2011 through June 15, 2012 at indicated prices ranging from \$704,500 to \$872,000. Thus far there have been no resales.

Legal Description

The 50 lots comprising this product type are described as Lots 1105 to 1154 of County of San Diego Tract No. 5229-3, according to Map No. 15200; however, the 35 lots included in this appraisal are Lots 1105, 1106, 1108, 1109, 1111 to 1120, 1125, 1127, 1129, 1134, 1136 to 1150, 1152 & 1153.

Assessor Data-2011/12

The 35 lots included in this appraisal comprise Assessor Parcel Nos. 678-666-33 to 36, 38 & 39, 678-667-53 & 54, and 678-668-01, 02, 04 to 13, 18, 20, 22, 27 & 29 to 39. The assessed value of each of these 35 parcels is \$345,529. The tax rate area is 64-105 which indicates a current tax rate of 1.04104% excluding special taxes, or a reported effective tax rate of $\pm 1.8\%$ including special taxes for this CFD.

No. of Lots/Lot Sizes

This product type comprises a total of 50 lots, though only 35 of the lots are included in this appraisal. These lots are considered as $\pm 7,000$ s.f. minimum, or $\pm 70'$ by $100'$,

PROPERTY DATA, Continuing

and while many of the lots are wider and/or deeper this includes side and/or rear slope areas.

Existing and Planned Development/Status of Construction

The 35 lots included in this appraisal are currently being developed with a product type of homes called The Willows at 4S Ranch. As of the July 15, 2012 date of value, there were 12 completed-sold homes (closed sales), 3 completed-unsold homes (the 3 models), 14 homes under construction, and 6 vacant lots in near finished condition. Of the 14 homes under construction, 7 were $\pm 10-20\%$ completed, 4 were an average of $\pm 40-50\%$ completed and 3 were $\pm 80-90\%$ completed. It is also noted that all 6 vacant lots had building permits pulled, thus all 35 lots are categorized as Developed Property.

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

Plan 1: 3,345 s.f., two-story, with 4 bedrooms, 3 baths, great room, kitchen, nook, formal dining room, upstairs game room and laundry, covered front porch and a 3-car tandem garage; optional bedroom 5 & bath 4 in lieu of 3rd-car garage space.

Plan 2: 3,690 s.f., two-story, with 5 bedrooms, 4 baths, great room, kitchen, nook, formal dining room, downstairs study, upstairs game room and laundry, and a 3-car tandem garage; optional bedroom 6 & ½ bath in lieu of 3rd-car garage space.

Plan 3: 3,986 s.f., two-story, with 5 bedrooms, 4½ baths, great room, kitchen, nook, dining room, downstairs study, upstairs game room and laundry, and a 3-car tandem garage with storage space; optional bedroom 6 in lieu of 3rd-car garage space.

The mix of the 12 completed-sold homes is 6 of the Plan 1 homes, 2 of the Plan 2 homes and 4 of the Plan 3 homes, resulting in an average home size of 3,622 s.f. The mix of the 3 completed-unsold homes is one of each floor plan, resulting in an average home size of 3,676 s.f.

VALUATION

Method of Analysis

This is similar to The Pines.

Analysis of Completed-Sold Homes

These are the 12 homes for which the builder sales closed from June 22, 2011 through June 15, 2012. The indicated range of sale prices is \$704,500 to \$872,000 or an average of $\pm \$786,000$, reflecting an average home size of 3,622 s.f. If considering all 26 closed builder sales that have taken place, including the 14 parcels that have prepaid the special taxes, the indicated price range is \$704,500 to \$872,000

VALUATION, Continuing

or a slightly lower average of \pm \$778,000, but for a slightly larger average home size of 3,674 s.f. However, if considering only the most recent 9 sales (including 4 that prepaid) that closed from late October 2011 and thereafter, the indicated price range is \$704,500 to \$860,500 or a lower average of \pm \$756,000 and for an average home size of 3,644 s.f.

Thus, this data tends to indicate a softening in prices from the earlier sales in June through September 2011 in contrast to the more recent sales in October 2011 through the most recent sale in mid June 2012. As a result, the indications at \$778,000 and \$786,000 support firm upper limits as an average for the 12 completed-sold homes considering the dates of sale as well as the average home sizes, and the indication at \$756,000 is a closer indication as a supportable average at current date.

It is noted that the current pricing for available homes is \$722,000, \$727,000 and \$738,000 for Plan 1 homes and \$749,000 for a Plan 2 home, which indicates an average of \$734,000 for an average size of 3,439 s.f. This tends to support a far lower limit as an average for the 12 completed-sold homes due to the far smaller average home size, and since this reflects base pricing.

As previously indicated, there have been no resales of The Willows homes thus far.

As to other recent builder sales in the subject area of 4S Ranch, as previously discussed for The Pines homes, the indication at \$685,000 as an average from the most recent sales and for an average home size of 3,029 s.f. supports a far lower limit for The Willows homes due to being much smaller homes and on smaller lots. Similarly, the most recent sales of the Andalusia homes, as discussed later, also support a far lower limit at an average of \$680,000 due to the much smaller average home size of 2,943 s.f.

Lastly, also as discussed later, the recent resale of a well upgraded Monteluz home at a price of \$775,000 for 3,525 s.f. home on a large lot supports a fairly close indication as an average for The Willows homes due to the slightly smaller size being offset by the upgraded condition and much larger lot size, in contrast to the average of 3,622 s.f. for the 12 completed-sold homes.

Lastly, and similar to the previous analysis of The Pines homes, recent sales of other similar homes in the Neighborhood Three area of 4S Ranch have been considered. The resales are from the Reunion, Travata, SilverCrest, Rosemary Lane, Silhouette, Evergreen and Pienza product types, and the recent builder sales are from the Silhouette product type. The sales are shown in the following table:

VALUATION, Continuing

No.	Address	Rec. Date	Price	Home Size	Year Built	Lot Size	Remarks
1	10208 Paseo De Linda	Escrow	\$697,000	3,823	2005	9,177	Reunion; average condition; lender sale
2	10233 Sienna Hills Dr.	7/3/12	\$705,000	3,823	2005	6,479	Reunion; good condition; short sale
3	10229 Sienna Hills Dr.	4/12/12	\$722,500	3,574	2006	6,487	Reunion; good condition; standard sale
4	10229 Paseo De Linda	12/30/11	\$735,000	4,150	2005	6,928	Reunion; good condition; short sale
5	10252 Paseo De Linda	12/28/11	\$700,000	4,150	2005	6,710	Reunion; good condition; short sale
6	10165 Cam. San Thom.	7/3/12	\$735,000	3,552	2006	8,476	Travata; good condition; standard sale
7	17047 Sienna Ridge Dr.	6/20/12	\$675,500	3,675	2006	6,342	Travata; average condition; lender sale
8	10217 Sienna Ridge Pl.	6/18/12	\$730,000	3,552	2005	6,337	Travata; good condition; standard sale
9	17051 Sienna Ridge Dr.	2/16/12	\$625,000	3,729	2006	6,342	Travata; average condition; short sale
10	17039 Sienna Ridge Dr.	12/30/11	\$662,000	3,606	2005	6,342	Travata; good condition; short sale
11	17003 Sienna Ridge Dr.	12/20/11	\$675,000	3,729	2005	8,642	Travata; average condition; short sale
12	17016 Silver Pine Rd.	6/26/12	\$610,000	3,431	2006	5,158	SilverCrest, average condition; short sale
13	17052 Ralphs Ranch Rd.	4/26/12	\$600,000	3,431	2005	5,159	SilverCrest; average condition; lender sale
14	16930 Silver Crest Dr.	5/30/12	\$635,000	3,282	2005	5,790	Rosemary Lane; good condition; standard sale
15	16964 Silver Crest Dr.	1/11/12	\$647,500	3,272	2005	4,672	Rosemary Lane; good cond; pool/spa; std sale
16	10438 Paseo De Linda	6/8/12	\$650,000	3,358	2011	4,644	Silhouette; builder sale
17	10432 Paseo De Linda	6/1/12	\$645,000	3,213	2011	4,644	Silhouette; builder sale
18	10426 Paseo De Linda	5/25/12	\$660,000	3,358	2011	4,644	Silhouette; builder sale
19	17204 Ralphs Ranch	2/28/12	\$685,000	3,447	2006	6,869	Evergreen; good condition; view; short sale
20	10577 Richard Rd.	Escrow	<u>\$645,000</u>	<u>3,365</u>	2009	5,490	Pienza; average condition; short sale
			±\$672,000	3,576			(Avg.)

It is noted that the average home size of 3,576 s.f. is smaller than the average of 3,622 s.f. for the 12 completed-sold subject homes. However, it is also noted that most of these sales are on smaller lots than the 7,000 s.f. minimum of the subject homes, and many of these sales are 6 to 7 years old in contrast to the subject homes being up to a year old. In addition, of these 20 sales, 9 were short sales and 3 were lender sales, which would tend to result in conservative prices due to the conditions of sale and/or the condition of the property which would tend to be inferior to the typical condition of the subject homes. Thus, for all of these inferior factors, the indication at an average of \$672,000 supports a far lower limit as an average for the subject completed-sold homes.

VALUATION, Continuing

As a closer indication but still firm lower limit for the subject homes, Data No. 3 is a standard sale that closed in April 2012 which indicates the price of \$722,500 for a 3,574 s.f. home, which is smaller than the average of the subject homes, is 6 years old, and is on a smaller lot. In addition, Data No. 6 was a standard sale of a 3,552 s.f. home that closed in early July 2012 at the price of \$735,000, and on a slightly larger lot of 8,476 s.f. though also a 6-year old home. Both of these sales support closer but still firm lower limits at \$722,500 and \$735,000 as an average for the subject homes.

In summary, the indications of average value for the 12 completed-sold homes support far lower limits from \$672,000 to \$734,000, closer but still firm lower limits at \$722,500 to \$735,000, close indications at \$756,000 and \$775,000, and firm upper limits at \$778,000 and \$786,000. The conclusion is \$760,000 as an average for the 12 completed-sold homes.

Analysis of Completed-Unsold Homes

These 3 homes consist of the 3 model homes, with the mix being one of each floor plan and an average home size of 3,676 s.f. It is noted that this is larger than the average size of 3,622 s.f. for the completed-sold homes, due to the greater percentage of Plan 1 homes comprising the completed-sold homes. It is also noted that the Plan 1 home is currently available at a price of \$795,880 and the Plan 2 home is currently available at a price of \$849,880.

The value conclusion for these three homes is the same as for the completed-sold homes, or an average of \$760,000. Then, due to the conclusion of a conservative value for the upgraded models, no discount has been applied to reflect the bulk ownership by the builder, including holding/sales costs plus profit.

Analysis of Homes Under Construction

For the 7 homes that were under construction and estimated to be $\pm 10-20\%$ completed, I have considered a cost amount of 15% of $\pm \$50.00$ per s.f. direct or hard construction costs, or $\pm \$7.50$ per s.f. on the average home size of 3,631 s.f., or an amount rounded up to \$30,000. This is added to the estimated value of \$390,000 for the vacant lot in finished condition, as discussed next, resulting in a total of \$420,000 for these 7 homes.

For the 4 homes that were under construction and estimated to be $\pm 40-50\%$ completed, I have considered a cost amount of 45% of $\pm \$50.00$ per s.f. for construction costs, or $\pm \$22.50$ per s.f. on the average home size of 3,682 s.f., or an amount rounded down to \$80,000. This is added to the estimated value of \$390,000 for the vacant lot, resulting in a total of \$470,000 for these 4 homes.

VALUATION, Continuing

For the 3 homes that were under construction and estimated to be ±80-90% completed, I have considered a cost amount of 85% of ±\$50.00 per s.f. for construction costs, or ±\$42.50 per s.f. on the average home size of 3,676 s.f., or an amount rounded up to \$160,000. This is added to the estimated value of \$390,000 for the vacant lot, resulting in a total of \$550,000 for these 3 homes.

Analysis of Vacant Lots

These are the 6 vacant lots that are in a near finished condition. The analysis is similar to The Pines, though considering that these are larger lots at ±7,000 s.f. minimum and are being developed with larger and higher-priced homes. Thus, on a finished lot basis, the data supports far lower limits at \$300,000 and \$345,000, closer but firm lower limits at \$350,000 and \$360,000, a close indication to close lower limit at \$385,000, and firm to far upper limits at \$400,000 and \$420,000. In addition, considering a supportable finished lot ratio in the range of .50 to .54, the indication for the subject is as follows:

$$\$760,000 \times .50 \text{ to } .54 = \$380,000 \text{ to } \$410,000/\text{finished lot}$$

The conclusion for the subject lots is \$390,000 per finished lot.

Lastly, a deduction is made for the remaining costs to complete to get the vacant lots from as is near finished condition to fully finished condition or “finished lots”. Information provided through the master developer is that the remaining costs are a total of ±\$30,000 per lot, which primarily are for street improvements and fees. Thus, deducting this cost estimate from the value conclusion of \$390,000 per finished lot results in a value of \$360,000 per lot for the as is condition.

Conclusion of Value

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

12 completed-sold homes @ \$760,000 =	\$ 9,120,000
3 completed-unsold homes @ \$760,000 =	\$ 2,280,000
7 homes under construction @ \$420,000 =	\$ 2,940,000
4 homes under construction @ \$470,000 =	\$ 1,880,000
3 homes under construction @ \$550,000 =	\$ 1,650,000
6 vacant lots @ \$360,000 =	<u>\$ 2,160,000</u>
Value Indication, As Is:	\$20,030,000

VALUATION, Continuing

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of The Willows product type, subject to the Assumptions and Limiting Conditions, and as of July 15, 2012:

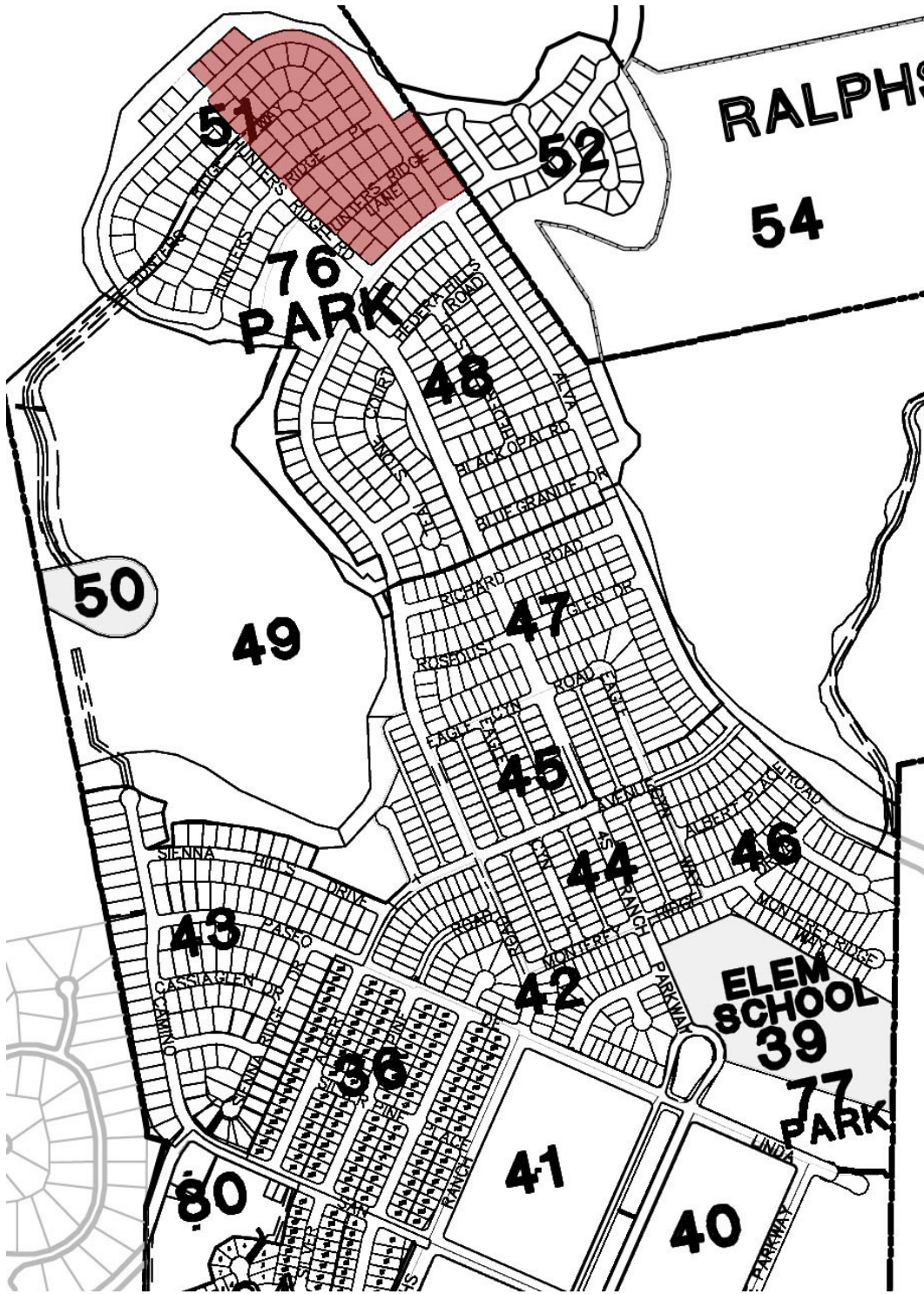
\$20,030,000

(TWENTY MILLION THIRTY THOUSAND DOLLARS)

Then, the overall value conclusion is allocated to the individual owners (completed-sold homes) and the builder ownership (completed-unsold homes, homes under construction and vacant lots), resulting in the following:

<u>Ownership</u>	<u>Market Value</u>
<i>Individual Owners:</i>	\$ 9,120,000
<i>Builder Ownership:</i>	<u>\$10,910,000</u>
	\$20,030,000

MAP OF MONTELUZ



MONTELUZ (CALIFORNIA WEST COMMUNITIES)

PROPERTY DATA

Location

This tract is located along the northeast side of Hunters Ridge Rd. extending northerly from Ralphs Ranch Rd. to Alva Rd.

Record Owner/Ownership History

Of the 63 lots in this product type, the special taxes have been prepaid on 6 of the lots, thus only 57 lots are included in this appraisal. As of the July 15, 2012 date of value, all of the homes in this product type were completed and sold to individual homeowners.

The sale of these 63 lots from 4S Kelwood General Partnership to California West Communities was negotiated in mid-2008, with the first takedown of 30 lots closing on November 4, 2008 and the second takedown of the remaining 33 lots closing on December 18, 2009, both at the price reflecting \$230,000 per finished lot.

The sales of the 57 completed homes from California West Communities to the homeowners closed from May 4, 2010 through September 1, 2011 at indicated prices ranging from \$650,000 to \$868,000. Thus far there has been one resale that closed on July 16, 2012.

Legal Description

The 63 lots comprising this product type are described as Lots 1042 to 1104 of County of San Diego Tract No. 5229-3, according to Map No. 15200; however, the 57 lots included in this appraisal are Lots 1043 to 1048, 1050 to 1064, 1066, 1068 to 1071, 1073 to 1092, and 1094 to 1104.

Assessor Data-2011/12

The 57 lots included in this appraisal comprise Assessor Parcel Nos. 678-666-23 to 28, 30 to 32 and 678-667-01 to 12, 14, 16 to 19, 21 to 40 & 42 to 52. The assessed values of these 57 parcels range from \$110,511 to 820,787, or an average of \$530,537. The tax rate area is 64-105 which indicates a current tax rate of 1.04104% excluding special taxes, or an effective tax rate of approximately 2.0% including special taxes for this CFD.

No. of Lots/Lot Sizes

This product type comprises a total of 63 lots, though only 57 of the lots are included in this appraisal. These lots are considered as $\pm 7,000$ s.f. minimum, or $\pm 70'$ by $100'$,

PROPERTY DATA, Continuing

and while many of the lots are wider and/or deeper this includes side and/or rear slope areas.

Existing Development

The 57 lots included in this appraisal have been developed with a product type of homes called Monteluz at 4S Ranch. As of the July 15, 2012 date of value all of the homes were complete and had been sold and closed to individual homeowners, thus all 57 lots are categorized as Developed Property.

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

Plan 1: 2,566 s.f., single story, with 3 to 4 bedrooms, 2½ baths, office, optional crafts room, family room, formal dining room, nook and a 2- or 3-car garage.

Plan 2: 3,508 to 3,690 s.f., two-story, with 4 to 6 bedrooms, 3 to 4 baths, bonus room, optional crafts room, office, great room, formal dining room, nook and a 2-car or 3-car tandem garage.

Plan 3: 3,780 to 3,949 s.f., two- story, with 5 to 7 bedrooms, 4½ to 5½ baths, bonus room, optional office or crafts room, family room, living room, dining room, nook and 2-car or 3-car tandem garage.

The mix of the 57 completed-sold homes is 11 of the Plan 1 homes, 21 of the Plan 2 homes and 25 of the Plan 3 homes, resulting in an average home size of 3,455 s.f.

VALUATION

Method of Analysis

This is similar to previous analyses of completed-sold homes.

Analysis of Completed-Sold Homes

These are the 57 homes for which the builder sales closed from May 4, 2010 through September 1, 2011. The indicated range of sale prices is \$660,727 to \$868,000 or an average of ±\$749,000, reflecting an average home size of 3,455 s.f. If considering all 63 closed builder sales that have taken place, including the 6 parcels that have prepaid the special taxes, the indicated range of prices is \$650,000 to \$868,000 or a slightly lower average of ±\$747,000 but for a slightly smaller average home size of 3,458 s.f.

If considering the more recent 24 sales (including 2 that prepaid) that closed from January 2011 and thereafter, the indicated price range is \$650,000 to \$868,000 or the slightly higher average of ±\$761,000 but for the slightly smaller average home size of 3,442 s.f. Considering the slightly higher average price but a slightly smaller

VALUATION, Continuing

home size, the indication is that prices increased slightly from 2010 to 2011. Thus, the indications at \$747,000 and \$749,000 tend to support firm lower limits as an average for the 57 completed-sold homes, and the indication at \$761,000 supports a close indication to close lower limit due to the slightly smaller average home size at 3,442 s.f. in contrast to the average of 3,455 s.f. for the 57 homes.

As previously indicated, there has been one recent resale of the home at 10550 Galena Canyon Rd. (APN 678-667-37). This is a Plan 2 home with 3,525 s.f. on which the original builder sale closed in October 2010 at the price of \$747,500. The current resale, a standard sale, closed on July 16, 2012 at the price of \$775,000. The home was upgraded and in good condition, and on an oversized cul-de-sac lot. Initially, this sale also reflects a slightly higher price than the original builder sale in late 2010. In addition, the indication at \$775,000 supports a firm upper limit as an average for the 57 completed-sold homes due to the larger size than the average of 3,455 s.f. for the 57 homes, as well as the larger lot size.

As to other recent builder sales in the subject area of 4S Ranch, as previously discussed for The Pines homes, the indication at \$685,000 as an average from the most recent sales and for an average home size of 3,029 s.f. supports a far lower limit due to the much smaller homes and on smaller lots. In addition, as previously discussed, the most recent sales of The Willows homes at an average of \$756,000 for an average home size of 3,644 s.f. tends to support a close upper limit for the subject homes due to the slightly larger average home size, though on similar size lots. Lastly, as discussed next, the most recent sales of the Andalusia homes at an average of \pm \$680,000 for an average home size of 2,943 s.f. supports a far lower limit for the subject homes due to the much smaller home size.

Lastly, the recent resales of other similar homes in 4S Ranch that were discussed for The Willows are also considered for the subject Monteluz homes. As previously indicated, the tabulation of the 20 home sales indicated an average price of \pm \$672,000 for an average home size of 3,576 s.f. It is noted that this size is slightly larger than the average size of 3,455 s.f. for the 57 completed-sold subject homes. However, it is also noted that most of these sales are on smaller lots than the 7,000 s.f. minimum of the subject homes, and many of these sales are 6 to 7 years old in contrast to the subject homes being 1 to 2 years old. In addition, 12 of the 20 sales were either short or lender sales which would tend to result in conservative prices. Thus, the indication at an average of \$672,000 supports a far lower limit as an average for the subject completed-sold homes.

As a closer indication but still firm lower limit for the subject homes, Data No. 3 is a standard sale that closed in April 2012 which indicates the price of \$722,500 for a 3,574 s.f. home, which is larger than the average of the subject homes, but is 6 years old, and is on a smaller lot. In addition, Data No. 6 was a standard sale of a 3,552 s.f. home that closed in early July 2012 at the price of \$735,000, and on a slightly

VALUATION, Continuing

larger lot of 8,476 s.f. though also a 6-year old home. Both of these sales support closer but still firm lower limits at \$722,500 and \$735,000 as an average for the subject homes.

In summary, the indications of average value for the 57 completed-sold homes support far lower limits from \$672,000 to \$685,000, closer but still firm lower limits from \$722,500 to \$749,000, a close indication at \$761,000, a close upper limit at \$756,000, and a firm upper limit at \$775,000.

In summary, I have concluded on an average value of \$760,000 which results in the following:

57 completed-sold homes @ \$760,000 = \$43,320,000

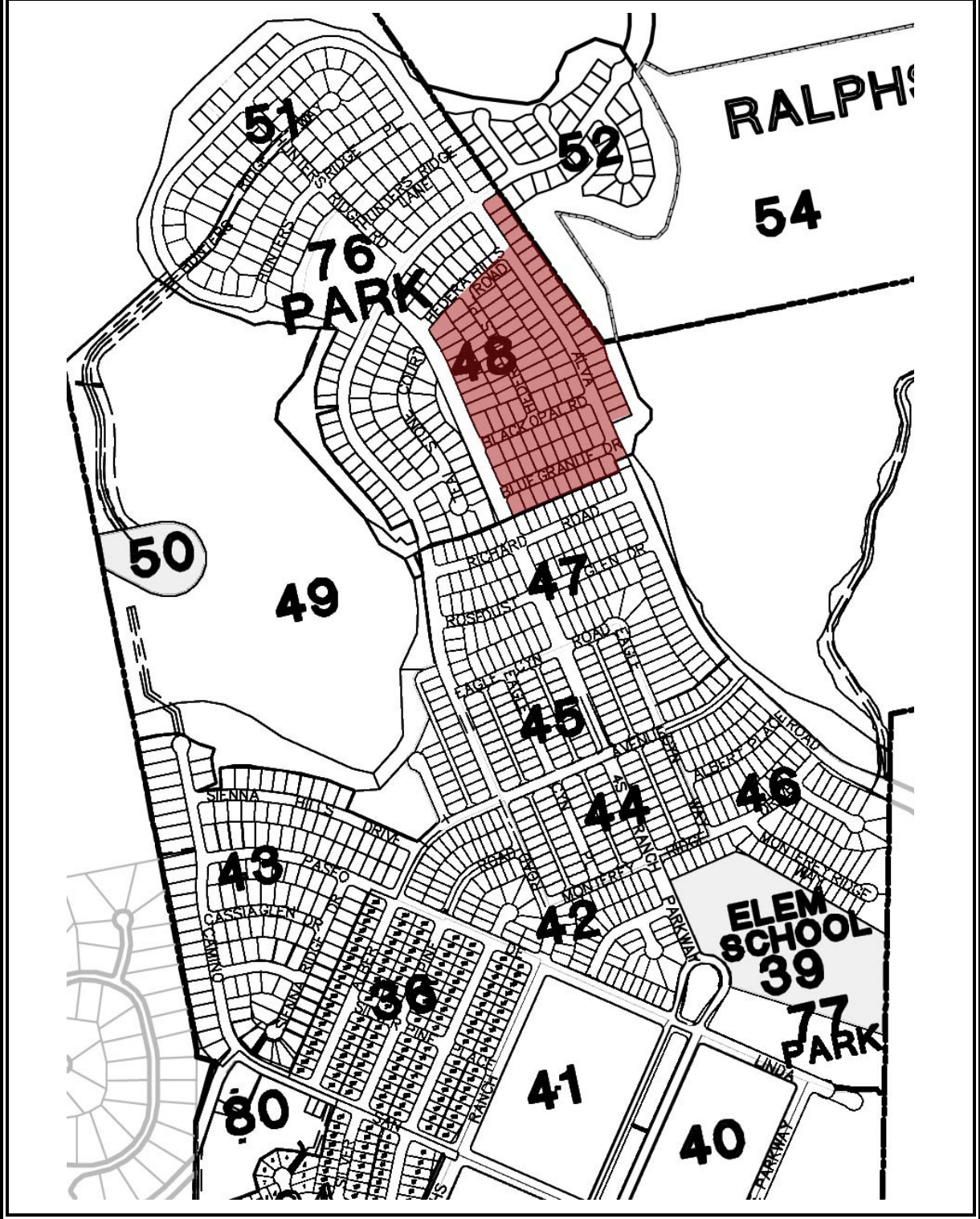
Conclusion of Value

Thus, as the result of this analysis, the following conclusion of market value has been arrived at for this Monteluz tract, subject to the Assumptions and Limiting Conditions, and as of July 15, 2012:

\$43,320,000

(FORTY-THREE MILLION THREE HUNDRED TWENTY THOUSAND DOLLARS)

MAP OF ANDALUSIA



ANDALUSIA (CALIFORNIA WEST COMMUNITIES)

PROPERTY DATA

Location

This tract is located along the easterly side of 4S Ranch Pkwy., extending south from Hedera Hills Rd. to Blue Granite Dr., and extending easterly to Alva Rd.

Record Owner/Ownership History

Of the 94 lots in this product type, the special taxes have been prepaid on 13 of the lots, thus only 81 lots are included in this appraisal. As of the July 15, 2012 date of value and of the 81 lots included in the appraisal, individual homeowners owned 78 of the lots (Lots 867 to 875, 941, 942, 944 to 953, 955, 956, 958 to 974, 976, 979 to 981, 983 to 985, 987 & 992 to 1024), and the remaining 3 lots are owned by California West Communities (who hold title as CWV 94 LLC).

The sale of these 94 lots from 4S Kelwood General Partnership to California West Communities was negotiated in mid-2008, with the first takedown of 30 lots closing on October 16, 2008 and the last takedown of 20 lots closing on December 16, 2010, at a price for all lots based on \$218,000 per finished lot.

The sales of the 78 completed homes from California West Communities to the homeowners closed from May 5, 2010 through June 29, 2012 at indicated prices ranging from \$626,000 to \$754,000. Thus far there have been no resales.

Legal Description

The 94 lots comprising this product type are described as Lots 867 to 875 & 940 to 1024 of County of San Diego Tract No. 5229-3, according to Map No. 15200; however, the 81 lots included in this appraisal are Lots 867 to 875, 941, 942, 944 to 953, 955, 956, 958 to 974, 976, 979 to 981, 983 to 985, 987 & 992 to 1024.

Assessor Data-2011/12

The 81 lots included in this appraisal comprise Assessor Parcel Nos. 678-663-01 to 09, 25, 26, 28 to 37, 39, 40 & 42 to 44; 678-665-01 to 17, 19, 22 to 24, 26 to 28, 30 & 35 to 60; and 678-666-01 to 04. The assessed values of these 81 parcels range from \$105,846 to \$750,751, or an average of \$504,487. The tax rate area is 64-105 which indicates a current tax rate of 1.04104% excluding special taxes, or an effective tax rate of approximately 2.0% including special taxes for this CFD.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This product type comprises a total of 94 lots, though only 81 of the lots are included in this appraisal. These lots are considered as $\pm 6,000$ s.f. minimum, or $\pm 60'$ by $100'$, and while many of the lots are wider and/or deeper this includes side and/or rear slope areas.

Existing Development/Status of Construction

The 81 lots included in this appraisal have been developed with a product type of homes called Andalusia at 4S Ranch. As of the July 15, 2012 date of value, there were 78 completed-sold homes (closed sales) and 3 completed-unsold homes including two models and one production home, all three of which were in escrow and due to close within several weeks. Thus, all 81 lots are categorized as Developed Property.

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

Plan 1: 2,222 s.f., single-story, with 3 bedrooms, 3 baths, great room, kitchen, nook, formal dining room, office, and a 2-car garage plus storage space; optional bedroom 4 in lieu of office.

Plan 2: 2,842-3,037 s.f., two-story, with 4 bedrooms, 3 baths, family room, kitchen, nook, living room, upstairs bonus room, downstairs laundry and a 3-car tandem garage; optional bedroom 5/bath 4, bedroom 6/bath 5 and office in lieu of 3rd-car tandem space, bonus room and bedroom 4.

Plan 3: 3,114-3,226 s.f., two-story, with 4 bedrooms, 3 baths, great room, kitchen, nook, dining room, upstairs bonus room, downstairs laundry, and a 3-car tandem garage; optional master retreat, office, and 2nd upstairs master suite in lieu of 3rd-car garage space, bedroom 4 and bonus room.

Plan 4: 3,303-3,486 s.f., two-story, with 4 bedrooms, 3 baths, family room, kitchen, nook, living/dining room, downstairs office, upstairs bonus room & laundry, and a 3-car tandem garage; optional craft room and bedroom 5 in lieu of 3rd-car tandem space and office.

The mix of the 78 completed-sold homes is 11 of the Plan 1 homes, 27 of the Plan 2 homes, 17 of the Plan 3 homes and 23 of the Plan 4 homes, resulting in an average home size of 2,954 s.f. The mix of the 3 completed-unsold homes is 1 of the Plan 2 homes and 2 of the Plan 3 homes, resulting in an average home size of 3,023 s.f.

VALUATION

Method of Analysis

This is similar to previous analyses.

VALUATION, Continuing

Analysis of Completed-Sold Homes

These are the 78 homes for which the builder sales closed from May 5, 2010 through June 29, 2012. The indicated range of sale prices is \$626,000 to \$754,000 or an average of \pm \$679,000, reflecting an average home size of 2,954 s.f. If considering all 91 closed builder sales that have taken place, including the 13 parcels that have prepaid the special taxes, the indicated price range and average price are unchanged, but for a slightly larger average size of 2,966 s.f.

If considering only the most recent 17 sales (including 6 that prepaid) which closed from January 2012 and thereafter, the indicated price range is \$630,000 to \$754,000 or the slightly higher average of \pm \$680,000 but for the slightly smaller average home size of 2,943 s.f.

Thus, this data tends to indicate that prices have increased very slightly from the earlier sales in 2010 and 2011 to the most recent sales in 2012. As a result, considering the dates of sale as well as the average home sizes, the indications at \$679,000 and \$680,000 tend to support close indications to close lower limits as an average for the 78 completed-sold homes.

As previously indicated, there have been no resales of the Andalusia homes thus far.

As to other recent builder sales in the subject area of 4S Ranch, as previously discussed for The Pines homes, the indication at \$685,000 as an average from the most recent sales and for an average home size of 3,029 s.f. supports a close indication to close upper limit due to the larger average home size than the average of 2,954 s.f. for the 78 subject homes. In addition, as previously discussed, the most recent sales of The Willows homes at an average of \$756,000 for an average home size of 3,644 s.f. supports a far upper limit for the subject homes due to the much larger home size as well as being on larger lots.

Lastly, the recent resales of other similar homes in 4S Ranch that were discussed for The Pines are also considered for the subject Andalusia homes. As previously indicated, the tabulation of the 19 home sales indicated an average price of \pm \$633,000 for an average home size of 3,135 s.f. It is noted that this size is slightly larger than the average size of 2,954 s.f. for the 78 completed-sold subject homes. However, it is also noted that many of these sales are on smaller lots than the 6,000 s.f. minimum of the subject homes, and many of these sales are 6 to 7 years old in contrast to the subject homes being 1 to 2 years old. In addition, 7 of the 19 sales were either short or lender sales which would tend to result in conservative prices. Thus, the indication at an average of \$633,000 supports a far lower limit as an average for the subject completed-sold homes.

VALUATION, Continuing

Considering only the 12 standard or builder sales, the indicated average price is ±\$642,000 for an average home size of 3,147 s.f. The much larger average size than the subject average of 2,954 s.f. is still well more than offset by the smaller lot sizes, the age of the homes, and the negative impact within these various product types by the other short and lender sales. Thus, the indication at \$642,000 is concluded to support a closer but still far lower limit indication as an average for the Andalusia homes.

In summary, the indications of average value for the 78 completed-sold homes support far lower limits at \$633,000 and \$642,000, close indications to close lower limits at \$679,000 and \$680,000, a close indication to close upper limit at \$685,000, and a far upper limit at \$756,000. The conclusion is an average value of \$680,000 for the 78 completed-sold homes.

Analysis of Completed-Unsold Homes

These 3 homes consist of 1 model home (Plan 3) and 2 production homes (Plans 2 and 3), resulting in an average home size of 3,023 s.f. It is noted that this is larger than the average size of 2,954 s.f. for the completed-sold homes due to the mix of plans. It is also noted that these 3 homes are currently sold with the escrows due to close within several weeks.

Thus, considering that one of these homes is an upgraded model, all homes are in escrow and due to close soon, and due to the larger average home size, the value conclusion is the same as for the completed-sold homes with no discount for the bulk ownership by the builder, or a conclusion of an average of \$680,000 for these 3 homes.

Conclusion of Value

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

78 completed-sold homes @ \$680,000 =	\$53,040,000
3 completed-unsold homes @ \$680,000 =	<u>\$ 2,040,000</u>
Value Indication, As Is:	\$55,080,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Andalusia product type, subject to the Assumptions and Limiting Conditions, and as of July 15, 2012:

\$55,080,000

(FIFTY-FIVE MILLION EIGHTY THOUSAND DOLLARS)

VALUATION, Continuing

Then, the overall value conclusion is allocated to the individual owners (completed-sold homes) and the builder ownership (completed-unsold homes), resulting in the following:

<u>Ownership</u>	<u>Market Value</u>
<i>Individual Owners:</i>	\$53,040,000
<i>Builder Ownership:</i>	<u>\$ 2,040,000</u>
	\$55,080,000

ADDENDA

**QUALIFICATIONS
OF
STEPHEN G. WHITE, MAI**

PROFESSIONAL EXPERIENCE

Real Estate Appraiser since 1976.

1983 through current date: Self-employed; office located at 1370 N. Brea Blvd., Suite 255, Fullerton, CA 92835 (Phone: 714-738-1595)

1976-1982: Employed by Cedric A. White, Jr., MAI, independent appraiser located in Anaheim.

Real estate appraisals have been completed on most types of properties for purposes of fair market value, leased fee value, leasehold value, easement value, partial acquisitions and severance damages.

PROFESSIONAL ORGANIZATIONS

Member, Appraisal Institute; MAI designation obtained 1985

Affiliate Member, Pacific West Association of Realtors

LICENSES

Licensed by the State of California as a Certified General Real Estate Appraiser; OREA ID No. AG013311; valid through September 22, 2012.

EDUCATION

B.A. Economics & Business, Westmont College, Santa Barbara (1976)

Appraisal Institute Courses:

- Basic Appraisal Principles, Methods and Techniques
- Capitalization Theory and Techniques
- Urban Properties
- Litigation Valuation
- Standards of Professional Appraisal Practice

Numerous seminars and continuing education on various appraisal subjects, including valuation of easements and leased fee interests, litigation, the money market and its impact on real estate, and standards of professional appraisal practice.

COURT/TESTIMONY EXPERIENCE

Qualified as an expert witness in the Superior Courts of Orange, Los Angeles, Riverside and San Bernardino Counties; also for the Assessment Appeals Board of Orange and Los Angeles Counties.

TYPES OF PROPERTY APPRAISED

Residential: vacant lots, acreage and subdivisions; single family residences, condominiums, townhomes and apartment complexes.

Commercial: vacant lots/acreage; office buildings, retail/shopping centers, restaurants, hotels/motels.

Industrial: vacant lots and acreage; warehouses, manufacturing buildings, R&D buildings, industrial parks, mini-warehouses.

Special Purpose: mobilehome parks, churches, automobile agencies, medical buildings, convalescent hospitals, easements, leased fee and leasehold interests.

QUALIFICATIONS, Page 2

CLIENT LIST

Corporations:

Aera Energy	MCP Foods
British Pacific Properties	Merrill Lynch Relocation
BSI Consultants	Orangeland RV Park
Crown Central Petroleum	Pacific Scientific
Eastman Kodak Company	Penhall International
Firestone Building Materials	Pic 'N Save Stores
Foodmaker Realty Corp.	Sargent-Fletcher Co.
Greyhound Lines	Shell-Western E&P
Holiday Rambler Corp.	Southern Distributors Corp.
International Baking Co.	Southern California Edison
Johnson Controls	The Home Depot
Kampgrounds of America	Tooley and Company
La Habra Products, Inc.	Wastewater Disposal Co.

Developers:

Brighton Homes	Mark Taylor, Inc.
Brookfield	Mission Viejo Co.
Citation Builders	Premier Homes
Davison-Ferguson Investment Devel.	Presley Homes
D.T. Smith Homes	Rockefeller & Associates
Irvine Company	Taylor Woodrow Homes
Kathryn Thompson Developers	Unocal Land & Development

Law Firms:

Baldikoski, Klotz & Dragonette	Oliver, Barr & Vose
Best, Best & Krieger LLP	Ollestad, Freedman & Taylor
Bowie, Arneson, Wiles & Giannone	Palmieri, Tyler, Wiener, Wilhelm & Waldron LLP
Bradshaw, John	Paul, Hastings, Jonofsky & Walker LLP
Bye, Hatcher & Piggott	Piggott, George B.
Callahan, McCune & Willis	Pothier, Rose
Cooksey, Coleman & Howard	Rosenthal & Zimmerman
Hamilton & Samuels	Rutan & Tucker, LLP
Horgan, Rosen, Beckham & Coren	Sikora & Price, Inc.
Kent, John	Smith & Politiski
Kirkland & Ellis	Williams, Gerold G.
Latham & Watkins LLP	Woodruff, Spradlin & Smart, P.C.
McKee, Charles C.	Yates, Sealy M.
Mosich, Nicholas J.	
Long, David M.	
Nossaman, Guthner, Knox & Elliott, LLP	

Financial Institutions:

Ahmanson Trust Company	Pacific Western Bank
Barclays Bank	San Clemente Savings & Loan
Chino Valley Bank	Security Pacific Bank
Continental Bank	Sunwest Bank
First Interstate Mortgage	United Calif. Savings Bank
First Wisconsin Bank	Washington Square Capital
National Credit Union Admin.	

QUALIFICATIONS, Page 3

Cities:

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

Counties:

County of Orange	County of Riverside
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Other Governmental:

Agua Mansa Industrial Growth Association	Metropolitan Water District
El Toro Water District	Orange County Water District
Federal Deposit Insurance Corporation (FDIC)	Trabuco Canyon Water District
Kern County Employees Retirement Association	U.S. Postal Service
Lee Lake Water Dist.	

School Districts:

Alvord Unified School Dist.	Newport-Mesa Unified School Dist.
Anaheim Union High School Dist.	Orange Unified School Dist.
Anaheim City School Dist.	Palm Springs Unified School Dist.
Banning Unified School Dist.	Placentia-Yorba Linda Unified Dist.
Capistrano Unified School Dist.	Poway Unified School Dist.
Castaic Union School Dist.	Rialto Unified School Dist.
Cypress School Dist.	Romoland School Dist.
Etiwanda School Dist.	Saddleback Valley Unif. School Dist.
Fullerton College	San Jacinto Unified School Dist.
Fullerton Joint Union High School Dist.	Santa Ana Unified School Dist.
Fullerton School Dist.	Saugus Union School Dist.
Garden Grove Unified School Dist.	So. Orange Cnty. Comm. College Dist.
Irvine Unified School Dist.	Westside Union School Dist.
Lake Elsinore Unified School Dist.	William S. Hart Union High Schl. Dist.
Moreno Valley Unified School Dist.	Victor Elementary School Dist.
Newhall School Dist.	

Churches/Church Organizations:

Calvary Church, Santa Ana	Lutheran Church, Missouri Synod
Central Baptist Church, Pomona	Presbytery of Los Rancho
Christian & Missionary Alliance Church, Santa Ana	St. Mark's Lutheran Church, Hac. Hts.
Christian Church Foundation	Vineyard Christian Fellowship
Congregational Church, Fullerton	Yorba Linda United Methodist Church
First Church of the Nazarene	

Other:

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

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following summary discussion of selected provisions of the Indenture is made subject to all of the provisions of such document. This summary discussion does not purport to be a complete statement of such provisions and prospective purchasers of the Bonds are referred to the complete text of the Indenture, copies of which are available upon request sent to the Fiscal Agent.

Definitions

“Act” means the “Mello-Roos Community Facilities Act of 1982”, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California.

“Actual Cost” or “Actual Costs” shall have the meaning given to such term in the Supplement to Mitigation Agreement.

“Additional School Facilities” shall have the meaning given to such term in the Supplement to Mitigation Agreement.

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

“Administrative Expenses” means the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Improvement Area C Special Taxes and preparing the annual Improvement Area C Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Improvement Area C Special Taxes (whether by the County, the School District or otherwise); the costs of remitting the Improvement Area C Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent required under the Indenture; the costs of the School District, the District or any designee thereof of complying with the arbitrage rebate requirements; the costs of the School District, the District, or any designee thereof of complying with School District, District or obligated person disclosure requirements associated with applicable federal or state securities laws and of the Act; the costs associated with preparing Improvement Area C Special Tax disclosure statements and responding to public inquiries regarding the Improvement Area C Special Taxes; the costs of the School District, District or any designee thereof related to an appeal of the Improvement Area C Special Tax; and the costs of any credit enhancement obtained by the School District or the District. Administrative Expenses shall also include Delinquency Collection Expenses.

“Administrative Expense Requirement” means an annual amount equal to \$28,717.14 for Fiscal Year 2012-13 and escalating at 2% each Fiscal Year thereafter commencing in Fiscal Year 2012-14.

“Affiliate” means any entity owned, controlled or under common ownership or control by or with, as applicable, a Property Owner and includes all general partners of any entity which is a partnership. Control shall mean ownership of fifty percent (50%) or more of the voting power of or ownership interest in the respective entity.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year, including from mandatory sinking fund payments.

“Annual Special Tax Requirement” shall have the meaning given such term in the Improvement Area C Special Tax RMA.

“Assessor’s Parcel” means an Assessor’s Parcel as defined in the Improvement Area C Special Tax RMA.

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

“Average Annual Debt Service” means, as of the date of any calculation, the average annual debt service on the Bonds based upon a Bond Year during the current or any future Bond Year.

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

“Bondowner” or “Owner”, or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee, representative or assign of any Outstanding Bond which shall at the time be registered.

“Bonds” means the \$9,470,000 Poway Unified School District Community Facilities District No. 6 (4S Ranch) Improvement Area C Series 2012 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, 2013.

“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.

“Cash Deposit” means a deposit of good funds by a Property Owner with the Fiscal Agent in the applicable Stated Amount in lieu of depositing a Letter of Credit or Substitute Letter of Credit pursuant to the Supplement to Mitigation Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Comptroller of the Currency” means the Comptroller of the Currency of the United States.

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

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

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

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

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

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

“Developed Property” shall have the meaning given such term in the Improvement Area C Special Tax RMA.

“Discrete Component” shall have the meaning given such term in the Supplement to Mitigation Agreement.

“District” means Community Facilities District No. 6 (4S Ranch) of the School District.

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

“Fiscal Agent” means Zions First National Bank, and any successor thereto.

“Fiscal Year” means the 12 month period beginning July 1 of each year and terminating on June 30 of the following year, or any other annual accounting period hereinafter selected and designated by the District as its fiscal year in accordance with applicable law.

“Government Obligations” means obligations described in Paragraph 1 of the definition of Permitted Investments.

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

“Improvement Area C” means Improvement Area C of the District.

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

“Improvement Area C Special Tax” means the Special Tax authorized to be levied in Improvement Area C to finance the acquisition or construction of the Additional School Facilities and the Infrastructure Improvements pursuant to the Act and the Improvement Area C Special Tax RMA.

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

“Improvement Area C Special Tax RMA” means the amended rate and method of apportionment of the Improvement Area C Special Tax approved at the special election held in Improvement Area C of the District on October 20, 2003, as may be modified from time to time in accordance with the Act.

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

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

“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.

“Infrastructure Improvement” shall have the meaning given such term in the Supplement to Mitigation Agreement.

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

“Interest Payment Date” means March 1 and September 1 of each year, commencing March 1, 2013.

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

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

“Letter of Credit” means a Letter of Credit issued pursuant to the Supplement to the Mitigation Agreement by a Letter of Credit Bank, or any reissuance or extension thereof, which Letter of Credit shall be in the Stated Amount therefor.

“Letter of Credit Bank” means the issuer from time to time of a Letter of Credit and the respective successors and assigns of the business thereof and any surviving, resulting or transferee banking association or corporation with or into which it may be consolidated or merged or to which it may transfer all of its banking business, provided that the short-term and long-term ratings of such entity are at least investment grade, such entity must have a minimum Moody’s long-term rating of “A” and short-term rating of “P-1,” as evidenced by proof provided by such Letter of Credit Bank to the District and the Fiscal Agent, or that such entity is otherwise acceptable to the District.

“Letter of Credit Fund” means the fund by that name established pursuant to the Indenture.

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

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

“Net Improvement Area C Special Tax Revenues” means Improvement Area C Special Tax Revenues excluding (a) the amount necessary to annually fund the Administrative Expense Requirement and (b) Surplus Special Taxes.

“Nominee” means the nominee of the Depository that may be the Depository, as determined from time to time by the Depository.

“Outstanding” means as to the Bonds, all of the Bonds, except:

1. Bonds theretofore canceled or surrendered for cancellation in accordance with the provisions of the Indenture;
2. Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to the terms hereof; and
3. Bonds for the payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or any applicable Supplemental Indenture.

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

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

1.
 - A. Direct obligations (other than an obligation subject to variation in principal payment) of the United States of America (“United States Treasury Obligations”);
 - B. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;
 - C. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or
 - D. Evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.
2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- A. Federal Home Loan Mortgage Corporation (FHLMC)
 - (1) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - (2) Senior Debt obligations
 - B. Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
 - (1) Consolidated system-wide bonds and notes
 - C. Federal Home Loan Banks (FHL Banks)
 - (1) Consolidated debt obligations
 - D. Federal National Mortgage Association (FNMA)
 - (1) Senior debt obligations
 - (2) Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - E. Student Loan Marketing Association (SLMA)
 - (1) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - F. Financing Corporation (FICO)
 - (1) Debt obligations
 - G. Resolution Funding Corporation (REFCORP)
 - (1) Debt obligations
4. Unsecured certificates of deposit, time deposits, deposit accounts and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P.
 5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.
 6. Commercial paper (having original maturities of not more than 270 days rated "A-1" by S&P and "Prime-1" by Moody's.
 7. Money market funds rated "AAM-1" or "AAM-G" by S&P, or better.
 8. State Obligations, which means:
 - A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

- B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated “A-1+” by S&P and “Prime-1” by Moody’s.
 - C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.
9. Pre-refunded municipal obligations rated “AAA” by S & P and “Aaa” by Moody’s meeting the following requirements:
- A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
 - B. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
 - C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);
 - D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
 - E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
 - F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements:

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

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

- B. The Fiscal Agent or a third party acting solely as agent therefor or for the District (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);
- C. The Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- D. The repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the District or the Fiscal Agent, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Fiscal Agent.

Notwithstanding the above, collateral levels need not be as specified in “A” above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

- 11. Investment agreements with a domestic or foreign bank or corporation the long-term debt or financial strength of which, it or its guarantor is rated at least “AA-” by S&P and “Aa3” by Moody’s; provided that, by the terms of the investment agreement:
 - A. the invested funds are available for withdrawal without penalty or premium, upon not more than seven days’ prior notice; the District and the Fiscal Agent hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
 - B. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof; or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks pari passu with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;
 - C. the District and the Fiscal Agent receives the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);
 - D. the investment agreement shall provide that if during its term
 - (1) the provider’s rating by either S&P or Moody’s falls below “AA-” or “Aa3”, respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to the District, the Fiscal Agent or a Holder of the Collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value

approach); or (b) transfer and assign the investment agreement to a then qualifying counterparty with ratings specified above; and

(2) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, within 10 days of the date of such withdrawal, suspension or reduction of the provider's rating, repay the principal of and accrued but unpaid interest on the investment;

E. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

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

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Fiscal Agent, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent, as appropriate, and

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("Event of Insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent, as appropriate.

12. The Local Agency Investment Fund (LAIF) administered by the treasurer of the State to the extent such deposits remain in the name of and control of the Fiscal Agent.

"Prepayments" means Improvement Area C Special Tax Revenues identified to the Fiscal Agent by an Authorized Representative as representing a prepayment of the Improvement Area C Special Tax.

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

"Principal Corporate Trust Office" means the office of the Fiscal Agent at 550 South Hope Street, Suite 2650, Los Angeles, CA 90071 or such other offices as may be specified to the District by the Fiscal Agent in writing.

"Project Area" shall have the meaning given to such term in the Supplement to Mitigation Agreement.

"Property Owner" shall have the same meaning given the term "Owner" in the Supplement to Mitigation Agreement.

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

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

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

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

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

“Reserve Requirement” means an amount initially equal to \$796,896.61 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 principal amount of the Bonds less original issue discount, if any, plus original issue premium, if any, applicable to the Bonds.

“School District” means the Poway Unified School District.

“Special Tax Consultant” means any person or firm possessing demonstrated experience and expertise in the preparation of special tax formulas and/or the administration of special taxes levied for community facilities districts. Any such person or firm shall be appointed and paid by the District and who, or each of whom:

1. is in fact independent and not under domination of the District or the School District;
2. does not have any substantial interest, direct or indirect, in the District or the School District;
and
3. is not an officer or employee of the District or the School District, but who may be regularly retained by the School District or other community facilities districts formed by the School District to administer the levy of special taxes within such community facilities districts.

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

“State” means the State of California.

“Stated Amount” means the amount available to be drawn under any Letter of Credit or Letters of Credit from time to time, as such amount is set forth in the initial Letter of Credit delivered on the Closing Date and as such amount shall be stated in such Letters of Credit thereafter delivered to the Fiscal Agent. During each Fiscal Year in which such Letter of Credit is in effect, the Stated Amount of each Letter of Credit shall equal the estimated amount of Special Taxes to be levied secured by such Letter of Credit during that Fiscal Year.

“Substitute Letter of Credit” shall have the meaning given such term in the Supplement to Mitigation Agreement.

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

“Supplement to Mitigation Agreement” means that Supplement to 4S Ranch School Impact Mitigation Agreement made and entered into as of June 17, 2002 by and among the School District, the District and 4S Kelwood General Partnership, as it may be amended or supplemented from time to time.

“Supplemental Indenture” means any bond indenture then in full force and effect which has been duly approved by resolution of the Legislative Body under and pursuant to the Act at a meeting of the Legislative Body duly convened and held, at which a quorum was present and acted thereon, amendatory hereof or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“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 the Bonds maturing on September 1, 2035, and the Bonds maturing on September 1, 2042.

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

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

Establishment of Funds and Accounts

Improvement Area C Special Tax Fund.

- (a) The District shall, no later than the tenth (10th) Business Day after which Improvement Area C Special Tax Revenues, as applicable, 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 to the Fiscal Agent for deposit in the Improvement Area C Special Tax Fund. Improvement Area C Special Tax Revenues representing Prepayments shall be transferred upon receipt pursuant to the provisions of the Indenture and Improvement Area C Special Tax Revenues, as applicable, representing Delinquency Proceeds shall, to the extent necessary, first be transferred to the Letter of Credit Fund pursuant to the provisions of the Indenture and then to the Improvement Area C Special Tax Fund.
- (b) The Improvement Area C Special Tax Revenues, as applicable, deposited in the Improvement Area C Special Tax Fund, as applicable, shall be held in trust and deposited into the following funds and accounts and/or transferred to the District on the dates and in the amounts set forth in the following paragraphs, in the following order of priority, to:
 - (1) The Fiscal Agent shall each Fiscal Year transfer to the Administrative Expense Fund from the first Improvement Area C Special Tax Revenues received by the Fiscal Agent during such Fiscal Year an amount equal to the Administrative Expense Requirement.
 - (2) The Fiscal Agent shall deposit in the Interest Account of the Bond Service Fund, on each Interest Payment Date and date for redemption of the Bonds, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date.
 - (3) The Fiscal Agent shall deposit in the Principal Account of the Bond Service Fund, on each Interest Payment Date and redemption date on which the principal of the Bonds shall be payable, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date, or required to be redeemed on such date pursuant to the Indenture.
 - (4) On or after March 2 and September 2 of each year after making the transfer and deposits required under (1) through (3) above, the Fiscal Agent shall transfer the

amount, if any, necessary to replenish the amount then on deposit in the Reserve Fund to an amount equal to the Reserve Requirement.

- (5) On or after September 2 of each year after making the deposits and transfers required under (1) through (4) above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Improvement Area C Special Tax Fund to the Rebate Fund the amount specified in such request.
 - (6) On or after September 2 of each year after making the deposits and transfers required under (1) through (5) above, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Improvement Area C Special Tax Fund, as applicable, to the Administrative Expense Fund the amounts specified in such request to pay those Administrative Expenses which the District reasonably expects will become due and payable during such Fiscal Year or the cost of which Administrative Expenses have previously been incurred and paid by the District from funds other than the Administrative Expense Fund
 - (7) If, on or after September 2 of each year, after making the deposits and transfers required under (1) through (6) above, monies remain in the Improvement Area C Special Tax Fund, such monies shall remain on deposit in the Improvement Area C Special Tax Fund and shall be subsequently deposited or transferred pursuant to the provisions of 1. through 6. above, provided, however, that if at any time and from time to time the District determines, pursuant to the Supplement to Mitigation Agreement, that all or any portion of such monies constitute the proceeds of Surplus Special Taxes, the District may, by written instructions executed by an Authorized Representative, direct the Fiscal Agent to transfer that amount of such monies constituting Surplus Special Taxes to the School District to be utilized pursuant to the provisions of the Supplement to Mitigation Agreement to finance the acquisition or construction of Additional School Facilities or School Facilities.
- (c) The Fiscal Agent shall, upon receipt of Improvement Area C Special Tax Revenues, as applicable, 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 an, on and principal of Bonds to be redeemed pursuant to the provisions of the Indenture.
 - (d) When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Improvement Area C Special Tax Fund, as applicable, shall be transferred to the District and used for any lawful purpose under the Act.

Bond Service Fund.

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

Principal Account. All moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof and (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 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. Any amounts remaining on deposit in the Costs of Issuance Fund on the earlier of the date on which all Costs of Issuance have been paid as stated in writing by an Authorized Representative delivered to the Fiscal Agent or six months after the Delivery Date of the Bonds shall be transferred to the Improvement Area C Improvement Fund.

Improvement Area C Improvement Fund

The Fiscal Agent shall, from time to time, disburse monies from the Improvement Area C Improvement Fund to pay Actual Costs. Upon receipt of a payment request of the District duly executed by an Authorized Representative in substantially the form attached to the Indenture (which payment request shall not exceed the corresponding payment request provided to the School District under the Supplement to Mitigation Agreement), the Fiscal Agent shall pay the Actual Costs from amounts in the Improvement Fund directly to the contractor or such other person, corporation or entity entitled to payment hereunder (including reimbursements, if any, to the District) unless the District requests payment to be made to the contractor or such other party jointly, in which case said Actual Costs or Contribution shall be paid jointly. The Fiscal Agent may rely on an executed payment request as complete authorization for said payments.

After the final payment or reimbursement of all Actual Costs and Contributions as certified by delivery of a written notice from an Authorized Representative to the Fiscal Agent, the Fiscal Agent shall transfer excess monies, if any, on deposit in, or subsequently deposited in, the Improvement Fund to the Improvement Area C Special Tax Fund. Upon such transfer, the 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 Fund, upon written instruction from the District executed by an Authorized Representative, the Fiscal Agent shall restrict the Yield on such amounts so that the Yield earned on the investment of such amounts is not in excess of the Yield on the Bonds, unless in the written opinion of Bond Counsel delivered to the Fiscal Agent such restriction is not necessary to prevent an impairment of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Reserve Fund

Moneys on deposit in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds as such amounts shall become due and payable in the event that the moneys in the Improvement Area C Special Tax Fund 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 in steps 1 through 3 of the Improvement Area C Special Tax Fund have been made for any Bond Year, if the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the Fiscal Agent shall transfer to the Reserve Fund from the first available monies in the Improvement Area C Special Tax Fund an amount necessary to increase the balance therein to the Reserve Requirement. If on March 1 or on September 1, or on the first Business Day thereafter if March 1 or September 1 is not a Business Day, of each year, the amount on deposit in the Reserve Fund is in excess of the Reserve Requirement inclusive of interest earnings and exclusive of excess created by optional redemption, the Fiscal Agent shall transfer such excess to the Interest Account of the Bond Service Fund. In connection with any optional redemption of Bonds, 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 C Special Tax RMA, the Fiscal Agent shall transfer the amount specified in such instructions from the Reserve Fund to the Redemption Fund for the purpose of redeeming Bonds pursuant to such instructions.

Whenever the balance in the Reserve Fund 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 to the Redemption Fund to be applied, on the next succeeding interest payment date, to the payment and redemption of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund 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.

In no event shall amounts in the Reserve Fund be used to pay fees or expenses of the Fiscal Agent or its counsel.

Rebate Fund.

The District shall calculate Excess Investment Earnings as defined in, and in accordance with, the Rebate Instructions, 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 Rebate Instructions.

Administrative Expense Fund.

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

Redemption Fund

Monies shall be deposited into the Redemption Fund by the Fiscal Agent pursuant to the provisions of the Indenture. Such monies shall be set aside and used solely for the purpose of paying the principal of, premium, if any, and interest on Bonds subject to optional or extraordinary mandatory redemption and the written instructions of an Authorized Representative given in accordance with the provisions of the Indenture. Any monies remaining on deposit in the Redemption Fund following the redemption of any such Bonds shall remain on deposit therein and shall be used for the purposes provided for in this paragraph.

Letter of Credit Fund

Letter of Credit; Purpose; Duration. As a condition precedent to issuance of the Bonds, the District shall cause each applicable Property Owner to provide a Letter of Credit or Cash Deposit pursuant to the provisions of the Supplement to Mitigation Agreement in the applicable Stated Amount therefor for each Project Area within Improvement Area C, as applicable, and having the Fiscal Agent as beneficiary. The Fiscal Agent shall deposit any Letter of Credit, Substitute Letter of Credit or Cash Deposit provided pursuant to the Supplement to Mitigation Agreement in the Letter of Credit Fund.

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

1. Draws Prior to an Interest Payment Date. Ten Business Days before each Interest Payment Date, the Fiscal Agent shall determine whether amounts on deposit in the Bond Service Fund on that Interest Payment Date will be sufficient to pay principal of and interest on the Bonds that will be due and payable on such Interest Payment Date and notify the District of any deficiency. If amounts in the Bond Service Fund will be insufficient to pay principal of and interest on the Bonds and such insufficiency is attributable to the delinquency in the payment of Improvement Area C Special Taxes, as applicable, levied on properties owned by the Property Owner that provided a Letter of Credit or Cash Deposit pursuant to the Supplement to Mitigation Agreement or an Affiliate of such Property Owner, the Fiscal Agent shall upon the receipt of written direction of an Authorized Officer (prior to any withdrawals from the Reserve Fund) draw upon such Letter of Credit; provided, however, that the amount of such draw or withdrawal (as set forth in said written direction of the Authorized Officer) shall be no greater than the delinquent Improvement Area C Special Taxes, as applicable, levied on such Properties. The Fiscal Agent shall deposit the proceeds of any such draw upon a Letter of Credit into the Letter of Credit Fund. On the day preceding the Interest Payment Date, and prior to any transfers from the Reserve Fund, the Fiscal Agent shall transfer the amount of such draw on the Letter of Credit or an equivalent amount from any Cash Deposit from the Letter of Credit Fund to the Bond Service Fund.

In the event of a draw on a Letter of Credit or transfer of funds from a Cash Deposit, the District shall, upon receipt of Delinquency Proceeds representing the Improvement Area C Special Taxes, as applicable, the delinquency of which necessitated such draw on such Letter of Credit or transfer of funds from a Cash Deposit, reimburse (a) the applicable Letter of Credit Provider from such Delinquency Proceeds in an amount not to exceed such draw on such Letter of Credit or (b) replenish the Cash Deposit in an amount not to exceed such transfer from the Cash Deposit.

2. Draws Prior to Termination of the Letter of Credit. If a Letter of Credit is not renewed, or a Substitute Letter of Credit or Cash Deposit not provided within fifteen (15) days prior to stated expiration date of such Letter of Credit and the requirements for the release or termination of such Letter of Credit have not then been met, the Fiscal Agent shall draw on the full amount of such Letter of Credit without instruction from the District. In the event the Fiscal Agent makes such a draw upon a Letter of Credit, the Fiscal Agent shall deposit the proceeds of such draw into the Letter of Credit Fund and pending any transfer to the Bond Service Fund for the purposes described above, such proceeds shall be invested and

reinvested by the Fiscal Agent in Government Obligations or Permitted Investments described in paragraph 7. of the definition thereof. At no time shall the District direct that the proceeds of a draw on any Letter of Credit held in the Letter of Credit Fund be invested by the Fiscal Agent at a yield exceeding the yield on the Bonds. Investment earnings and profits from such investments shall be retained in the Letter of Credit Fund.

Letter of Credit Requirements. Except as otherwise provided in the Indenture, the provisions of the Supplement to Mitigation Agreement shall establish and govern all requirements related to any Letter of Credit provided thereunder or under the Indenture including but not limited to applicability of the requirement to provide a Letter of Credit, determination of the Stated Amount thereof, renewal, substitution, reduction and termination thereof. No amendment may be made to any provision of the Supplement to Mitigation Agreement pertaining to the provision of a Letter of Credit that would be materially adverse to the interests of the Bondowners without the consent of the Bondowners obtained pursuant to the provisions of the Indenture.

Receipt by District of any Letter of Credit, Substitute Letter of Credit or Cash Deposit. If the District shall receive a Letter of Credit or a Substitute Letter of Credit provided pursuant to the terms of the Supplement to Mitigation Agreement or a Cash Deposit, the District shall immediately transfer such Letter of Credit, Substitute Letter of Credit or Cash Deposit to the Fiscal Agent. The District shall provide written instructions to the Fiscal Agent to return any Letter of Credit to the Letter of Credit Provider thereof for which a Substitute Letter of Credit or Cash Deposit is being provided upon the effective date of such Substitute Letter of Credit or upon receipt by the Fiscal Agent of such Cash Deposit.

Termination or Release of a Letter of Credit, Substitute Letter of Credit or Cash Deposit. If any Letter of Credit or Substitute Letter of Credit is terminated pursuant to the provisions of the Supplement to Mitigation Agreement the District shall provide written notice of such termination to the Fiscal Agent together with instructions directing the Fiscal Agent to return such Letter of Credit to the Letter of Credit Provider thereof.

If the requirement to provide a Letter Credit is terminated pursuant to the provisions of the Supplement to Mitigation Agreement in any case where a Cash Deposit has been provided, the District shall provide written notice of such termination to the Fiscal Agent together with instructions directing the Fiscal Agent to return such Cash Deposit to the Property Owner who provided such Cash Deposit.

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

Investment of Funds.

Unless otherwise specified in the Indenture, monies in the Improvement Area C Special Tax Fund, as applicable, the Bond Service Fund, the Improvement Area C Improvement Fund, the Reserve Fund, the Redemption Fund, the Costs of Issuance Fund and Administrative Expense Fund shall, at the written direction of an Authorized Representative given at least two (2) days prior, be invested and reinvested in Permitted Investments (including investments with the Fiscal Agent or an affiliate of the Fiscal Agent or investments for which the Fiscal Agent or an affiliate of the Fiscal Agent acts as investment advisor or provides other services so long as the investments are Permitted Investments). Monies in the Redemption Fund and the Rebate Fund shall, at the written direction of an Authorized Representative, be invested in Government Obligations. Notwithstanding anything herein to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in paragraph 7 of the definition of Permitted Investments.

Obligations purchased as investments of monies in any fund or account shall be deemed at all times to be a part of such fund or account. Except as provided otherwise in the Indenture, any income realized on or losses resulting from investments in any fund or account shall be credited or charged to such fund or account.

Moneys in all Funds and Accounts may be aggregated for purposes of investing in Authorized Investments except when it is necessary to segregate a Fund or Account or portion thereof for purposes of restricting the Yield on the investment of such funds.

Subject to the restrictions set forth in the Indenture and/or any written investment instructions received by Fiscal Agent pursuant to the Indenture, moneys in all funds and accounts, except for the Reserve Fund, shall be invested in Authorized 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. Authorized Investments purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Fiscal Agent may deliver such Authorized Investments for repurchase under such agreement.

The Fiscal Agent shall sell or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide monies to meet any payment or transfer for such funds and accounts or from such funds and accounts. The Fiscal Agent shall not be liable for any loss from any investments made or sold by it in accordance with the provisions of the Indenture.

Amendments or Supplements.

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

- (a) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, 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 adversely affect the interests of the Bondholders;
- (b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (c) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the interests of the Bondholders; or
- (d) to amend any provision of the Indenture relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds.

Exclusive of the Supplemental Indenture hereto provided for in the preceding paragraph, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indenture 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 herein shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any Bond, or (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon without the consent of the affected Bondowner(s), or permit, or be construed as permitting, (x) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (y) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Indenture, or (z) creating of a pledge of or lien or charge upon the Improvement Area C Special Tax Revenues, as applicable, superior to the pledge provided for of the Indenture, without the consent of the Owners of all Bonds then Outstanding.

If at any time the District shall desire to approve a Supplemental Indenture, which shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The District shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondowners at their addresses as they appear in the bond register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the principal office of the District for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved as provided for in the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the District shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to the approval thereof by the Legislative Body substantially in the form of the copy thereof referred to in such Notice as on file with the District, such proposed Supplemental Indenture, when duly approved by the Legislative Body, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of 60% of the aggregate principal amount of the Bonds have consented to the approval of any Supplemental Indenture, Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not outstanding for the purpose of any such determination.

Upon the approval of any Supplemental Indenture hereto and the receipt of consent to any such Supplemental Indenture from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments. Notwithstanding anything herein to the contrary, no Supplemental Indenture shall be entered into which would modify the duties of the Fiscal Agent under the Indenture, without the prior written consent of the Fiscal Agent.

Ownership of Bonds.

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

Mutilated, Lost, Destroyed or Stolen Bonds.

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

Covenants.

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

Covenant to Foreclose. On or before June 1 of each Fiscal Year, the District will review the public records of the County of San Diego, California, in connection with the Improvement Area C Special Tax, as applicable, levied in such Fiscal Year to determine the amount of such Special Tax actually collected in such Fiscal Year. If the District determines that (a) any single parcel subject to such Special Tax is delinquent in the payment of such Special Taxes in the aggregate of \$5,000 or more or (b) any single parcel or parcels under common ownership subject to such Special Tax are delinquent in the payment of such Special Taxes in the aggregate of \$10,000 or more, the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this section and for which such Special Taxes remain delinquent. With respect to aggregate delinquencies throughout the District, if the District determines that it has collected less than 95% of such Special Taxes levied in the such Fiscal Year, then the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The District will cause judicial foreclosure proceedings to be commenced and filed in the Superior Court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this section and for which such Special Taxes remain delinquent.

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

No Senior or Parity Liens. C. The District will not issue any other obligations payable, principal or interest, from the Improvement Area C Special Taxes which have, or purport to have, any lien upon the Improvement Area C Special Taxes superior to or on a parity with the lien of the Bonds. Nothing in the Indenture shall prevent the District from issuing and selling, pursuant to law, refunding bonds or other refunding obligations payable from and having a first lien upon the Improvement Area C Special Taxes on a parity with the Outstanding Bonds so long as the issuance of such refunding bonds or other refunding obligations results in a reduction in the Annual Debt Service on the Bonds and such refunding bonds or other refunding obligations taken together.

Levy of Improvement Area C Special Taxes. The District shall comply with all requirements of the Act so as to assure the timely collection of the Improvement Area C Special Taxes, as applicable. Prior to July 1 of each year, the District shall ascertain the parcels on which such Special Taxes are to be levied in the following Fiscal Year, taking into account any subdivisions of parcels during the current Fiscal Year. The District shall effect the levy of such Special Tax in accordance with the Improvement Area C Special Tax RMA and the Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County of San Diego before the final date on which the Auditor of the County of San Diego will accept the transmission of the Improvement Area C Special Tax for the parcels within Improvement Area C for inclusion on the next real property tax roll. Upon completion of the computation of the amount of such Special Tax levy, the District shall prepare or cause to be prepared, and shall transmit or cause to be transmitted to tax bills to such property owners not later than the date on which the Auditor/Tax Collector of the County of San Diego annually mails the property tax bills.

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

The District covenants that, in the event that any initiative is adopted by the qualified electors of Improvement Area C which purports to reduce the Maximum Special Tax below the levels authorized pursuant to the Improvement Area C Special Tax RMA, as applicable, or to limit the power or authority of the District to levy Improvement Area C Special Taxes, as applicable, pursuant to such Special Tax RMA, the District shall, from funds available under the Indenture, commence and pursue legal action in order to preserve the authority and power of the District to levy such Special Taxes pursuant to such Special Tax RMA.

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

Tax Covenants. The District will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the District or take or omit to take any action that would cause the Bonds to

be “private activity bonds” within the meaning of Section 141 of the Code, or obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Code. The District will not allow five percent (5%) or more of the proceeds of the Bonds to be used in the trade or business of any non-governmental units and will not loan five percent (5%) or more of the proceeds of the Bonds to any non-governmental units.

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

Without limiting the generality of the foregoing, the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds.

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

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

Reports to California Debt Investment and Advisory Commission. Not later than October 30th of each year, commencing October 30, 2013, and until October 30th following the final maturity of the Bonds, the District shall supply or cause to be supplied to the California Debt and Investment Advisory Commission by mail, postage prepaid, the information, if any, then required by Government Code Section 53359.5 to be submitted to such agency.

Adoption of Policy Regarding Tender of Bonds. The District covenants that it will not adopt any policy pursuant to the Act permitting tender of Bonds in full payment or partial payment of any Improvement Area C Special Taxes, as applicable, unless it first receives a certificate of a Special Tax Consultant that accepting such tender will not result in the District having insufficient Improvement Area C Special Tax Revenues, as applicable, to pay the principal of and interest on the Bonds when due.

Defeasance.

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture, then the Owner of such Bond shall cease to be entitled to the pledge of the Improvement Area C Special Tax Revenues, as applicable, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond under the Indenture shall thereupon cease, terminate and become void and discharged and satisfied. In the event of

the defeasance of all Outstanding Bonds, the Fiscal Agent shall pay over or deliver to the District all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds.

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

- (a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;
- (b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds established pursuant to the Indenture (exclusive of the Rebate Fund) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable; or
- (c) by depositing with an escrow bank appointed by the District, in trust, noncallable Permitted Investments of the type described in subparagraph 1 of the definition thereof, in such amount as an Independent Accountant shall determine (as set forth in a verification report from such Independent Accountant) will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the funds established under the Indenture (exclusive of the Rebate Fund) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

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

To accomplish such defeasance, the District shall cause to be delivered (i) a report of the Independent Accountant verifying the determination made pursuant to the preceding paragraph (the "Verification Report") and (ii) an opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding. The Verification Report and opinion of Bond Counsel shall be acceptable in form and substance, and addressed to the District and the Fiscal Agent.

Provisions Constitute a Contract.

The provisions of the Indenture shall constitute a contract between the District and the Bondowners and the provisions of the Indenture shall be enforceable by any Bondowner for the equal

benefit and protection of all Bondowners similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State in any court of competent jurisdiction. Said contract is made under and is to be construed in accordance with the laws of the State.

No remedy conferred by the Indenture upon any Bondowner is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law of the State. No waiver of any default or breach of duty or contract by any Bondowner shall affect any subsequent default or breach of duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any Bondowner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Bondowners may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and the Bondowner shall prevail, said Bondowner shall be entitled to receive from the Special Tax Fund reimbursement for reasonable costs, expenses, outlays and attorney's fees, and should said suit, action or proceeding be abandoned or be determined adversely to the Bondowners then, and in every such case, the District and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Events of Default.

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

- (a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.
- (b) Default in the due and punctual payment of interest on any Bond when and as such interest shall become due and payable.
- (c) Default by the District in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Fiscal Agent or to the District and the Fiscal Agent by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; provided that such default (other than a default arising from nonpayment of the Fiscal Agent's fees and expenses, which must be cured within such 30-day period unless waived by the Fiscal Agent) shall not constitute an Event of Default under the Indenture if the District shall commence to cure such default within said thirty (30) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or
- (d) The filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the District, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent

jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

Application of Revenues and Other Funds After Default

Except as to moneys on deposit in the Improvement Fund, if a default in the payment of the Bonds shall occur and be continuing, all revenues and any other funds then held or thereafter received under any of the provisions of the Indenture shall be applied as follows and in the following order:

- A. To the payment of any expenses necessary in the opinion of the District to protect the interest of the owners of the Bonds and payment of reasonable charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;
- B. To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

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

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

Remedies of the Owners.

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

- A. By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;
- B. By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or
- C. By a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in 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 herein provided, out of the applicable Net Special Tax Revenue pledged for such payment, or affect or impair the right of action, which is also absolute and

unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Indenture. The principal of the Bonds shall not be subject to acceleration.

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

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

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

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APPENDIX E

**FORM OF COMMUNITY FACILITIES DISTRICT
CONTINUING DISCLOSURE AGREEMENT**

This CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and entered into as of September 1, 2012, by and among the Poway Unified School District, on behalf of the Poway Unified School District Community Facilities District No. 6 (4S Ranch) (the “Community Facilities District”), Zions First National Bank, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Bank”) in its capacity as Fiscal Agent (the “Fiscal Agent”), and Dolinka Group, LLC, a California limited liability company, in its capacity as Dissemination Agent (the “Dissemination Agent”) under this Disclosure Agreement in connection with the issuance of the Poway Unified School District Community Facilities District No. 6 (4S Ranch) Improvement Area C 2012 Special Tax Bonds (the “2012 Bonds”);

W I T N E S S E T H :

WHEREAS, pursuant to Bond Indenture, dated as of September 1, 2012 (the “Indenture”), by and between the Community Facilities District and the Fiscal Agent, the Community Facilities District has issued the 2012 Bonds in the aggregate principal amount of \$9,470,000; and

WHEREAS, the 2012 Bonds are payable from and secured by special taxes levied on certain of the taxable property within Improvement Area C of the Community Facilities District;

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

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

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

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

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

“Community Facilities District” shall mean the Poway Unified School District Community Facilities District No. 6 (4S Ranch).

“Disclosure Representative” shall mean the Superintendent of the School District, acting on behalf of the Community Facilities District or his or her designee, or such other officer or employee as the Community Facilities District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean Dolinka Group, LLC or any successor Dissemination Agent designated in writing by the Community Facilities District and which has filed with the Community Facilities District a written acceptance of such designation.

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

“Improvement Area C” shall mean Improvement Area C of the Poway Unified School District Community Facilities District No. 6 (4S Ranch).

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

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

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, Los Angeles, California.

“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, 2013, provide to the MSRB through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB and to the Fiscal Agent an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to the Annual Report Date, the Community Facilities District shall provide the Annual Report to the Dissemination Agent and the Fiscal Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; *provided* that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report provided by the Community Facilities District and later than the Annual Report Date if not available by that date. If the School District’s or the Community Facilities District’s fiscal year changes, the Community Facilities District shall give notice of such change in the same manner as for a Listed Event under Section 5(c). If the Dissemination Agent has not received a copy of the Annual Report on or before 15 business days prior to the Annual Report Date in any year, the Dissemination Agent shall notify the Community Facilities District of such failure to receive the applicable Annual Report. The Community Facilities District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Community Facilities District and shall have no duty or obligation to review such Annual Report.

(b) If the Community Facilities District is unable to provide to the MSRB through the EMMA System and to the Fiscal Agent an Annual Report by the Annual Report Date, the

Dissemination Agent shall send a notice to the MSRB through the EMMA System, in substantially the form attached as Exhibit A.

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

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

(a) Audited Financial Statements of the School District prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If audited financial statements are not available, at the time required for filing, unaudited financial statements shall be submitted with the Annual Report, and audited financial statements shall be submitted once available.

(b) The following information regarding the 2012 Bonds and any parity bonds or refunding bonds:

- (i) Principal amount of 2012 Bonds and any parity bonds or refunding bonds outstanding as of a date within 45 days preceding the date of the Annual Report;
- (ii) Balance in the 2012 Bond Service Fund as of a date within 45 days preceding the date of the Annual Report;
- (iii) Balance in the Reserve Fund and statement of Reserve Requirement as of a date within 45 days preceding the date of the Annual Report;
- (iv) While there are funds in the Improvement Fund and each account or subaccount thereof, the balance in the Improvement Fund as of a date within 45 days preceding the date of the Annual Report, and of any other fund or account not referenced in clauses (i), (ii), (iii) or (iv) hereof;
- (v) A table summarizing assessed value-to-lien ratios for the property in Improvement Area C by the Rate and Method of Apportionment of Special Taxes land use categories. The assessed values in such table will be determined by reference to the value of the parcels within Improvement Area C on which the Special Taxes are levied, as shown on the assessment roll of the San Diego County Assessor last equalized prior to the September 2 next preceding the Annual Report Date. The lien values in such table will

include all 2012 Bonds and any bonds and refunding bonds with respect to Improvement Area C and all other debt secured by a tax or assessments levied on parcels within Improvement Area C and estimated debt service on the 2012 Bonds and any refunding bonds of the Community Facilities District for the related bond year;

- (vi) An update of Table 2 showing amounts for the current fiscal year's Special Tax levy and information regarding the annual special taxes levied in Improvement Area C, whether in the case of Developed Property the amounts are the maximum available levy under the Rate and Method of Apportionment of Special Tax with respect to Improvement Area C, amount collected, delinquent amounts and percent delinquent for the most recent fiscal year;
- (vii) Status of foreclosure proceedings of parcels within Improvement Area C and summary of results of foreclosure sales, if available;
- (viii) A land ownership summary listing property owners, if any, responsible for more than 5% of the Special Tax levy as shown on the assessment roll of the San Diego County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, a summary of the Special Taxes levied on the property within Improvement Area C owned by such property owners, and the assessed value of such property, as shown on such assessment roll;
- (ix) Concerning delinquent parcels as of the immediately preceding August 15;
 - number of parcels in Improvement Area C delinquent in payment of Special Tax,
 - total of such delinquency and percentage of delinquency in relation to total Special Tax levy,
 - status of the actions taken by the School District and/or the Community Facilities District related to any foreclosure proceedings upon delinquent properties within Improvement Area C;
 - identity of any delinquent taxpayer obligated for greater than 5% of the annual Special Tax levy as of the immediately preceding August 15, plus:
 - assessed value of applicable properties, and
 - summary of results of foreclosure sales, if available;
- (x) a copy of any report for or concerning the Community Facilities District and Improvement Area C as of the immediately preceding October 31, as required under State law;
- (xi) Any changes to the Rate and Method of Apportionment of Special Tax for the Community Facilities District or Improvement Area C approved or submitted to the qualified electors of the Community Facilities District and

Improvement Area C for approval prior to the filing of the Annual Report;
and

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

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

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Community Facilities District shall give, or cause to be given, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the 2012 Bonds:

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

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

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

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

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

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

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

Section 6. Termination of Reporting Obligation. All of the Community Facilities District's obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of the 2012 Bonds, (ii) prior redemption of the 2012 Bonds or (iii) payment in full of all the 2012 Bonds. If such determination occurs prior to the final maturity of the 2012 Bonds, the Community Facilities District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

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

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

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2012 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 2012 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 2012 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 2012 Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Community Facilities District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in

the accounting principles shall be sent to the MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(e).

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

Section 10. Default. In the event of a failure of the Community Facilities District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may (and, at the written direction of the Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding 2012 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent) or any owner or beneficial owner of the 2012 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 2012 Bonds, the Community Facilities District or any other matter except as expressly set out herein, *provided* that no provision of this Disclosure Agreement shall limit the duties or obligations of the Fiscal Agent under the Indenture. The Dissemination Agent shall have no responsibility for the preparation, review, form or content of any Annual Report or any notice of a Listed Event. The fact that the Fiscal Agent has or may have any banking, fiduciary or other relationship with the Community Facilities District or any other party, apart from the relationship created by the Indenture and this Disclosure Agreement, shall not be construed to mean that the Fiscal Agent has knowledge or notice of any event or condition relating to the 2012 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 in the performance of its duties hereunder. The Community Facilities District's obligations under this Section shall survive the termination of this Disclosure Agreement.

Section 12. Beneficiaries. The Participating Underwriter and the owners and beneficial owners from time to time of the 2012 Bonds shall be third-party beneficiaries under this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the 2012 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. 6 (4S Ranch)
15250 Avenue of Science
San Diego, California 92128-3406
Telephone: (858) 679-2501
Telecopier: (858) 513-0967
Attention: Superintendent |
| If to the Dissemination Agent: | Dolinka Group, LLC
20 Pacifica, Suite 900
Irvine, California 92618
Telephone: (949) 250-8300
Telecopier: (949) 250-8301 |
| If to the Fiscal Agent: | Zions First National Bank
550 South Hope Street, Suite 2650
Los Angeles, California 90071
Telephone: (213) 593-3150
Telecopier: (213) 593-3160 |
| If to the Participating Underwriter: | Stifel, Nicolaus & Company, Incorporated, dba
Stone & Youngberg, a Division of Stifel Nicolaus
One Ferry Building
San Francisco, California 94111
Telephone: (415) 445-2332
Telecopier: (415) 445-2395
Attention: Municipal Research Department |

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 corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

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. 6 (4S Ranch)

By: _____
Authorized Officer

ZIONS FIRST NATIONAL BANK,
as Fiscal Agent

By: _____
Authorized Officer

DOLINKA GROUP, LLC,
as Dissemination Agent

By: _____
Authorized Officer

[EXECUTION PAGE OF CONTINUING DISCLOSURE AGREEMENT]

EXHIBIT A

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

Name of Issuer: Poway Unified School District
Community Facilities District No. 6 (4S Ranch)

Name of Bond Issue: Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Improvement Area C 2012 Special Tax Bonds

Date of Issuance: September 20, 2012

NOTICE IS HEREBY GIVEN that Poway Unified School District Community Facilities District No. 6 (4S Ranch) (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 September 1, 2012, by and among the Community Facilities District, Zions First National Bank, as Fiscal Agent, and Dolinka Group, LLC, as Dissemination Agent. [The Community Facilities District anticipates that the Annual Report will be filed by _____.]

Dated: _____

Dolinka Group, LLC, as Dissemination Agent, on behalf of
the Community Facilities District

cc: Community Facilities District No. 6 (4S Ranch)
Stifel, Nicolaus & Company, Incorporated, dba
Stone & Youngberg, a Division of Stifel Nicolaus
Zions First National Bank

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

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

\$9,470,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6
(4S RANCH)
IMPROVEMENT AREA C
2012 SPECIAL TAX BONDS

BOND OPINION

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Poway Unified School District Community Facilities District No. 6 (4S Ranch) (the "District") of its Improvement Area C 2012 Special Tax Bonds in the aggregate principal amount of \$9,470,000 (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. 6-2013 adopted by the Board of Education of the Poway Unified School District (the "School District"), acting in its capacity as the Legislative Body of the District, on August 20, 2012, and the Bond Indenture executed in connection therewith, dated as of September 1, 2012, by and between the District and Zions First National Bank, as Fiscal Agent (the "Bond Indenture"). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Bond Indenture.

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

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

The Bond Indenture and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and

conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

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

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

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

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

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

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

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

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

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

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

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

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

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

Respectfully Submitted,

BEST BEST & KRIEGER LLP

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APPENDIX G

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2012 Bonds, payment of principal of and interest on the 2012 Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the 2012 Bonds, confirmation and transfer of beneficial ownership interests in the 2012 Bonds and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the 2012 Bonds is based solely on information furnished by DTC to the School District which the School District believes to be reliable, but the School District, the Community Facilities District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2012 Bonds. The 2012 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 2012 Bond will be issued for each maturity of the 2012 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 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2012 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

2012 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 2012 Bonds, except in the event that use of the book-entry system for the 2012 Bonds is discontinued.

To facilitate subsequent transfers, all 2012 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 2012 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 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 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 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2012 Bonds, such tenders, defaults, and proposed amendments to the 2012 Bonds documents. For example, Beneficial Owners of the 2012 Bonds may wish to ascertain that the nominee holding the 2012 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.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2012 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 School 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 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the 2012 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 School 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 School 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 School 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 2012 Bonds at any time by giving reasonable notice to the School District or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, the 2012 Bond certificates are required to be printed and delivered.

The School 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 2012 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 School District believes to be reliable, but the School 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 2012 Bonds, or (b) the School District determines that DTC shall no longer act and delivers a written certificate to the Fiscal Agent to that effect, then the School District will discontinue the Book-Entry System with DTC for the 2012 Bonds. If the School District determines to replace DTC with another qualified securities depository, the School District will prepare or direct the preparation of a new single separate, fully-registered 2012 Bond for each maturity of the 2012 Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Indenture. If the School District fails to identify another qualified securities depository to replace the incumbent securities depository for the 2012 Bonds, then the 2012 Bonds shall no longer be restricted to being registered in the 2012 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 2012 Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the 2012 Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the 2012 Bonds will be payable upon surrender thereof at the trust office of the Fiscal Agent identified in the Indenture, and (iii) the 2012 Bonds will be transferable and exchangeable as provided in the Indenture.

The School 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 2012 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 2012 Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Indenture; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the 2012 Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the 2012 Bonds or the Indenture. The School 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 2012 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 School 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 2012 Bonds or any error or delay relating thereto.

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APPENDIX H
BOUNDARY MAP

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BOUNDARY MAP OF
IMPROVEMENT AREAS A, B, AND C
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6
(4S RANCH)
SAN DIEGO COUNTY
STATE OF CALIFORNIA

(1) Filed in the office of the Secretary to the Board of Education this 16th day of SEPT. 2002

[Signature]
Secretary of the Board of Education

(2) I hereby certify that the within map showing the designated Improvement Areas of Community Facilities District No. 6, San Diego County, State of California, was approved by the Board of Education at a regular meeting thereof, held on this 16th day of SEPT. 2002 by its Resolution No. _____

[Signature]
Secretary of the Board of Education

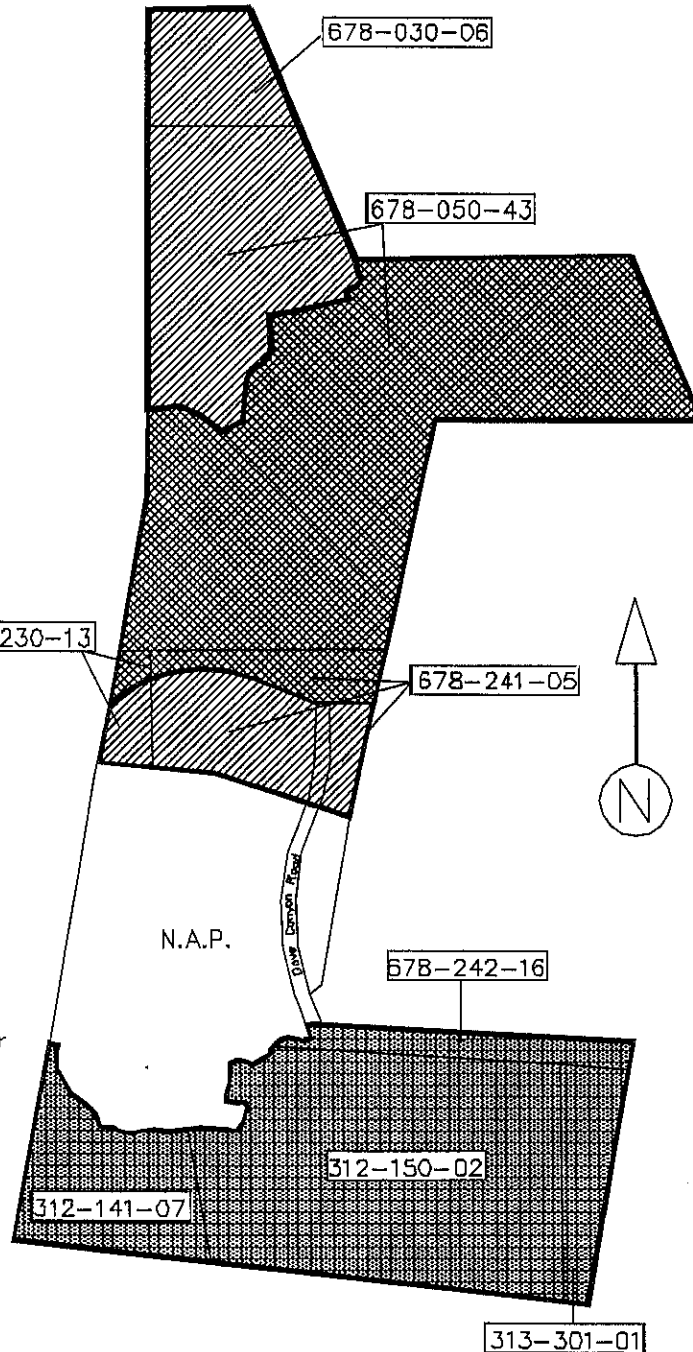
(3) Filed this 16th day of OCTOBER 2002 at the hour of 9:43 o'clock A.M. in Book 36 of Maps of Assessment and Community Facilities Districts at page 42 and as Instrument No. 200447 in the office of the County Recorder of San Diego County, State of California.

[Signature]
County Recorder of San Diego County

LEGEND

	Improvement Area Boundary
	Assessor Parcel Line
	Improvement Area A
	Improvement Area B
	Improvement Area C

Reference is hereby made to the Assessor maps of the County of San Diego for an exact description of the lines and dimensions of each lot and parcel.



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