

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

\$29,635,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
SPECIAL TAX REFUNDING BONDS, SERIES 2016

Dated: Date of Delivery

Due: September 1, as shown below

The Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Refunding Bonds, Series 2016 (the "2016 Bonds"), are being issued under the Mello-Roos Community Facilities Act of 1982 (the "Act") and a Bond Indenture, dated as of October 1, 2002, as heretofore amended and supplemented, including by the Sixth Supplemental Indenture, dated as of November 1, 2016 (collectively, the "Indenture"), by and between Poway Unified School District Community Facilities District No. 6 (4S Ranch) (the "Community Facilities District") and Zions Bank, a division of ZB, National Association, as successor fiscal agent (the "Fiscal Agent").

The 2016 Bonds are payable from proceeds of Net Special Tax Revenues (as defined herein) levied pursuant to the Rate and Method of Apportionment of the Special Tax for Community Facilities District No. 6 of Poway Unified School District (the "Rate and Method") approved by the qualified electors of the Community Facilities District and by the Board of Education of the Poway Unified School District (the "School District"), acting as the legislative body of the Community Facilities District (the "Board of Education").

The 2016 Bonds are being issued (i) to refund and defease the outstanding Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2007 (the "2007 Bonds"), and (ii) to pay the costs of issuing the 2016 Bonds, including the premiums for a municipal bond insurance policy and debt service reserve insurance policy. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Upon defeasance of the 2007 Bonds through the issuance of the 2016 Bonds, the 2016 Bonds will be issued on a parity with the Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2012 (the "2012 Bonds") and the Community Facilities District No. 6 (4S Ranch) Special Tax Refunding Bonds, Series 2015 (the "2015 Bonds"), and any additional parity bonds issued for refunding purposes under the Indenture.

Interest on the 2016 Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2017. The 2016 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The 2016 Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2016 Bonds as described herein under "THE 2016 BONDS – Book-Entry and DTC."

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

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

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

The scheduled payment of principal of and interest on the 2016 Bonds maturing September 1, 2033 through September 1, 2035, inclusive, CUSIP Nos. 738855A88 through 738855B20 (collectively, the "Insured Bonds,") when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2016 Bonds.



The 2016 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the School District and the Community Facilities District by Best Best & Krieger LLP and by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, Disclosure Counsel. Additionally, Nossaman LLP, Irvine, California, has reviewed certain matters for the Underwriter. It is anticipated that the 2016 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about November 30, 2016.

PiperJaffray

Dated: November 3, 2016

MATURITY SCHEDULE

\$29,635,000
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
SPECIAL TAX REFUNDING BONDS, SERIES 2016

Base CUSIP® No. † 738855

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†	Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†
2017	\$1,025,000	2.00%	0.87%	ZQ1	2027	\$1,560,000	5.00%	2.62% ^(C)	A21
2018	770,000	3.00	1.07	ZR9	2028	1,685,000	5.00	2.68 ^(C)	A39
2019	835,000	3.00	1.36	ZS7	2029	1,820,000	3.00	3.18	A47
2020	900,000	3.00	1.55	ZT5	2030	1,920,000	5.00	2.85 ^(C)	A54
2021	970,000	3.00	1.75	ZU2	2031	2,070,000	5.00	2.92 ^(C)	A62
2022	1,040,000	4.00	1.89	ZV0	2032	2,225,000	5.00	2.99 ^(C)	A70
2023	1,130,000	4.00	2.07	ZW8	2033 ^(I)	2,390,000	5.00	3.00 ^(C)	A88
2024	1,220,000	5.00	2.25	ZX6	2034 ^(I)	2,565,000	5.00	3.05 ^(C)	A96
2025	1,325,000	5.00	2.43	ZY4	2035 ^(I)	2,745,000	3.25	3.46	B20
2026	1,440,000	5.00	2.53	ZZ1					

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

^(I) Insured Serial Bonds.

^(C) Priced to the optional redemption date of September 1, 2026 at 100%.

POWAY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

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

SUPERINTENDENT

Mel Robertson, Ed.D., *Acting Superintendent*
Kamran Azimzadeh, *Interim Associate Superintendent, Business Support Services*

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San Diego, California

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San Diego, California

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FINANCIAL ADVISOR

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Irvine, California

SPECIAL TAX CONSULTANT, CFD ADMINISTRATOR & DISSEMINATION AGENT

Cooperative Strategies, LLC
Irvine, California

FISCAL AGENT & ESCROW BANK

Zions Bank, a division of ZB, National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT

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

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

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

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

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

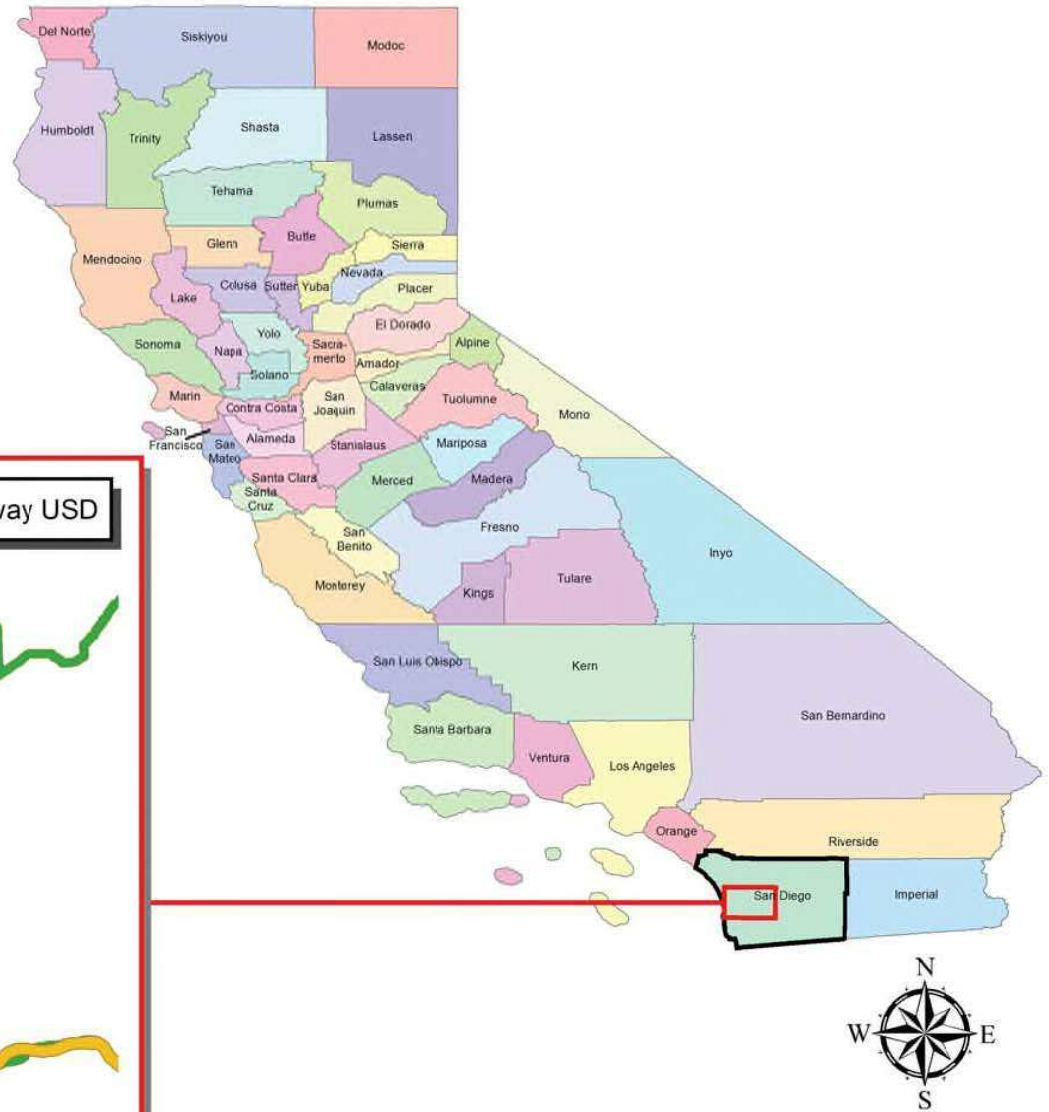
Bond Insurer. Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept responsibility for the accuracy or completeness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

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

TABLE OF CONTENTS

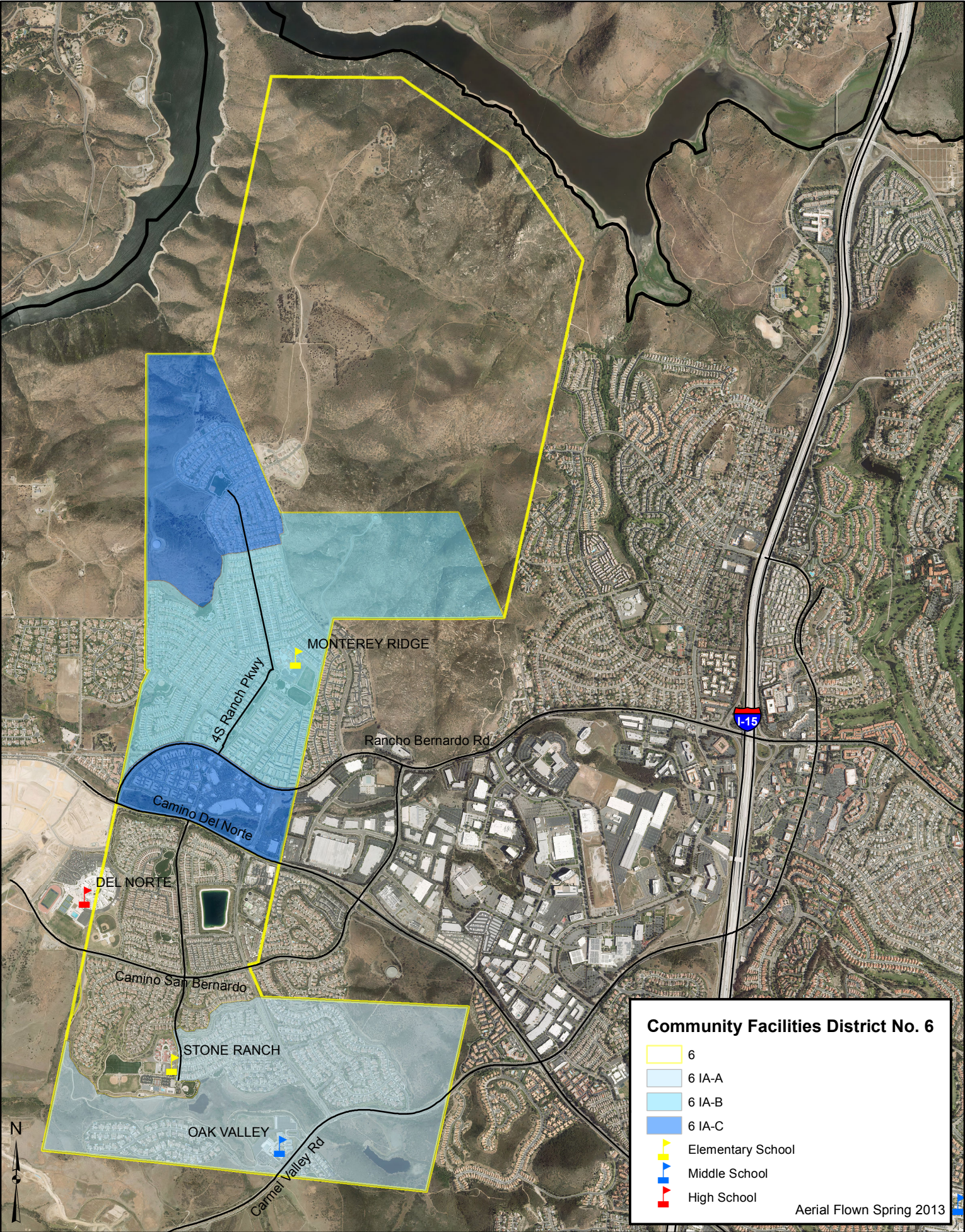
INTRODUCTION	1	Overlapping Direct Assessments	41
General.....	1	BONDOWNERS' RISKS	42
The School District.....	2	Risks of Real Estate Secured Investments	
The Community Facilities District.....	2	Generally	42
Municipal Bond Insurance	4	Economic Uncertainty	42
Other Matters Relating to Municipal Bond		State Budget.....	42
Insurance.....	5	Special Taxes Are Not Personal Obligations.....	43
Sources of Payment for the 2016 Bonds.....	5	The Bonds Are Limited Obligations of the	
Tax Exemption.....	6	Community Facilities District.....	43
Risk Factors Associated with Purchasing the		Assessed Values.....	43
2016 Bonds	7	Value-to-Lien Ratios	43
Forward Looking Statements.....	7	Burden of Parity Liens, Taxes and Other Special	
Professionals Involved in the Offering	7	Assessments on the Taxable Property.....	44
Other Information	8	Disclosure to Future Purchasers.....	45
CONTINUING DISCLOSURE.....	8	Special Tax Delinquencies.....	45
THE FINANCING PLAN	10	Insufficiency of the Special Tax	46
ESTIMATED SOURCES AND USES OF		Exempt Properties.....	47
FUNDS	11	Depletion of Reserve Fund	47
THE 2016 BONDS	12	Potential Delay and Limitations in Foreclosure	
Authority for Issuance	12	Proceedings.....	47
General Provisions.....	12	Bankruptcy and Foreclosure Delay.....	49
Debt Service Schedule	13	Payments by FDIC, Fannie Mae, Freddie Mac	
Estimated Debt Service Coverage	13	and Other Federal Agencies.....	50
Redemption	15	Factors Affecting Parcel Values and Aggregate	
Registration, Transfer and Exchange.....	17	Value.....	52
Book-Entry and DTC.....	17	No Acceleration Provisions	54
SECURITY FOR THE BONDS.....	18	Community Facilities District Formation	54
General.....	18	Billing of Special Taxes.....	54
Special Taxes.....	18	Inability to Collect Special Taxes	55
Rate and Method.....	19	Right to Vote on Taxes Act	55
Special Tax Levy	23	Ballot Initiatives and Legislative Measures	57
Proceeds of Foreclosure Sales	24	Limited Secondary Market	57
Special Tax Fund	25	Bond Insurance Risk Factors	58
Bond Service Fund	27	Loss of Tax Exemption.....	59
Redemption Fund.....	28	IRS Audit of Tax-Exempt Bond Issues	59
Reserve Fund	28	Impact of Legislative Proposals, Clarifications	
Administrative Expense Fund.....	29	of the Code and Court Decisions on Tax	
Investment of Moneys in Funds.....	29	Exemption.....	59
Payment of Rebate Obligation	29	Backup Withholding	60
Parity Bonds for Refunding Purposes Only	29	Limitations on Remedies	60
Special Taxes Are Not Within Teeter Plan.....	29	LEGAL MATTERS	60
BOND INSURANCE	30	Legal Opinion	60
Bond Insurance Policy	30	Tax Exemption.....	60
Build America Mutual Assurance Company	30	Absence of Litigation	62
COMMUNITY FACILITIES DISTRICT NO. 6		No General Obligation of School District or	
(4S RANCH)	32	Community Facilities District.....	62
General Information.....	32	RATINGS.....	63
Authority for Issuance	34	UNDERWRITING	63
Special Tax Collections	35	PROFESSIONAL FEES.....	64
Value-to-Lien Ratios	36	MISCELLANEOUS	64
Direct and Overlapping Debt.....	37		

APPENDIX A	– General Information About the Poway Unified School District.....	A-1
APPENDIX B	– Rate and Method of Apportionment of the Special Tax for Community Facilities District No. 6 of the Poway Unified School District	B-1
APPENDIX C	– Summary of Certain Provisions of the Indenture	C-1
APPENDIX D	– Form of Continuing Disclosure Agreement	D-1
APPENDIX E	– Form of Opinion of Bond Counsel.....	E-1
APPENDIX F	– Book-Entry System	F-1
APPENDIX G	– Specimen Municipal Bond Insurance Policy.....	G-1



Poway Unified School District

Community Facilities District No. 6



OFFICIAL STATEMENT

\$29,635,000

**POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
SPECIAL TAX REFUNDING BONDS, SERIES 2016**

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover pages and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2016 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, including the cover pages and Appendices hereto, is provided to furnish information regarding the Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Refunding Bonds, Series 2016 (the “2016 Bonds”).

The 2016 Bonds are issued pursuant to the Act (as defined below) and the Bond Indenture, dated as of August 1, 2002 (the “Original Indenture”), by and between Poway Unified School District Community Facilities District No. 6 (4S Ranch) (the “Community Facilities District”) and Zions Bank, a division of ZB, National Association, successor to State Street Bank and Trust Company of California, N.A., as fiscal agent (the “Fiscal Agent”), as amended and supplemented by the First Supplemental Indenture, dated as of November 1, 2005, by and between the Community Facilities District and the Fiscal Agent (the “First Supplemental Indenture”), as amended and supplemented by the Second Supplemental Indenture, dated as of June 1, 2007, by and between the Community Facilities District and the Fiscal Agent (the “Second Supplemental Indenture”), as amended and supplemented by the Third Supplemental Indenture, dated as of October 1, 2010, by and between the Community Facilities District and the Fiscal Agent (the “Third Supplemental Indenture”), as amended and supplemented by the Fourth Supplemental Indenture, dated as of May 1, 2012, by and between the Community Facilities District and the Fiscal Agent (the “Fourth Supplemental Indenture”), as amended and supplemented by the Fifth Supplemental Indenture, dated as of June 1, 2015, by and between the Community Facilities District and the Fiscal Agent (the “Fifth Supplemental Indenture”), and as amended and supplemented by the Sixth Supplemental Indenture, dated as of November 1, 2016, by and between the Community Facilities District and the Fiscal Agent (the “Sixth Supplemental Indenture”), and together with the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and the Sixth Supplemental Indenture, the “Indenture”). See “THE 2016 BONDS – Authority of Issuance” herein.

The Community Facilities District may issue additional bonds payable on a parity with the 2016 Bonds pursuant to the provisions of the Indenture for refunding purposes only. See “SECURITY FOR THE 2016 BONDS – Parity Bonds for Refunding Purposes Only.”

In addition to the 2016 Bonds and the 2007 Bonds being refunded and defeased with proceeds of the 2016 Bonds and other available moneys, the Community Facilities District has issued other series of special tax bonds to finance School Facilities, and to refund and/or defease previously issued special tax bonds. The 2016 Bonds are issued on a parity with \$38,940,000 aggregate principal amount of Poway

Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2012 (the “2012 Bonds”), issued on or about June 7, 2012, of which \$35,030,000 were outstanding as of September 15, 2016 and \$39,065,000 aggregate principal amount of Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Refunding Bonds, Series 2015 (the “2015 Bonds”), issued on or about June 4, 2015, of which \$37,555,000 were outstanding as of September 15, 2016. The 2012 Bonds, the 2015 Bonds, the 2016 Bonds, and any parity bonds issued to refund any of the 2012 Bonds, the 2015 Bonds and/or the 2016 Bonds, are referred to herein as the “Bonds.”

The School District

The Poway Unified School District (the “School District”) is a school district organized under the laws of the State of California (the “State”). The School District was established in 1962. The School District provides educational instruction for grades TK-12 within an approximately 100 square mile area in the central portion of the County of San Diego (the “County”) and includes the City of Poway and portions of the City of San Diego and the County, including the communities of 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz, StoneBridge Estates and Torrey Highlands. The School District currently operates 25 elementary schools (TK-5), six middle schools (6-8), one K-8 school, five high schools (9-12) and one continuation high school. The School District’s second period report (P-2, the period from July 1 to April 15) of average daily attendance (“ADA”) computed in accordance with State law for the 2016-17 academic year, is estimated to be 34,579.39. The estimated population within the School District’s boundaries was approximately 197,571 as of January 1, 2015. The School District reported 35,771 students enrolled at the California Longitudinal Pupil Achievement Data System (“CALPADS” formerly California Basic Educational Data System (“CBEDS”)) during Fiscal Year 2015-16. See APPENDIX A – “General Information About the Poway Unified School District” herein.

The Community Facilities District

Formation of the Community Facilities District and authorization of Community Facilities District Special Tax Bonds. The Community Facilities District was formed and established by the School District on 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 “Rate and Method” and “Special Taxes,” respectively).

With respect to the \$130,000,000 of bonds authorized to be issued by the Community Facilities District for School Facilities and payable from Special Taxes levied under the Rate and Method, the Community Facilities District previously issued several series of special tax bonds in an aggregate principal amount equal to the \$130,000,000 authorization. In connection therewith, the Community Facilities District has issued refunding bonds to refund and/or defease several series of such special tax bonds. Upon issuance of the 2016 Bonds and the refunding and defeasance of the 2007 Bonds, there will be outstanding the 2012 Bonds, the 2015 Bonds and the 2016 Bonds, as described herein.

Authorization of Improvement Areas and Improvement Area Special Tax Bonds. 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, eligible 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 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 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 has issued all \$18,000,000 aggregate principal amount of the \$18,000,000 aggregate authorization of Improvement Area A special tax bonds, all \$30,000,000 aggregate principal amount of the \$30,000,000 aggregate authorization of Improvement Area B special tax bonds and \$9,470,000 aggregate principal amount of the \$14,000,000 aggregate authorized amount of the Improvement Area C special tax bonds. No cross-collateralization exists between or among the special tax bonds of Improvement Area A, Improvement Area B and Improvement Area C or between and among the Improvement Area special tax bonds and the 2012 Bonds, 2015 Bonds and 2016 Bonds. See “SECURITY FOR THE 2016 BONDS – Rate and Method” and “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH).”

Special Tax for the Community Facilities District Bonds. The Community Facilities District levies the Special Tax on Developed Property (and Undeveloped Property, if necessary) in the Community Facilities District as set forth in the Rate and Method. See “SECURITY FOR THE 2016 BONDS – Rate and Method.” Annual Special Taxes will be levied on Taxable Property within the Community Facilities District. The Community Facilities District will use proceeds of the 2016 Bonds to refund the outstanding 2007 Bonds. The 2012 Bonds, the 2015 Bonds and the 2016 Bonds are secured by or payable from the Special Tax levied pursuant to the Rate and Method.

Location and Development within the Community Facilities District. The Community Facilities District is contiguous, Neighborhoods One and Two being located south of Camino Del Norte and on both sides of 4S Ranch Parkway, and Neighborhoods Three and Four being located north of Camino Del Norte. This location is in an area in the northern unincorporated portion of the County, just under 2 miles west of the 15 Freeway. The Community Facilities District lies within the area 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 acres). The Community Facilities District is built out with the final four (4) permits issued on January 2, 2013. As of January 1, 2016, approximately 3,751 residential units were classified as taxable Developed Property, of which 2,988 are single-family detached units and 763 are single-family attached units. In addition, approximately 120 units are affordable dwelling units (“Affordable Units”) in Neighborhood One, which Affordable Units are not subject to the levy of the Special Tax and 80 homeowners prepaid their Special Taxes and are no longer subject to the levy of Special Taxes. The area consists of rolling terrain with slopes and knolls. Within the Community

Facilities District approximately 1,600 acres are designated as natural open space and an additional approximately 195 acres are 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 has been completed. A mixed use district in the central portion of the Community Facilities District is outside of Neighborhood Four.

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, Carl's Jr. and various other stores. A medical center is located on the former 4S Welcome Center site and just recently ActiveCare at 4S Ranch Residential Memory Care has opened on the northeast corner. The commercial properties are not subject to the levy of the 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 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. 3,067 detached homes were completed and sold (including 79 homes which prepaid their special taxes, leaving 2,988 classified as taxable Developed Property), including homes built on approximately 33 acres adjacent to Neighborhood Four which are within the Community Facilities District but which were owned by another landowner, 4S Ranch Company 600, L.P., which developed 25 Detached Units. There are an additional 14 lots which were subdivided in the Community Facilities District owned by 4S Ranch & Land Family Partnership Series on which homes have not yet been constructed. In addition to the approximately 763 Attached Units subject to the 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 was completed and the owner prepaid the Special Taxes for those units which were not Affordable Units. The remaining units in the apartment complex are 21 of the 141 Affordable Units mentioned above. The 141 Affordable Units (120 in Neighborhood One and 21 in Neighborhood Four) are not subject to the levy of the Special Tax.

See "COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)" for a description of the Community Facilities District and the development within the Community Facilities District.

Municipal Bond Insurance

The scheduled payment of principal of and interest on the Bonds maturing September 1, 2033 through September 1, 2035, inclusive (collectively, the "Insured Bonds"), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2016 Bonds by Build America Mutual Assurance Company ("BAM" or the "Bond Insurer"). See "BOND INSURANCE" below.

Other Matters Relating to Municipal Bond Insurance

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

Sources of Payment for the 2016 Bonds

The 2016 Bonds are secured by and payable from a first pledge of “Net Special Tax Revenues,” of the Community Facilities District, which is defined in the Indenture as (a) proceeds of the Special Taxes levied and received by the Community Facilities District, (b) the net amounts (the “Delinquency Proceeds”) collected from the redemption of delinquent Special Taxes, including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Taxes resulting from the delinquency in the payment of the Special Taxes due and payable on such property, net of the County fees, foreclosure counsel fees and other fees and expenses incurred by or on behalf of the Community Facilities District or the School District in undertaking such foreclosure proceedings and (c) the Special Tax Revenues identified to the Fiscal Agent by an authorized representative as representing a prepayment of the Special Tax for one or more parcels in the Community Facilities District made in accordance with the Rate and Method net of the amount of the cost of the computation of the prepayment, the cost of redeeming the applicable Bonds as a result of such prepayment and the cost of any notices to evidence the prepayment or the redemption of such Bonds and (d) less amounts applied to pay the Administrative Expense Requirement (as defined in the Indenture) not to exceed \$52,779.15 for Fiscal Year 2016-17 and subject to escalation by 2% each Fiscal Year thereafter. See “SECURITY FOR THE 2016 BONDS – Special Tax Fund.” “Special Tax” is defined in the Indenture as the special tax authorized to be levied in the Community Facilities District pursuant to the Mello-Roos Act and the Rate and Method.

Pursuant to the Act, the Rate and Method, the Resolution of Formation (as defined herein) and the Indenture, so long as the 2016 Bonds are outstanding, the Community Facilities District will annually ascertain the parcels on which the Special Taxes are to be levied in the following Fiscal Year, taking into account any subdivisions of parcels during the applicable Fiscal Year. The Community Facilities District shall effect the levy of the Special Taxes in accordance with the Rate and Method and the Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County before the final date on which the Auditor of the County will accept the transmission of the Special Taxes for the parcels within the Community Facilities District for inclusion on the next real property tax roll. See “SECURITY FOR THE 2016 BONDS – Special Taxes” herein.

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

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

The Indenture defines Reserve Requirement in relation to the amount, if any, required to be deposited in the Reserve Fund for the specific series of Bonds, and with respect to the 2016 Bonds is defined as an amount, as of any date of calculation, equal to the least of (i) the then maximum annual debt service on the 2016 Bonds, (ii) 125% of the then average annual debt service on the 2016 Bonds or (iii) 10% of the issue price (as defined in the regulations promulgated under the Internal Revenue Code of 1986, as amended (the “Treasury Regulations” and the “Code,” respectively) of the 2016 Bonds; *provided, however*, the 2016 Bonds Reserve Requirement shall not exceed the maximum amount then permitted to be funded from the proceeds of tax-exempt obligations under the Code). The ability of the Board of Education, in its capacity as legislative body of the Community Facilities District (the “Board of Education”), to increase the annual Special Taxes levied to replenish the Reserve Fund is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of the Community Facilities District and the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District. The moneys in the Series 2016 Bonds Reserve Account of the Reserve Fund will only be used for payment of principal of, interest and any redemption premium on the 2016 Bonds, and at the direction of the Community Facilities District, for payment of rebate obligations related to the 2016 Bonds. See “SECURITY FOR THE 2016 BONDS – Special Tax Levy” and “– Reserve Fund.”

The Community Facilities District has also covenanted in the Indenture to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Taxes. For a more detailed description of the foreclosure covenant see “SECURITY FOR THE 2016 BONDS – Proceeds of Foreclosure Sales.”

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

Tax Exemption

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

Risk Factors Associated with Purchasing the 2016 Bonds

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

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget,” “anticipate” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)” and “– Property Ownership” herein.

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

Professionals Involved in the Offering

Zions Bank, a division of ZB, National Association, Los Angeles, California, will serve as the fiscal agent for the 2016 Bonds and will perform the functions required of it under the Indenture for the payment of the principal of and interest and any premium on the 2016 Bonds and all activities related to the redemption of the 2016 Bonds. Best Best & Krieger LLP, San Diego, California, is serving as Bond Counsel to the Community Facilities District and as special counsel to the School District. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is acting as Disclosure Counsel. Piper Jaffray & Co., El Segundo, California, is acting as Underwriter in connection with the issuance and delivery of the 2016 Bonds. Nossaman LLP, Irvine, California, is acting as Underwriter’s Counsel.

Fieldman, Rolapp & Associates, Irvine, California, acted as Financial Advisor to the School District and the Community Facilities District, and Cooperative Strategies, LLC, Irvine, California, acted as Special Tax Consultant, CFD Administrator and Dissemination Agent to the Community Facilities District. Causey Demgen & Moore P.C., Denver, Colorado, is acting as Verification Agent.

Payment of the fees and expenses of the Underwriter, Underwriter’s Counsel and the Fiscal Agent is contingent upon the sale and delivery of the 2016 Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the 2016 Bonds, certain sections of the Indenture, security for the 2016 Bonds, risk factors, the Community Facilities District, the School District and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the 2016 Bonds, the Indenture and other resolutions and documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2016 Bonds, the Indenture, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of such documents may be obtained from the Director of Capital Facilities Funding and Planning of the Poway Unified School District, 13626 Twin Peaks Road, Poway, California 92064-3034. There may be a charge for copying, mailing and handling of any documents.

CONTINUING DISCLOSURE

The Community Facilities District. The Community Facilities District will covenant in the Continuing Disclosure Agreement, the form of which is set forth in APPENDIX D – “Form of Continuing Disclosure Agreement” (the “Continuing Disclosure Agreement”), for the benefit of owners and beneficial owners of the 2016 Bonds, to provide certain financial and operating data relating to the Community Facilities District and the 2016 Bonds. The Annual Report will be delivered by not later than January 31 in each year commencing with January 31, 2017 (the “Community Facilities District Annual Report”). The Community Facilities District also covenants to provide notices of the occurrence of certain listed events. The report for January 31, 2017, will consist of the Official Statement.

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

Prior Disclosure Compliance by the Community Facilities District. The Community Facilities District is the obligated person under the Continuing Disclosure Agreement. A review of compliance with disclosure undertakings for filings required by the Community Facilities District since October 15, 2011, indicates that the Community Facilities District may not have fully complied with its prior continuing disclosure undertakings under the Rule. Identification of the below described events does not constitute a representation by the Community Facilities District, the Authority, or the School District that the late filings were material. The review indicated that annual reports or audited financial statements filed with respect to various financings by the Community Facilities District were filed after the filing due

date by a few days and in some cases specific information to be included in an annual report was not included in the annual report filed. In addition, notices of rating changes were not always filed with respect to financings by the Community Facilities District. Based on the review, specific information not included in an annual report and notices of rating changes not previously filed have since been filed on the EMMA website by the Community Facilities District.

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

Additionally, notices of rating changes were not always filed with respect to financings by the School District, Community Facilities District No. 1, Community Facilities District No. 6 and the Authority and notices of redemption with respect to financings by various community facilities districts formed by the School District, and the Authority were prepared for filing in January 2013, but the Fiscal Agent mistakenly uploaded to the EMMA website a notice of partial redemption relating to an unrelated issuer’s financing. The Community Facilities District believes that notices listing all ratings changes for existing continuing disclosure undertakings have since been filed by the applicable entities and such applicable entities are currently in compliance with their respective undertakings.

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

THE FINANCING PLAN

A portion of the proceeds of the 2016 Bonds, together with other available funds, will be used to refund and defease all of the outstanding Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2007 (the “2007 Bonds”), currently outstanding in the aggregate principal amount of \$34,300,000. Such 2007 Bonds are listed in the following table:

POWAY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) SPECIAL TAX BONDS, SERIES 2007

\$34,300,000 Refunded Series 2007 Bonds

Maturity (September 1)	CUSIP® No. †	Principal Amount	Interest Rate	Redemption Date	Redemption Price (% of Par Amount)
2017	738855RY3	\$750,000	4.000%	9/1/2017	100.0%
2018	738855RZ0	830,000	4.000	9/1/2017	100.0
2019	738855SA4	910,000	4.100	9/1/2017	100.0
2020	738855SB2	1,000,000	4.375	9/1/2017	100.0
2021	738855SC0	1,095,000	4.500	9/1/2017	100.0
2022	738855SD8	1,195,000	5.000	9/1/2017	100.0
2023	738855SE6	1,310,000	5.000	9/1/2017	100.0
2024	738855SF3	1,430,000	5.000	9/1/2017	100.0
2025	738855SG1	1,555,000	5.000	9/1/2017	100.0
2030	738855SH9	2,290,000	5.000	9/1/2017	100.0
2029	738855SK2	7,625,000	4.750	9/1/2017	100.0
2035	738855SJ5	14,310,000	5.000	9/1/2017	100.0

Proceeds from the sale of the 2016 Bonds, together with certain available moneys on hand, will be deposited into a separate escrow fund established under a separate escrow agreement, dated as of November 1, 2016 (the “Escrow Agreement”), by and between the Community Facilities District and Zions Bank, a division of ZB, National Association, as escrow bank (the “Escrow Bank”), and used to defease the 2007 Bonds as of the date of issuance of the 2016 Bonds.

Amounts deposited under the Escrow Agreement will be held in an escrow fund and may be invested in State and Local Government Series, open market treasury securities and/or may be held as cash. Causey Demgen & Moore P.C., Denver, Colorado (the “Verification Agent”), will verify that the amounts deposited, together with investment earnings thereon, if any, will be sufficient to pay (i) on March 1, 2017, the interest due on the 2007 Bonds, (ii) on September 1, 2017, the principal of and interest on the 2007 Bonds maturing on September 1, 2017, and (iii) on September 1, 2017, the principal amount

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

of the 2007 Bonds maturing on and after September 1, 2018, at a redemption price equal to the principal amount thereof, without premium, together with the accrued interest to September 1, 2017.

Upon issuance of the 2016 Bonds, the Verification Agent will verify the arithmetical accuracy of certain computations included in the schedules provided by the Underwriter and the Fiscal Agent for the 2007 Bonds relating to: (i) the adequacy of forecasted receipts of principal and interest on the governmental obligations and cash to be held pursuant to the Escrow Agreement; (ii) forecasted payments of principal, interest and redemption price with respect to the 2007 Bonds through September 1, 2017; and (iii) yields with respect to the 2016 Bonds and on the governmental obligation to be deposited under the Escrow Agreement. Such verification will be based solely upon information and assumptions supplied to the Verification Agent by the Underwriter and the Fiscal Agent for the 2007 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

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

SOURCES

Principal Amount of 2016 Bonds	\$29,635,000.00
<i>Plus:</i> Net Original Issue Premium	3,685,912.70
<i>Less:</i> Underwriter's Discount	(251,897.50)
Transfer from Reserve Fund	3,247,250.00
<i>Total Sources</i>	<u>\$36,316,265.20</u>

USES ⁽¹⁾

Deposit into Escrow Fund	\$35,795,031.16
Costs of Issuance ⁽²⁾	521,234.04
<i>Total Uses</i>	<u>\$36,316,265.20</u>

⁽¹⁾ The Community Facilities District will acquire the Reserve Policy to satisfy the Reserve Requirement with respect to the 2016 Bonds.

⁽²⁾ Include, 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 fees of the Special Tax Consultant, the Fiscal Agent, the Escrow Bank, the Verification Agent, premiums for the Policy and the Reserve Policy, rating agency fees and reimbursement to the School District.

THE 2016 BONDS

Authority for Issuance

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

General Provisions

The 2016 Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each March 1 and September 1, commencing on March 1, 2017 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2016 Bonds will be issued in fully-registered form in denominations of \$5,000 each or any integral multiple thereof and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the 2016 Bonds. Ownership interests in the 2016 Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof within a single maturity. So long as the 2016 Bonds are held in book-entry form, principal of, premium, if any, and interest on the 2016 Bonds will be paid directly to DTC for distribution to the beneficial owners of the 2016 Bonds in accordance with the procedures adopted by DTC. See “THE 2016 BONDS – Book-Entry and DTC.”

Each 2016 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, or (ii) the date of authentication is after the 15th calendar day of the month immediately preceding an Interest Payment Date whether or not such day is a Business Day (the “Record Date”) but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on February 15, 2017, in which event interest shall be payable from the date of such 2016 Bonds; *provided, however*, that if at the time of authentication of a 2016 Bond, interest is in default, interest on that 2016 Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

Interest on the 2016 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed by first-class mail, postage prepaid, on the Interest Payment Date or on the next Business Day following the Interest Payment Date if such Interest Payment Date is not a Business Day to the registered Owner thereof as of the close of business on the Record Date immediately preceding such Interest Payment Date. Such interest shall be paid by check of the Fiscal Agent mailed to such Bondowner at his or her address as it appears on the books of registration maintained by the Fiscal Agent or upon the request in writing prior to the Record Date of a Bond Owner of at least \$1,000,000 in aggregate principal amount of 2016 Bonds by wire transfer in immediately available funds (i) to the DTC (if the 2016 Bonds are in book-entry form), or (ii) to an account in the United States of America designated by such Owner. Such instructions shall continue in effect until revoked in writing, or until such 2016 Bonds are transferred to a new Owner. The principal of the 2016 Bonds and any premium on the 2016 Bonds due upon the redemption thereof are payable by check in lawful money of the United States of America upon presentation and surrender of the 2016 Bonds at maturity or the earlier redemption thereof at the Principal Corporate Trust Office of the Fiscal Agent (currently in Los Angeles, California).

Debt Service Schedule

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

Table 1
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Scheduled Annual Debt Service on 2016 Bonds

Year Ending September 1	Principal	Interest	Total Debt Service
2017	\$1,025,000	\$960,064.55	\$1,985,064.55
2018	770,000	1,254,862.50	2,024,862.50
2019	835,000	1,231,762.50	2,066,762.50
2020	900,000	1,206,712.50	2,106,712.50
2021	970,000	1,179,712.50	2,149,712.50
2022	1,040,000	1,150,612.50	2,190,612.50
2023	1,130,000	1,109,012.50	2,239,012.50
2024	1,220,000	1,063,812.50	2,283,812.50
2025	1,325,000	1,002,812.50	2,327,812.50
2026	1,440,000	936,562.50	2,376,562.50
2027	1,560,000	864,562.50	2,424,562.50
2028	1,685,000	786,562.50	2,471,562.50
2029	1,820,000	702,312.50	2,522,312.50
2030	1,920,000	647,712.50	2,567,712.50
2031	2,070,000	551,712.50	2,621,712.50
2032	2,225,000	448,212.50	2,673,212.50
2033	2,390,000	336,962.50	2,726,962.50
2034	2,565,000	217,462.50	2,782,462.50
<u>2035</u>	<u>2,745,000</u>	<u>89,212.50</u>	<u>2,834,212.50</u>
Total	\$29,635,000	\$15,740,639.55	\$45,375,639.55

Estimated Debt Service Coverage

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

Table 2
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Annual Debt Service Coverage from Net Special Tax Revenues

Year Ending September 1	Special Tax Revenue	Less: Administrative Expenses	Net Special Tax Revenue ⁽¹⁾	2012 Bonds Debt Service	2015 Bonds Debt Service	2016 Bonds Debt Service ⁽²⁾	Aggregate Bonds Debt Service	Estimated Debt Service Coverage
2017	\$9,796,919	(\$52,779)	\$9,744,140	\$2,765,050	\$2,450,800	\$1,985,065	\$7,200,915	135.32%
2018	9,992,858	(53,835)	9,939,023	2,798,650	2,502,200	2,024,863	7,325,713	135.67
2019	10,192,715	(54,911)	10,137,804	2,799,250	2,579,600	2,066,763	7,445,613	136.16
2020	10,396,569	(56,010)	10,340,560	2,826,500	2,632,800	2,106,713	7,566,013	136.67
2021	10,604,501	(57,130)	10,547,371	2,904,500	2,648,800	2,149,713	7,703,013	136.93
2022	10,816,591	(58,272)	10,758,318	2,930,500	2,706,800	2,190,613	7,827,913	137.44
2023	11,032,922	(59,438)	10,973,485	2,971,750	2,754,550	2,239,013	7,965,313	137.77
2024	11,253,581	(60,627)	11,192,954	3,007,250	2,807,300	2,283,813	8,098,363	138.21
2025	11,478,653	(61,839)	11,416,813	3,047,000	2,874,550	2,327,813	8,249,363	138.40
2026	11,708,226	(63,076)	11,645,150	3,090,500	2,920,300	2,376,563	8,387,363	138.84
2027	11,942,390	(64,337)	11,878,053	3,122,250	2,985,300	2,424,563	8,532,113	139.22
2028	12,181,238	(65,624)	12,115,614	3,162,500	3,048,300	2,471,563	8,682,363	139.54
2029	12,424,863	(66,937)	12,357,926	3,210,500	3,099,050	2,522,313	8,831,863	139.92
2030	12,673,360	(68,275)	12,605,084	3,240,500	3,167,800	2,567,713	8,976,013	140.43
2031	12,926,827	(69,641)	12,857,186	3,288,000	3,228,300	2,621,713	9,138,013	140.70
2032	13,185,364	(71,034)	13,114,330	3,321,750	3,300,550	2,673,213	9,295,513	141.08
2033	13,449,071	(72,454)	13,376,616	2,887,000	3,788,550	2,726,963	9,402,513	142.27
2034	13,718,052	(73,904)	13,644,149	1,106,750	5,486,050	2,782,463	9,375,263	145.53
2035	13,992,413	(75,382)	13,917,032	1,104,000	5,586,050	2,834,213	9,524,263	146.12
2036	14,272,262	(76,889)	14,195,372	1,134,000	2,048,800	0	3,182,800	446.00
Total	\$238,039,374	(\$1,282,395)	\$236,756,979	\$54,718,200	\$62,616,450	\$45,375,640	\$162,710,290	

⁽¹⁾ Total Special Taxes levied less Administrative Expense Requirement of \$52,779.15 in Fiscal Year 2016-17 and escalating by 2% each Fiscal Year as provided by the Cooperative Strategies, LLC.

⁽²⁾ Source: The Underwriter's November 3, 2016 final pricing analysis.

Source: Cooperative Strategies, LLC.

Redemption

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

Whenever provision is made for the optional redemption of less than all of the 2016 Bonds, the Fiscal Agent shall select the 2016 Bonds to be redeemed among maturities as directed in writing by an Authorized Representative who shall specify the 2016 Bonds to be redeemed so as to maintain, as much as practicable, the same debt service profile for the Outstanding Bonds following such redemption as was in effect prior to such redemption. The Fiscal Agent shall select 2016 Bonds to be redeemed within a maturity by lot in any manner that the Fiscal Agent deems appropriate.

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

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date through and including March 1, 2017	103%
September 1, 2024 and March 1, 2025	102
September 1, 2025 and March 1, 2026	101
September 1, 2026 and any Interest Payment Date thereafter	100

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

Purchase In Lieu of Redemption. In lieu of an optional or special mandatory redemption, the Community Facilities District may elect to purchase such 2016 Bonds at public or private sale at such prices as the Community Facilities District in its discretion may determine; *provided*, that, unless otherwise authorized by law, the purchase price (including brokerage and other charges) thereof shall not exceed the principal amount thereof, plus accrued interest accrued to the purchase date and any premium which would otherwise be due if such 2016 Bonds were to be redeemed in accordance with the Indenture.

Notice of Redemption. The Fiscal Agent shall mail, at least thirty (30) days but not more than sixty (60) days prior to the date of redemption, notice of intended redemption, in accordance with the applicable Depository rules to the respective Registered Owners of the 2016 Bonds appearing on the 2016 Bond register books (the “Bond Register”). Such notice shall (a) state the redemption date; (b) state the

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

So long as notice by first-class mail has been provided as set forth in the Indenture, the actual receipt by the Owner of any 2016 Bond of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for redemption of such 2016 Bonds or the cessation of interest on the date fixed for redemption.

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

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

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

Registration, Transfer and Exchange

Registration. The Fiscal Agent will keep sufficient books for the registration and transfer of the 2016 Bonds, and upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said register, the 2016 Bonds as hereinbefore provided. The Community Facilities District and the Fiscal Agent will treat the owner of any Bond whose name appears on the Bond Register as the holder and absolute Owner of such 2016 Bond for all purposes under the Indenture and the Community Facilities District and the Fiscal Agent shall not be affected by any notice to the contrary.

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

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

Book-Entry and DTC

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

SECURITY FOR THE BONDS

General

The 2016 Bonds and all Parity Bonds (as defined below) are secured by a first pledge of all of the Net Special Tax Revenues and all moneys deposited in the Bond Service Fund, until disbursed as provided in the Indenture, in the Special Tax Fund. Pursuant to the Act and the Indenture, the Community Facilities District will annually levy the Special Taxes in an amount required for the payment of principal of, and interest on, any outstanding Bonds becoming due and payable during the ensuing year, including any necessary payment to the Bond Insurer due to draws on the Reserve Policy or any necessary repayment or expenditure of an account in the Reserve Fund relating to Parity Bonds, 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 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 non-callable federal securities as described in paragraph A of the definition of Permitted Investments have been set aside irrevocably for that purpose.

Amounts in the Administrative Expense Fund, the Costs of Issuance Fund and the Rebate Fund are not pledged to the repayment of the Bonds. School Facilities constructed and acquired with proceeds of prior Community Facilities District special tax bonds are not in any way pledged to pay the debt service on the Bonds.

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 Special Taxes, including without limitation, the enforcement of delinquent Special Taxes. The Rate and Method provides that the Special Taxes are payable and will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, *provided, however*, that the Community Facilities District may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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

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

THE BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE 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 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 BONDS. OTHER THAN THE SPECIAL TAXES LEVIED PURSUANT TO THE RATE AND METHOD, 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 SPECIAL TAXES LEVIED PURSUANT TO THE RATE AND METHOD, AS MORE FULLY DESCRIBED HEREIN.

Rate and Method

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 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 were 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 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 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.

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

The qualified electors of the Community Facilities District approved the Rate and Method on March 24, 1998. Capitalized terms used in the following paragraphs but not defined herein have the meanings given them in the Rate and Method.

Rate and Method. The Rate and Method provides the means by which the Board of Education may annually levy the Special Taxes within 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, issued bonds in 2012 to defease and redeem the bonds issued in 2002 and to fund School Facilities, and issued bonds in 2015 to defease and redeem

bonds issued in 2005 and 2010. The outstanding Community Facilities District bonds are secured by annual Community Facilities District Special Taxes levied pursuant to the Rate and Method. The Rate and Method provides that the Annual Special Tax shall be levied for a term of 25 Fiscal Years after the issuance of the last bond series, but in no event later than Fiscal Year 2045-46. A copy of the 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 Associate Superintendent or his or her 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 2012, 2015 and 2016, 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 2012, 2015 and 2016 or any parity bonds issued for refunding purposes;
- (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 Special Tax Requirement, after deducting the amounts levied on Developed Property, for payment of the Special Tax Requirement. A Special Tax is authorized to be levied on Undeveloped Property to fund the Undeveloped Special Tax Requirement, if any.

The 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 Supplement to Mitigation Agreement (as defined below) provides that the Community Facilities District will not levy 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 Rate and Method does not include reference to the Special Tax Requirement A.*** The Indenture provides that the Assigned Annual Special Tax (as defined in the Rate and Method) for Undeveloped Property (as

defined below) located in Zone A (as defined in the Rate and Method) of the Community Facilities District and the One-Time Special Tax are not pledged to payment of the Bonds.

Developed and Undeveloped Property; Exempt Property. The 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 Special Taxes in accordance with the 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 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 Rate and Method as follows:

(i) 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. The Assigned Annual Special Tax for Undeveloped Property for Fiscal Year 2016-17 is \$21,950.85 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 Supplement to Mitigation Agreement provides that the Community Facilities District will not levy 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 2016-17 the average Assigned Annual Special Tax is \$2,933.54 for Detached Units and \$1,351.90 for Attached Units. Affordable Units are not subject to the Special Tax. Each July 1, 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 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 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 Associate 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 Supplement to Mitigation Agreement provides that the Community Facilities District will not levy 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 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 Rate and Method as set forth in APPENDIX B – “Rate and Method of Apportionment of the Special Tax for Community Facilities District No. 6 of the Poway Unified School District.”

Special Tax Levy

\$9,796,919.40 of Special Taxes will be levied on 3,751 parcels within the Community Facilities District for Fiscal Year 2016-17.

Table 3 below summarizes the Fiscal Year 2016-17 Special Tax levy to be made in accordance with the Rate and Method.

Table 3
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Fiscal Year 2016-17 Special Tax Levy

Tax Class	Unit Type	Average Annual Special Tax Rate ⁽¹⁾	Number of Units	Special Taxes Levied	Fiscal Year 2016-17 Levy as Percent of Total
1	Detached	\$2,933.54	2,988	\$8,765,417.86	89.47%
2	Attached	\$1,351.90	763	1,031,501.54	10.53
3	Affordable	\$0.00	141	0.00	0.00
Total ⁽²⁾			3,892	\$9,796,919.40	100.00%

⁽¹⁾ The average Annual Special Tax rate is the average of all the Special Tax rates in each Special Tax Class, therefore they may not reflect the actual Assigned Annual Special Tax rate for each parcel in a given Special Tax Class.

⁽²⁾ Totals may not add due to rounding. No Special Tax is levied on Affordable Units.

Source: Cooperative Strategies, LLC.

As indicated above, under the Rate and Method, the Community Facilities District levies on Developed Property in an amount equal to the Assigned Annual Special Tax. A portion of the Special Tax Requirement may be utilized for acquisition and/or construction of eligible School Facilities. In the event the Community Facilities District were to levy 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 the Community Facilities District by more than 10%. For such purposes, a parcel will be considered used for private residential purposes not later than the date on which an occupancy permit for private residential use is issued.

Proceeds of Foreclosure Sales

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

Under the Indenture, on or before 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 Special Taxes actually collected in such Fiscal Year and proceed as follows:

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

Aggregate Delinquencies. If the Community Facilities District determines that it has collected less than 95% of the Special Taxes levied in such Fiscal Year, then the Community Facilities District shall, not later than 45 days 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 Community Facilities District will cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than 90 days of such determination against any parcel for which a notice of delinquency was given and for which the Special Taxes remain delinquent if the aggregate amount collected remains less than 95% of the Special Taxes levied in such Fiscal Year.

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 Special Tax installment. The Act does not require the School District or the Community Facilities District to purchase or otherwise acquire any lot or parcel of property offered for sale or subject to foreclosure if there is no other purchaser at such sale. The Act does specify that the Special Tax will have the same lien priority in the case of delinquency as for *ad valorem* property taxes.

If the Reserve Fund is depleted and delinquencies in the payment of Special Taxes exist, there could be a default or delay in payments to the Bondowners pending prosecution of foreclosure proceedings and receipt by the Community Facilities District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method and the Act, the Community Facilities District may adjust the Special Taxes levied on all property in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the Bonds and to replenish the Reserve Fund. There is, however, no assurance that the maximum Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the Bonds by the Indenture. The levy of Special Taxes is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of the Community Facilities District and the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District. See “SECURITY FOR THE BONDS – Special Tax Levy.”

Special Tax Fund

Pursuant to the Indenture, the Special Tax Revenues received by the Community Facilities District will be deposited in the Special Tax Fund, which will be held by the Fiscal Agent on behalf of the Community Facilities District.

The Community Facilities District shall, no later than the tenth (10th) Business Day after which Special Tax Revenues have been received by the Community Facilities District, and in any event not later than February 15 and August 15 of each year, transfer such Special Tax Revenues to the Fiscal Agent and, except Special Tax Revenues representing Prepayment below, such amounts shall be deposited in the Special Tax Fund.

With the exception of Special Tax Revenues representing Prepayments which shall be transferred pursuant to the provisions of the Indenture to the Interest Account of the Bond Service Fund and the Redemption Fund, as applicable, the Special Tax Revenues deposited in the Special Tax Fund shall be held in trust and transferred to the following other funds and accounts on the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

1. The Fiscal Agent shall each Fiscal Year transfer to the Administrative Expense Fund from the first 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. In the event funds are insufficient to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date, moneys will be allocated pro rata among each Series of Outstanding Bonds based on Annual Debt Service for each such Series in such Bond Year.

3. The Fiscal Agent shall deposit in the Principal Account of the Bond Service Fund, on each Interest Payment Date, or if any Parity Bonds shall be subject to mandatory sinking fund redemption pursuant to a Supplemental Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date or are subject to mandatory sinking fund redemption pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds. In the event funds are insufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal becoming due and payable on such Interest Payment Date, moneys will be allocated pro rata among each Series of Outstanding Bonds based on Annual Debt Service for each such Series in such Bond Year.
4. On or after March 2 and September 2 of each Bond Year, after making the transfer and deposits required under 1. through 3. above, the Fiscal Agent shall transfer pro rata among Series as follows: (i) to the Authority Trustee the amount, if any, necessary to restore the Authority Reserve Fund to the Authority Reserve Requirement, but only to the extent that any draw on the Authority Reserve Fund was attributable to a deficiency in the amount of debt service received by the Authority, or the Trustee as assignee of the Authority, on the Bonds, together with amounts due and payable by the Community Facilities District to BAM in connection with any draw on the Reserve Policy, including Policy Costs, as defined in Section 12.14 of the Authority Indenture; (ii) to the Series 2012 Bonds Reserve Account the amount, if any, necessary to replenish the amount then on deposit in the Series 2012 Bonds Reserve Account to the Series 2012 Bonds Reserve Requirement; and (iii) to the Bond Insurer the amount, if any, sufficient to repay any amounts owed to the Bond Insurer in connection with all draws under the 2016 Bonds Reserve Policy.
5. On September 2 of each year after making the deposits and transfers required under 1. through 4. above, or after September 2, if funds become available after September 2, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund pro rata among Series as follows: (i) to the Rebate Fund, the amount specified in such request, and (ii) to the Authority Trustee the Community Facilities District's Proportionate Share of any Excess Authority Rebate Obligation that is or will be due and payable during the Bond Year commencing on such September 2. Any such transfer pursuant to clause (ii) of the preceding sentence shall be accompanied by written notice to the Authority Trustee that the amount transferred is to be deposited in the Rebate Fund established pursuant to the Authority Indenture.
6. On September 2 of each year after making the deposits and transfers required under 1. through 5. above, or after September 2, if funds become available after September 2, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Administrative Expense Fund the amounts specified in such request to pay:
 - (i) those Administrative Expenses that the Community Facilities District reasonably believes will become due and payable during such Bond Year or the cost of which Administrative Expenses have previously been incurred and paid by the Community Facilities District from funds other than the Administrative Expense Fund;

- (ii) the Community Facilities District's Proportionate Share of Authority Administrative Expenses which the Community Facilities District reasonably determines will become due and payable during such Bond Year or the cost of which Authority Administrative Expenses have been previously paid by the Authority or the Community Facilities District from funds other than the Authority Administrative Expense Fund; and
- (iii) the cost of such Administrative Expenses and the Community Facilities District's Proportionate Share of the Authority's Administrative Expenses paid or projected to be paid from the Administrative Expense Fund during the Bond Year commencing on such September 2, that will be in excess of the Administrative Expense Requirement for such Bond Year.

7. If on or after September 2 of each year after making the deposits and transfers required in clauses 1 through 6 above moneys remain on deposit in the Special Tax Fund, such moneys shall be deemed to be Available Special Tax Revenues as defined in the Joint Acquisition Agreement (the "Joint Acquisition Agreement"), dated as of February 1, 2014, by and among the Authority, the Community Facilities District, a number of other community facilities districts formed by the School District and Zions First National Bank, as fiscal agent thereunder, and shall be transferred to the Joint Acquisition Agreement Fiscal Agent for deposit in the CFD No. 6 Available Special Tax Revenue Account.

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

When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Special Tax Fund shall be transferred to the Authority Trustee if the Authority Bonds remain outstanding or, if the Authority Bonds are no longer outstanding, to the Community Facilities District and used only for such lawful purposes of the Community Facilities District as are authorized pursuant to the Act.

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

Bond Service Fund

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

On each Interest Payment Date, the Fiscal Agent will withdraw from the Bond Service Fund and pay to the owners of the 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 Bonds, the Fiscal Agent shall establish a special fund designated the “Reserve Fund” which the Fiscal Agent shall maintain and hold in trust. The Fiscal Agent shall establish separate accounts in the Reserve Fund described in the Official Statement as the “2012 Bonds Reserve Account” and the “2016 Bonds Reserve Account” and such accounts shall be administered as provided for in the Indenture. Certain proceeds of the 2016 Bonds will be used to acquire the Reserve Policy to satisfy the 2016 Bonds Reserve Requirement (see “ESTIMATED SOURCES AND USES OF FUNDS” herein).

With respect to the 2016 Bonds, the Reserve Requirement is defined in the Indenture to mean, as of any date of calculation, an amount equal to the least of (i) the then maximum annual debt service on the 2016 Bonds, (ii) 125% of the then average annual debt service on the 2016 Bonds or (iii) 10% of the issue price (as defined in the Treasury Regulations adopted pursuant to the Code) of the 2016 Bonds provided, however, that the 2016 Bonds Reserve Requirement shall not exceed the maximum amount then permitted to be funded from the proceeds of tax-exempt obligations under the Code.

Draws on the Reserve Policy shall be used for the purpose of making transfers to the Bond Service Fund and the Redemption Fund to pay the principal of and interest on the 2016 Bonds when due, in the event that moneys in the Bond Service Fund are insufficient therefor.

On the Delivery Date, the Community Facilities District will acquire and deposit with the Fiscal Agent, the 2016 Bonds Reserve Policy with a stated amount of \$2,834,212.50 to be held in the 2016 Bonds Reserve Account. The 2016 Bonds Reserve Requirement will be satisfied by the delivery of the 2016 Bonds Reserve Policy. The Community Facilities District will have no obligation to replace the 2016 Bonds Reserve Policy or to fund the 2016 Bonds Reserve Account with cash, at any time that the 2016 Bonds are Outstanding, in the event of a downgrade of the Bond Insurer or if amounts are not available under the 2016 Bonds Reserve Policy other than in connection with a draw on the 2016 Bonds Reserve Policy. The 2016 Bonds Reserve Policy will be held as a security solely for the 2016 Bonds. The 2016 Bonds Reserve Policy in the 2016 Bonds Reserve Account shall be applied to pay the principal of and interest on the 2016 Bonds when due in the event that the moneys in the Interest Account and/or the Principal Account of the Bond Service Fund are insufficient therefore. See APPENDIX C – “Summary of Certain Provisions of the Indenture” for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

Administrative Expense Fund

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

Pursuant to the Indenture, moneys in the Administrative Expense Fund will not be construed as a trust fund held for the benefit of the Owners of the 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 “AAAM” or “AAAm-G” by S&P, or better (including those of the Fiscal Agent or its affiliates). See APPENDIX C – “Summary of Certain Provisions of the Indenture” for a definition of “Permitted Investments.”

Payment of Rebate Obligation

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

Parity Bonds for Refunding Purposes Only

Bonds issued on a parity with the 2016 Bonds (“Parity Bonds”) may be issued for refunding purposes only and subject to specific conditions including that the Community Facilities District must be in compliance with all covenants set forth in the Indenture and any Supplement then in effect and a certificate of the Community Facilities District to that effect will be filed with the Fiscal Agent. See APPENDIX C – “Summary of Certain Provisions of the Indenture.”

Special Taxes Are Not Within Teeter Plan

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds maturing September 1, 2033 through September 1, 2035, inclusive (collectively, the “Insured Bonds”), Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Insured Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$493.9 million, \$61.0 million and \$432.8 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)

General Information

The Community Facilities District was formed pursuant to a School Impact Mitigation Agreement, dated as of February 1, 1998, among the School District, the Community Facilities District and 4S Kelwood General Partnership, a California General Partnership (the “Original Impact Mitigation Agreement”). The Original 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 4S Ranch School Impact Mitigation Agreement, dated June 17, 2002 (the “Supplement to School Impact Mitigation Agreement” and as supplemented, the “Supplement to Mitigation Agreement” or “Impact Mitigation Agreement”), to, among other things, provide for the issuance of bonds of the Improvement Areas to fund Infrastructure Facilities.

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 Community Facilities District lies within the area of the master-planned community known as “4S Ranch” and is part of the specific plan area known as “4S Ranch.” The Community Facilities District was an extension of the 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 area 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 1,106 Detached Units and 120 Affordable Units. As of September 1, 2016, Special Taxes have been prepaid with respect to 3 units, leaving 1,103 Detached Units and 120 Affordable Units subject to Special Taxes. 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. As of September 1, 2016, Special Taxes have been prepaid with respect to 6 parcels, leaving 559 homes subject to Special Taxes.

- *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, an approximately 5-acre neighborhood park and an additional splash park. As of September 1, 2016, Special Taxes have been prepaid with respect to 23 units, leaving 1,082 Detached Units and 763 Attached Units subject to Special Taxes.

- *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 developed with 288 single-family homes. As of September 1, 2016, Special Taxes have been prepaid with respect to 47 parcels, leaving 241 homes subject to Special Taxes.

- *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 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 Ranch 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 AT&T California (Pacific Bell Telephone Company) (telephone). Waste Management provides refuse service for detached homes and privately contracted companies provide refuse service for attached homes.

Authority for Issuance

The 2016 Bonds are issued pursuant to the Act and the Indenture. In addition, as required by the Act, the Board of Education of the School District has taken the following actions with respect to establishing the Community Facilities District and authorizing issuance of the 2016 Bonds:

Resolutions of Intention: On February 17, 1998, the Board of Education adopted Resolution No. 63-98 stating its intention to establish the Community Facilities District and to authorize the levy of a special tax therein pursuant to a separate Rate and Method of Apportionment of Special Tax for the Community Facilities District. On the same day the Board of Education adopted Resolution No. 64-98 stating its intention to incur bonded indebtedness in an amount not to exceed \$130,000,000 with respect to the Community Facilities District. The Community Facilities District No. 6 Rate and Method will finance School Facilities.

Resolution of Formation: Immediately following a noticed public hearing on March 24, 1998, the Board of Education adopted Resolution No. 74-98-A (the “Resolution of Formation”), which established the Community Facilities District, established the Rate and Method and authorized the levy of a special tax within the Community Facilities District pursuant to the Rate and Method of Apportionment.

Resolution of Necessity: On March 24, 1998, the Board of Education adopted Resolution No. 75-98-A declaring the necessity to incur bonded indebtedness in an amount not to exceed \$130,000,000 with respect to the Community Facilities District and submitting the proposition to the qualified electors of the Community Facilities District.

Landowner Election and Declaration of Results: On March 24, 1998, an election was held within the Community Facilities District, in which the landowners eligible to vote (4S Kelwood), being the qualified electors, approved the ballot proposition authorizing the issuance of up to \$130,000,000 in bonds to finance the acquisition and construction of the School Facilities. The qualified electors within the Community Facilities District also approved the levy of a special tax in accordance with the Rate and Method and the establishment of an appropriations limit for the Community Facilities District.

On March 24, 1998, the Board of Education adopted Resolution No. 77-98-A pursuant to which the Board of Education approved the canvass of the votes.

Special Tax Lien and Levy: Notice of Special Tax Lien for the Community Facilities District was recorded in the real property records of San Diego County on March 27, 1998.

Ordinance Levying Special Taxes: On April 13, 1998, the Board of Education adopted an Ordinance No. 98-6 levying the Special Tax within the Community Facilities District.

Resolution Authorizing Issuance of the 2016 Bonds: On September 13, 2016, the Board of Education adopted Resolution No. 14-2017, approving issuance of the 2016 Bonds.

Special Tax Collections

The Special Tax on Developed Property authorized for the 2015-16 Fiscal Year in the Community Facilities District was \$9,616,765.32, which was levied against 3,755 parcels. 48 of such parcels had not paid the \$75,555.89 of Special Taxes as of June 30, 2016. For the 2014-15 Fiscal Year, 46 parcels remain delinquent in the amount of \$71,947.55 as of June 30, 2016.

Table 4 below sets forth the Special Tax collections and delinquencies for Fiscal Years 2008-09 through 2015-16, all of which was levied on Developed Property.

Table 4
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Special Tax Collections and Delinquencies ⁽¹⁾

Fiscal Year Ending June 30	Subject Fiscal Year					Continuous ⁽¹⁾			
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinq.	Fiscal Year Amount Delinq.	Fiscal Year Delinq. Rate	Remaining Parcels Delinq.	Remaining Amount Delinq.	Remaining Delinq. Rate
2009	\$7,412,148.40	\$7,145,058.61	3,380	155	\$267,089.79	3.60%	0	\$0.00	0.00%
2010	7,559,391.32	7,352,168.38	3,380	110	207,222.94	2.74	1	1,188.95	0.02
2011	8,073,732.82	7,993,414.69	3,543	46	80,318.13	0.99	2	3,757.91	0.05
2012	8,543,913.36	8,458,757.35	3,645	58	85,156.01	1.00	0	0.00	0.00
2013	8,940,185.46	8,887,824.27	3,718	31	52,361.19	0.59	1	2,537.76	0.03
2014	9,283,927.74	9,242,485.31	3,769	31	41,442.43	0.45	4	7,841.88	0.08
2015	9,443,881.30	9,368,845.47	3,760	47	74,587.83	0.79	46	71,947.55	0.76
2016	9,616,765.32	9,541,209.43	3,755	48	75,555.89	0.79	48	75,555.89	0.79

⁽¹⁾ Delinquency information is provided to the School District by the County of San Diego as of June 30, 2016.

Source: Cooperative Strategies, LLC.

Value-to-Lien Ratios

Based on the County's Fiscal Year 2016-17 assessor's roll, the aggregate assessed value of taxable property within the Community Facilities District was \$2,632,860,018. The Fiscal Year 2016-17 Special Tax levy billed to the properties within the Community Facilities District which were entered on the Assessment Roll of the County equaled \$9,796,919.40. Set forth in Table 3 above in "SECURITY FOR THE BONDS – Special Tax Levy" is a summary of the projected Fiscal Year 2016-17 Special Tax levy by tax classes.

Table 5
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)

Combined Assessed Value and Value-to-Burden Ratio

Value-to-Lien Category	Number of Parcels ⁽¹⁾	Special Tax Refunding Bonds, Series 2016 ⁽²⁾⁽³⁾	2012 and 2015 Bonds ⁽³⁾	Additional Land Secured Debt ⁽⁴⁾	Total Lien	Total Assessed Value ⁽⁵⁾	Combined Value-to-Lien Burden Ratio ⁽⁶⁾	Fiscal Year 2016-17 Special Tax	Percentage Share of Special Tax
30:1 and above	205	\$1,735,788.95	\$4,251,174.70	\$0.00	\$5,986,963.66	\$198,575,522.00	33.17	\$573,827.72	5.86%
20:1 to 30:1	1,263	8,334,847.44	20,413,134.03	5,114,505.95	33,862,487.42	817,730,504.00	24.15	2,755,384.80	28.13
15:1 to 20:1	1,285	10,494,620.75	25,702,702.01	18,208,926.16	54,406,248.92	898,383,114.00	16.51	3,469,375.86	35.41
10:1 to 15:1	880	7,936,701.61	19,438,022.71	20,138,348.49	47,513,072.81	634,533,617.00	13.35	2,623,763.32	26.78
7:1 to 10:1	99	968,770.10	2,372,644.98	4,978,675.35	8,320,090.43	75,298,843.00	9.05	320,261.94	3.27
5:1 to 7:1	4	33,912.56	83,056.30	5,936.88	122,905.73	765,727.00	6.23	11,211.02	0.11
3:1 to 5:1	10	85,957.63	210,521.51	1,150,380.80	1,446,859.95	4,923,799.00	3.40	28,416.40	0.29
3:1 and below	5	44,400.96	108,743.77	988,813.73	1,141,958.45	2,648,892.00	2.32	14,678.34	0.15
Total ⁽⁷⁾	3,751	\$29,635,000.00	\$72,580,000.00	\$50,585,587.36	\$152,800,587.36	\$2,632,860,018.00	17.23	\$9,796,919.40	100.00%

⁽¹⁾ The Special Taxes shown reflect the Developed Property as of January 1, 2016, as confirmed by Cooperative Strategies, Inc. with the County of San Diego. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

⁽²⁾ Source: The Underwriter's November 3, 2016 final pricing analysis.

⁽³⁾ Debt has been proportionately allocated to all parcels based on the Fiscal Year 2016-17 Special Tax levy.

⁽⁴⁾ Source: Detailed Direct and Overlapping Debt provided by National Tax Data, Inc.; debt has been proportionately allocated to all parcels based on the Fiscal Year 2015-16 assessment and includes land secured bond indebtedness.

⁽⁵⁾ Source: San Diego County Assessor's Roll.

⁽⁶⁾ Average value-to-lien per lot; actual value to lien may vary by lot.

⁽⁷⁾ Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.

Direct and Overlapping Debt

Table 6 below sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied within the Community Facilities District, prepared by National Tax Data, Inc., and prepared September 2, 2016 (the “Debt Report”). The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, which will change significantly as sales occur and assessed values increase to reflect housing values. The Community Facilities District believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the County, may issue additional indebtedness at any time, without the consent or approval of the School District or the Community Facilities District. See “ – Overlapping Direct Assessments” below.

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

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

Table 6
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)

Detailed Direct and Overlapping Debt
as of September 2, 2016

I. Assessed Value

2015-16 Secured Roll Assessed Value

\$2,939,340,286

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	967,476	\$4,245,040,978.06	0.68509%	3,868	\$29,082,348.24
Voter Approved Debt	AVALL	967,397	509,630,033.30	0.12091	3,868	616,212.78
CaliforniaFIRST Program (County of San Diego) (1)	1915	126	734,225.46	0.33306	1	2,445.42
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	52,379	1,571,749.16	7.82299	3,644	122,957.76
County of San Diego Service Area No. 83 (Park Maintenance)	OPENSACE	4,957	536,732.14	76.04855	3,802	408,177.00
County of San Diego Street Lighting, Zone A	LLMD	97,530	707,702.86	4.47343	3,732	31,658.58
County of San Diego Vector Control, Zone B	VECTOR	362,967	757,509.66	1.16421	3,868	8,819.04
County of San Diego Vector Disease Control	VECTOR	953,263	4,544,409.48	0.40196	3,868	18,266.58
Metropolitan Water District of Southern California Standby Charge	STANDBY	25,122	401,239.30	12.27694	3,866	49,259.90
Metropolitan Water District of Southern California Standby Charge	STANDBY	19,932	311,429.28	0.00369	1	11.50
Olivenhain Municipal Water District AD No. 96-1	1915	23,110	1,398,288.76	15.72869	3,831	219,932.56
Olivenhain Municipal Water District Sewer Charge	SEWER	4,804	4,066,655.92	73.56271	3,856	2,991,542.30
Palomar Pomerado Health GOB 2004	GOB	190,240	16,095,163.42	4.24623	3,868	683,438.44
Poway Unified School District CFD No. 6	CFD	4,003	9,616,765.32	100.00000	3,755	9,616,765.32
Poway Unified School District CFD No. 6, Impv Area A	CFD	559	1,541,213.42	100.00000	559	1,541,213.42
Poway Unified School District CFD No. 6, Impv Area B	CFD	1,848	2,646,164.80	100.00000	1,848	2,646,164.80
Poway Unified School District CFD No. 6, Impv Area C	CFD	239	579,849.60	100.00000	239	579,849.60
Rancho Santa Fe Fire Protection District Special Tax	FIRE	12,285	1,029,790.00	26.10824	3,867	268,860.00
San Diego County Water Authority Standby Charge	STANDBY	25,127	350,020.94	12.24241	3,868	42,851.00
WRCOG HERO Financing Program	1915	3,327	12,587,785.82	0.30442	8	38,319.92

2015-16 TOTAL PROPERTY TAX LIABILITY

\$48,969,094.16

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2015-16 ASSESSED VALUATION

1.67%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Olivenhain Municipal Water District AD No. 96-1	1915	\$22,530,000	\$11,745,000	15.72869%	3,831	\$1,847,335
Poway Unified School District CFD No. 6	CFD	128,855,000	106,880,000	100.00000	3,755	106,880,000
Poway Unified School District CFD No. 6, Impv Area A	CFD	18,000,000	16,585,000	100.00000	559	16,585,000
Poway Unified School District CFD No. 6, Impv Area B	CFD	30,000,000	23,040,000	100.00000	1,848	23,040,000
Poway Unified School District CFD No. 6, Impv Area C	CFD	9,470,000	9,935,000	100.00000	239	9,935,000

TOTAL LAND SECURED BOND INDEBTEDNESS ⁽¹⁾

\$158,287,335

TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDN

\$158,287,335

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$92,865,000	0.11992%	3,868	\$111,367
Palomar Community College District GOB 2006	GOB	554,998,901	504,710,855	2.88675	3,868	14,569,749
Palomar Pomerado Health GOB 2004	GOB	495,999,997	460,020,866	4.23412	3,868	19,477,844

TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS

\$34,158,960

TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS ⁽¹⁾

\$34,158,960

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT

\$192,446,294.95

VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT

15.27:1

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

Source: National Tax Data, Inc.

Abbreviation Key

CFD – Community Facilities District

GOB - General Obligation Bond

PROP13 – Proposition 13

STANDBY – Water Standby Charge

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

Tables 7 and 8 below set forth estimated Fiscal Year 2015-16 overall tax rates estimated to be applicable to a Detached Unit or Attached Unit. The tables also set forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

Table 7
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)
Fiscal Year 2015-16 Tax Rates
(Single Family Detached Unit Containing 3,047 Building Square Feet)

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$698,325
Homeowner's Exemption	(7,000)
Net Assessed Value ⁽²⁾	\$691,325

Ad Valorem Property Taxes	Percent of Total AV	Amount
General Purposes	1.00000%	\$6,913.25
Ad Valorem Tax Overrides		
Palomar Health- Debt Service	0.02350	162.46
Palomar Community College	0.01769	122.30
Municipal Water District Debt Service	0.00350	24.20
Total Ad Valorem Property Taxes	1.04469%	\$7,222.20

Assessments, Special Taxes and Parcel Charges ⁽³⁾

Fire District Special Tax	\$50.00
Olivenhain Assessment District 96-1	66.82
San Diego County Street Lighting Zone A	6.48
Mosquito Surveillance	2.28
CSA 17 Emergency Ambulance	28.58
Water District Sewer Charge	867.00
Municipal Water District Standby Charge	11.50
Vector Disease Control	5.00
Water Authority Standby Charge	10.00
CSA 83A Park Maintenance	117.80
Poway Unified School District CFD No. 6	2,707.56
Poway Unified School District CFD No. 6 IA	2,120.04

Total Assessments, Special Taxes and Parcel Charges	\$5,993.06
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Total Property Taxes	\$13,215.26
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Effective Tax Rate	1.76%
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⁽¹⁾ Fiscal Year 2015-16 assessed valuation for a single family detached residential unit with 3,047 building square feet, selected to represent the median effective tax rate for a detached unit within the Community Facilities District.

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

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

Table 8
Poway Unified School District
Community Facilities District No. 6 (4S Ranch)

Fiscal Year 2015-16 Tax Rates
(Single Family Attached Unit Containing 1,626 Building Square Feet)

Assessed Valuations and Property Taxes		
Assessed Value (1)		\$429,605
Homeowner's Exemption		0
Net Assessed Value (2)		\$429,605
Ad Valorem Property Taxes	Percent of Total AV	Amount
General Purposes	1.00000%	\$4,296.05
Ad Valorem Tax Overrides		
Palomar Health- Debt Service	0.02350	\$100.96
Palomar Community College	0.01769	76.00
Municipal Water District Debt Service	0.00350	15.04
Total Ad Valorem Property Taxes	1.04469%	\$4,488.04
Assessments, Special Taxes and Parcel Charges (3)		
Fire District Special Tax		\$50.00
Olivenhain Assessment District 96-1		\$40.34
San Diego County Street Lighting Zone A		5.18
Mosquito Surveillance		2.28
CSA 17 Emergency Ambulance		28.58
Water District Sewer Charge		503.00
Municipal Water District Standby Charge		11.50
Vector Disease Control		3.50
Water Authority Standby Charge		10.00
CSA 83A Park Maintenance		82.46
Poway Unified School District CFD No. 6		1,301.38
Poway Unified School District CFD No. 6 IA A		678.84
Total Assessments, Special Taxes and Parcel Charges		2,717.06
Total Property Taxes		\$7,205.10
Effective Tax Rate		1.68%

- (1) Fiscal Year 2015-16 assessed valuation for a single family attached residential unit with 1,626 building square feet, selected to represent the median effective tax rate for an attached unit within the Community Facilities District.
- (2) Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption.
- (3) All charges and special assessments are based on a Lot size of less than one (1) acre.

Source: Cooperative Strategies, 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. Other than the Special Taxes levied with respect to the Bonds and the Special Taxes, the Community Facilities District is not aware of whether the properties within the Community Facilities District are subject to sewer service charges or special taxes in excess of \$550 per year.

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

Accordingly, the debt on the property within the Community Facilities District could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the ratio that exists at the time the 2016 Bonds are issued between the value of the property and the debt secured by the Special Taxes and other taxes and assessments which may be levied on such property. The incurring of such additional indebtedness could also affect the ability and willingness of the property owners within the Community Facilities District to pay the Special Taxes when due.

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

BONDOWNERS' RISKS

In addition to the other information contained in this Official Statement, the following risk factors should be carefully considered in evaluating the investment quality of the 2016 Bonds. The Community Facilities District and the Underwriter caution prospective investors that this discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the 2016 Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Community Facilities District to pay the Special Taxes when due. Any such failure to pay Special Taxes could result in the inability of the Community Facilities District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the Community Facilities District.

Risks of Real Estate Secured Investments Generally

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

Economic Uncertainty

In recent years, there have been local economic uncertainty and volatility within the region. Unemployment rates have increased to approximately 3.4% for the Poway area as of July 1, 2016 (not seasonally adjusted) as compared to 3.3% for calendar year 2015, approximately 5.0% for the City of San Diego (not seasonally adjusted) as compared to 4.9% for calendar year 2015 and approximately 5.3% (not seasonally adjusted) for San Diego County as compared to 5.2% for calendar year 2015. The Community Facilities District cannot predict future economic conditions or whether or to what extent economic conditions may affect the ability of homeowners to pay Special Taxes or the marketability of the 2016 Bonds.

State Budget

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

Special Taxes Are Not Personal Obligations

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

The Bonds Are Limited Obligations of the Community Facilities District

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

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

Assessed Values

Prospective purchasers of the 2016 Bonds should not assume that the land within the Community Facilities District could be sold for the assessed amount described in this Official Statement at a foreclosure sale for delinquent Special Taxes.

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

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

Value-to-Lien Ratios

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the property (usually either the assessed value or a market value as determined by an appraiser) and the denominator of which is the “lien” of the assessments or special taxes as represented by the principal amount of bonds repaid by such assessment or special tax. A value-to-lien ratio should not, however, be viewed as a guarantee of credit-worthiness. Land values are especially

sensitive to economic cycles. A downturn of the economy may depress land values and hence the value-to-lien ratios. Further, the value-to-lien ratio typically cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a 1:1 ratio, the land is worth less than the debt on it.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. Finally, local agencies may form overlapping community facilities districts or assessment districts. Such local agencies typically do not coordinate their bond issuances. Debt issuance by an entity other than the Community Facilities District can therefore dilute value-to-lien ratios. See “COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH) – Direct and Overlapping Debt.”

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

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

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

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

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

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

Disclosure to Future Purchasers

The Community Facilities District recorded a Notice of Special Tax Lien for the territory included in the Community Facilities District in the Office of the San Diego County Recorder as Document No. 1998-0169295 with respect to the Rate and Method on March 27, 1998. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation and Special Tax obligation in the purchase of a parcel of land or a home in the Community Facilities District or the lending of money thereon. The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers, other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

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

Special Tax Delinquencies

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

Insufficiency of the Special Tax

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

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

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

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

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

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

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

Exempt Properties

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

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

Depletion of Reserve Fund

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

Potential Delay and Limitations in Foreclosure Proceedings

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

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

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

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

In addition, potential investors should be aware that judicial foreclosure proceedings are not summary remedies and can be subject to significant procedural and other delays caused by crowded court calendars and other factors beyond the control of the Community Facilities District or the School District. Potential investors should assume that, under current conditions, it is estimated that a judicial foreclosure of the lien of Special Taxes may take up to two or three years from initiation to the lien foreclosure sale. At a Special Tax lien foreclosure sale, each parcel will be sold for not less than the “minimum bid amount” which is equal to the sum of all delinquent Special Tax installments, penalties and interest thereon, costs of collection (including reasonable attorneys’ fees), post-judgment interest and costs of sale. Each parcel is sold at foreclosure for the amounts secured by the Special Tax lien on such parcel and multiple parcels may not be aggregated in a single “bulk” foreclosure sale. If any parcel fails to obtain a “minimum bid,” the Community Facilities District may, but is not obligated to, seek superior court approval to sell such parcel at an amount less than the minimum bid. Such superior court approval requires the consent of the owners of 75% of the aggregate principal amount of the outstanding Bonds.

Delays and uncertainties in the Special Tax lien foreclosure process create significant risks for Bondowners. High rates of special tax payment delinquencies which continue during the pendency of protracted Special Tax lien foreclosure proceedings, could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon foreclosure. In that event, there could be a default in payment of the principal of, and interest on, the Bonds. See “Special Taxes Are Not Personal Obligations” above.

If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the Community Facilities District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days (or in some cases a shorter period) from the date of service of the Notice of Levy and 20 days from the subsequent notice of sale in which to redeem the property to be sold. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such action, a

foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made. The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld. Any parcel subject to foreclosure sale must be sold at the minimum bid price unless a lesser minimum bid price is authorized by the Owners of 75% of the aggregate principal amount of the Bonds Outstanding.

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

If the Reserve Fund is depleted and delinquencies in the payment of Special Taxes exist, there could be a default or delay in payments to the Bondowners pending prosecution of foreclosure proceedings and receipt by the Community Facilities District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method and the Act, the Community Facilities District may adjust the Special Taxes levied on all property in The Community Facilities District 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 Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the Bonds by the Indenture. The levy of Special Taxes is subject to the maximum annual amount of Special Taxes authorized by the qualified voters of The Community Facilities District and the limitation imposed by Section 53321 of the Act as applied to the Community Facilities District. See “SECURITY FOR THE BONDS – Special Tax Levy.”

Bankruptcy and Foreclosure Delay

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

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

Although bankruptcy proceedings would not cause the obligation to pay the Special Tax to become extinguished, bankruptcy of a property owner or of a partner or other equity owner of a property owner, could result in a stay of enforcement of the lien for the Special Taxes, a delay in prosecuting superior court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Special Taxes and could result in the possibility of delinquent Special Taxes not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent Special

Taxes not being paid in full. Moreover, amounts received upon foreclosure sales may not be sufficient to fully discharge delinquent installments. To the extent that a significant percentage of the property in the Community Facilities District is owned any property owner, and Special Taxes have been levied on such property, and such owner is the subject of bankruptcy proceedings, the payment of the Special Tax and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Special Tax could be extremely curtailed by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure.

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

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

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

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

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

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

FDIC. Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "1991 Policy Statement"). The 1991 Policy Statement was revised and superseded by new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is

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

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The Community Facilities District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the Community Facilities District in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Owners of the 2016 Bonds should assume that the Community Facilities District will be unable to collect Special Taxes or to foreclose on any parcel within the Community Facilities District owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the Bonds. Based upon the secured tax roll as of January 1, 2015, the FDIC did not own any of the property in the Community Facilities District. The Community Facilities District expresses no view concerning the likelihood that the risks described above will materialize while the 2016 Bonds are outstanding.

Mortgage Interests. Similarly, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution ("This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding"), in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless Congress has otherwise provided, if the federal

government has a mortgage interest in the parcel and the Community Facilities District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. For a discussion of risks associated with taxable parcels within the Community Facilities District becoming owned by the federal government, federal government entities or federal government sponsored entities, see "Exempt Properties" above.

Factors Affecting Parcel Values and Aggregate Value

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

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

In the event of a severe earthquake, there may be significant damage to both property and infrastructure in the Community Facilities District. As a result, the property owners may be unable or unwilling to pay the Special Taxes when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in the Community Facilities District could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes. Development within the Community Facilities District 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.

Drought Conditions. With respect to droughts specifically, the State of California in recent years has been facing water shortfalls. Most recently, on May 9, 2016, in response to a five-year drought, Governor Edmund G. Brown Jr. issued an executive order which established a new water use efficiency framework for California. The order bolstered the State's drought resilience and preparedness by establishing longer-term water conservation measures that include permanent monthly water use reporting, new urban water use targets, reducing system leaks and eliminating clearly wasteful practices, strengthening urban drought contingency plans and improving agricultural water management and

drought plans. On May 18, 2016, the State Water Resources Control Board adopted a statewide water conservation approach that requires local water agencies to ensure a three-year supply assuming three more dry years like the ones the State experienced from 2012 to 2015. Water agencies that face shortages under three additional dry years are required to meet a conservation standard equal to the amount of the shortage.

The historic drought has lasted for years and will not be resolved by a single year's rainfall. The implementation of mandatory water reductions is ongoing. The Community Facilities District cannot predict how long the drought conditions will last, what effect drought conditions may have on property values, whether to what extent water reduction requirements may affect the homeowners or development in the Community Facilities District or to what extent the drought could cause disruptions to economic activity within the boundaries of 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 Special Taxes is a claim with regard to hazardous substances. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) may be obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect therefore, should any of the parcels be affected by a hazardous substance, would be to reduce the marketability and value by the costs of remedying the condition, because the purchaser, upon becoming owner, may become obligated to remedy the condition just as is the seller. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling or disposing of it. All of these possibilities could significantly affect the financial and legal ability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

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

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

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

No Acceleration Provisions

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

Community Facilities District Formation

California voters, on June 6, 1978, approved an amendment (“Article XIII A”) to the California Constitution. Section 4 of Article XIII A, requires a vote of two-thirds of the qualified electorate to impose “special taxes,” or any additional *ad valorem*, sales or transaction taxes on real property. At an election held within the Community Facilities District pursuant to the Act, more than two-thirds of the qualified electors within the Community Facilities District, consisting of the landowners within the boundaries of the Community Facilities District, authorized the Community Facilities District to incur bonded indebtedness to finance the School Facilities and approved the Rate and Method. The Supreme Court of the State has not yet decided whether landowner elections (as opposed to resident elections) satisfy requirements of Section 4 of Article XIII A, nor has the Supreme Court decided whether the special taxes of a community facilities district constitute a “special tax” for purposes of Article XIII A.

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

Billing of Special Taxes

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

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

Inability to Collect Special Taxes

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

It may be possible, however, for voters of The Community Facilities District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds but which

does reduce the maximum amount of 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 Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds.

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

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

Section 53359 of the Act provides that:

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

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

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

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

Shapiro case. The Community Facilities District is not able to predict the outcome of any such examination of the Initiative in relation to community facilities districts formed under the Act.

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

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

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

Ballot Initiatives and Legislative Measures

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

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the 2016 Bonds or, if a secondary market exists, that such 2016 Bonds can be sold for any particular price. Although the Community Facilities District has committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of credit rating for the 2016 Bonds or because of adverse history or economic prospects connected with a particular issue, secondary

marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Bond Insurance Risk Factors

The School District has acquired a Policy to guarantee the scheduled payment of principal and interest on the Insured Bonds. The following are risk factors relating to bond insurance.

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

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

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

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

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

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

Loss of Tax Exemption

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

IRS Audit of Tax-Exempt Bond Issues

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

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

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

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

The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of or marketability of, the 2016 Bonds. In recent years, legislative changes were proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the 2016 Bonds. Prospective purchasers of the 2016 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion. As discussed in this Official Statement, under the caption

“LEGAL MATTERS,” interest on the 2016 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2016 Bonds were issued as a result of future acts or omissions of the Community Facilities District in violation of its covenants in the Indenture. Should such an event of taxability occur, the 2016 Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

Backup Withholding

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

Limitations on Remedies

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

LEGAL MATTERS

Legal Opinion

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

Tax Exemption

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

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest on the 2016 Bonds is based upon certain representations of fact and certifications made by the Community Facilities District, the School District, the Underwriter and others and is subject to the condition that the Community Facilities District complies with all requirements of the Internal Revenue Code of 1986, as amended (defined above as the “Code”) and the regulations adopted pursuant to the

Code (defined above as the “Treasury Regulations”) that must be satisfied subsequent to the issuance of the 2016 Bonds to assure that interest on the 2016 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code and the Treasury Regulations might cause interest on the 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016 Bonds. The Community Facilities District have covenanted to comply with all such requirements.

To the extent the issue price of any maturity of the 2016 Bonds is less than the amount to be paid at maturity of such 2016 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2016 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the 2016 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2016 Bonds is the first price at which a substantial amount of such maturity of the 2016 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2016 Bonds accrues daily over the term to maturity of such 2016 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2016 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2016 Bonds. Owners of the 2016 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2016 Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2016 Bonds in the original offering to the public at the first price at which a substantial amount of such 2016 Bonds is sold to the public.

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2016 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. For example, proposals are announced from time to time which, generally would limit the exclusion from gross income of interest on obligations like the 2016 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2016 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2016 Bonds. Prospective purchasers of the 2016 Bonds should consult their own tax advisors

regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

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

Although Bond Counsel has rendered an opinion that interest on the 2016 Bonds is excluded from gross income for federal income tax purposes provided the Community Facilities District continue to comply with certain requirements of the Code, the accrual or receipt of interest on the 2016 Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the 2016 Bonds.

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

Absence of Litigation

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

No General Obligation of School District or Community Facilities District

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

RATINGS

The Insured Bonds are expected to be assigned a rating of “AA” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), based on the issuance of the Policy by BAM. Additionally, S&P has assigned an underlying rating of “BBB+” to the 2016 Bonds without consideration of the issuance of the Insurance Policy. The rating agency may have obtained and considered information and material which has not been included in this Official Statement. Generally, a rating agency bases its ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agency. The rating is not a recommendation to buy, sell or hold the 2016 Bonds. The rating reflects only the view of the rating agency with respect to its rating and an explanation of the significance of such rating may be obtained from it. No assurance can be given that the rating of a rating agency will be maintained for any given period of time or that the rating may not be revised downward or withdrawn entirely by the rating agency, if in its own judgment, circumstances warrant. Any such downward change in or withdrawal may have an adverse effect on the market price of the 2016 Bonds. The Underwriter and the Community Facilities District have not undertaken any responsibility after the offering of the 2016 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Rating Downgrades of Municipal Bond Insurers. In the past, Moody’s Investors Service, S&P and Fitch Ratings (the “Rating Agencies”), have each downgraded the claims-paying ability and financial strength of various bond insurance companies. Downgrades or negative changes in the rating outlook are possible. In addition, in the past events in the credit markets have had a substantial negative effect on the bond insurance business. Should similar events, occur, such events could have a material adverse effect on the claims paying ability of the Bond Insurer. The Community Facilities District, the School District and the Underwriter have not made an independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength thereof can be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Community Facilities District to pay the principal of and interest on the 2016 Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

UNDERWRITING

The 2016 Bonds are being purchased by Piper Jaffray & Co. at a purchase price of \$33,069,015.20 (which represents the aggregate principal amount of the 2016 Bonds of \$29,635,000.00, plus a net original issue premium of \$3,685,912.70 and less an underwriter’s discount of \$251,897.50).

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

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

The Underwriter has entered into a distribution agreement (the “Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the 2016 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase the 2016 Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any bonds that CS&Co. sells.

PROFESSIONAL FEES

Fees payable to certain professionals, including the Underwriter, Nossaman LLP, as Underwriter's Counsel, and Zions Bank, a division of ZB, National Association, as the Fiscal Agent, are contingent upon the issuance of the 2016 Bonds. From time to time, Disclosure Counsel represents the Underwriter on matters unrelated to the 2016 Bonds.

MISCELLANEOUS

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

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

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

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

By: /s/ Kamran Azimzadeh
Kamran Azimzadeh, Interim Associate
Superintendent, Business Support Services of the
Poway Unified School District, on behalf of Poway
Unified School District Community Facilities
District No. 6 (4S Ranch)

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

Introduction

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

General Information

The Poway Unified School District (the "School District") is a school district organized under the laws of the State of California (the "State"). The School District was established in 1962. The School District provides educational instruction for grades TK-12 within an approximately 100 square mile area in the central portion of the County of San Diego (the "County") and includes the City of Poway and portions of the City of San Diego and the County, including the communities of 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz, StoneBridge Estates and Torrey Highlands. The School District currently operates 25 elementary schools (K-5), six middle schools (6-8), one TK-8 school, five high schools (9-12) and one continuation high school. The School District's second period report (P-2, the period from July 1 to April 15) of average daily attendance ("ADA") computed in accordance with State law for the 2013-14 academic year was 34,451, for the 2014-15 academic year, was 34,490, for the 2015-16 academic year is 34,587 and for the 2016-17 academic year is estimated to be 34,587. The estimated population within the School District's boundaries was approximately 197,571 as of January 1, 2015. The School District reported 35,771 students enrolled at the California Longitudinal Pupil Achievement Data System ("CALPADS" formerly CBEDS) during Fiscal Year 2015-16.

Administration and Enrollment

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

The administrative staff of the School District includes Mel Robertson, Ed.D., Acting Superintendent, and Kamran Azimzadeh, Interim Associate Superintendent, Business Support Services.

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

Commencing with Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education. In Fiscal Year 2013-14, State legislation replaced the majority of revenue limit and categorical funding formulas with a new set of funding formulas. The Governor refers to the proposals as the “Local Control Funding Formula.” The State budget provided funding in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The new system provides a more uniform base per-pupil rate for each of several grade levels. The base rates are augmented by several funding supplements for (1) students needing additional services, defined as English learners, students from lower income families and foster youth; (2) school districts with high concentrations of English learners and lower income families; and (3) high school students. The new funding system requires school districts to develop local plans describing how the school district intends to educate its students.

From Fiscal Year 2006-07 through Fiscal Year 2016-17, the School District’s enrollment has been stable. The demographics of the School District reflect an increasing trend in elementary school population, stable trend in middle school population and slight decrease in high school population. Experience shows that the east side of the School District is substantially built out with incidences of in-fill throughout the east side and west and north areas are experiencing developments and new families. California voters approved Proposition 13 that not only limits the tax rate on property, but gives an incentive for owners to occupy longer resulting in slower turnover of homes to new families. This impacts the east side with declining enrollment. The School District however has offsetting growth on the west side. Information concerning enrollment for these years is set forth below:

**Poway Unified School District
Student Enrollment**

Fiscal Year	CBEDS/CALPADS Enrollment	District Average Daily Attendance	District Base Revenue Limit
2006-07	32,873	31,817	\$5,527
2007-08	33,283	32,075	5,780
2008-09	33,305	32,366	5,631
2009-10	33,797	32,646	5,202
2010-11	34,135	33,054	5,224
2011-12	34,569	33,553	5,170
2012-13	35,196	34,064	5,227
2013-14	35,498	34,451	N/A ⁽¹⁾
2014-15	35,629	34,490	N/A ⁽¹⁾
2015-16	35,771	34,579 ⁽²⁾	N/A ⁽¹⁾

⁽¹⁾ Commencing with Fiscal Year 2013-14, the State restructured allocations for funding K-12 education and begins implementing the Local Control Funding Formula. See “ – Administration and Enrollment” above.

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

Source: California Department of Education and the School District.

Labor Relations

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

Poway Unified School District District Employees

Labor Organization	Approximate Number of Employees In Organization ⁽¹⁾	Contract Expiration Date ⁽²⁾
Poway Federation of Teachers (PFT), Local 2357	1,658	6/30/16
Service Employees International Union	489	6/30/16
Poway Schools Employees Association	1,585	6/30/16

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

⁽²⁾ Recently a vote was taken by members of the Service Employees International Union to join into the Poway School Employees Association. The labor organizations will continue under separate contracts until all steps are completed. All three labor organizations are in negotiations under their respective contracts.

Source: The School District.

Retirement Programs

The School District participates in the State of California Teachers' Retirement System ("STRS"). This plan covers certificated employees. The School District's contribution to STRS in Fiscal Year 2012-13 was \$10,601,369, in Fiscal Year 2013-14 was \$11,213,488 and in Fiscal Year 2014-15 was \$12,578,187. The School District's contribution to STRS for Fiscal Year 2015-16 is estimated to be \$16,834,538 and the School District's contribution to STRS for Fiscal Year 2016-17 is estimated to be \$22,621,528. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The School District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers certificated employees who elect and all classified personnel who are employed 1,000 or more hours per fiscal year. The School District's contribution to PERS in Fiscal Year 2012-13 was \$7,272,505, in Fiscal Year 2013-14 was \$7,311,483 and in Fiscal Year 2014-15 was \$7,908,524. The School District's contribution to PERS for Fiscal Year 2015-16 is estimated to be \$8,215,942 and the School District's contribution to PERS for Fiscal Year 2016-17 is estimated to be \$9,981,717. In order to receive PERS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

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

The School District offers post-retirement benefits for employees up to age 65. The School District's contribution for these benefits for the Fiscal Year ending June 30, 2013, was \$1,763,725, for the Fiscal Year ending June 30, 2014 was \$1,617,998, for the Fiscal Year ending June 30, 2015, was

\$1,503,467, and for the Fiscal Year ending June 30, 2016, was \$1,416,969. The School District's contribution for these benefits is estimated to be \$1,554,846 for Fiscal Year 2016-17 (adopted budget). The program is operated on a pay-as-you go basis and budgets the current costs each year with an increase based on actual health and welfare increases.

Insurance

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

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

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

APPENDIX B

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 6
OF POWAY UNIFIED SCHOOL DISTRICT**

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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 OF CERTAIN PROVISIONS OF THE INDENTURE

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

DEFINITIONS

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.

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

“Administrative Expense Requirement” means an annual amount equal to \$52,779.15 subject to escalation by 2% in each Bond Year commencing in the Bond Year beginning on September 2, 2017.

“Administrative Expenses” means (a) the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County of San Diego, the School District or otherwise); the costs of remitting the Special Taxes 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 School District, District or obligated person disclosure requirements associated with applicable federal or state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the School District, District, or any designee thereof related to an appeal of the Special Tax; and the costs of any credit enhancement obtained by the School District or the District and (b) the District’s Proportionate Share of the Authority Administrative Expenses. Administrative Expenses shall also include Delinquency Collection Expenses.

“Annual Debt Service” means as to the Bonds, 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.

“Associate Superintendent, Business Support Services” means the Associate Superintendent, Business Support Services of the School District, acting for and on behalf of the School District.

“Authority Administrative Expense Fund” means the Administrative Expense Fund established pursuant to the Authority Indenture.

“Authority Administrative Expenses” shall have the meaning given such term in the Authority Indenture.

“Authority Bonds” shall have the meaning given such term in the Authority Indenture.

“Authority Indenture” means that Indenture of Trust, dated as of June 1, 2015, by and between the Poway Unified School District Public Financing Authority and Zions First National Bank, as trustee, pertaining to the Poway Unified School District Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2015B.

“Authority Reserve Fund” means the Reserve Fund established pursuant to the Authority Indenture.

“Authority Reserve Requirement” shall have the meaning given to the term “Reserve Requirement” in the Authority Indenture.

“Authority Trustee” means Zions Bank, a division of ZB, National Association, acting in its capacity as trustee pursuant to the Authority Indenture.

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

“Available Special Tax Revenues” shall, *as to the CFD No. 6 Bond Indenture*, have the meaning given such term in the Joint Acquisition Agreement.

“Average Annual Debt Service” means, as of the date of any calculation, the average annual debt service on the Bonds based upon a Bond Years 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.

“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 thereof to September 1 immediately following such Delivery Date.

“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 Series 2016 Bonds and any Parity Bonds at any time Outstanding pursuant to the Indenture.

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

“CFD No. 6” or “Community Facilities District No. 6” means Poway Unified School District Community Facilities District No. 6 (4S Ranch).

“CFD No. 6 Available Special Tax Revenue Account” means the Available Special Tax Revenue Account of Community Facilities District No. 6 established by the Joint Acquisition Agreement Fiscal Agent in the Available Special Tax Revenue Fund pursuant to the Joint Acquisition 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 each Series of the Bonds, all of costs of issuing the such Series of the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture and any Supplemental Indenture, such 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 such 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 such Series of the Bonds, to the extent such fees and expenses are approved by the District.

“Cost of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“Delinquency Collection Expenses” means those fees and expenses of the District incurred by or on behalf of the District in or related to the collection of delinquent Special Taxes.

“Delinquency Proceeds” means the net amounts collected from the redemption of delinquent Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Taxes resulting from the delinquency in the payment of 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 any Series of the Bonds are issued and delivered to the initial purchaser thereof. The Delivery Date for the Series 2016 Bonds shall be November 30, 2016.

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

“District” means Poway Unified School District Community Facilities District No. 6 (4S Ranch) of the Poway Unified School District.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Excess Authority Rebate Obligation” means that portion of any obligation of the Authority to make a payment to the United States pursuant to the Authority Indenture that exceeds the funds then on deposit in the Rebate Fund established pursuant to the Authority Indenture.

“Escrow Agent” means Zions Bank, a division of ZB, National Association, acting as escrow agent under and pursuant to the Escrow Agreement.

“Escrow Agreement” means that Escrow Deposit and Trust Agreement, dated as of November 1, 2016, between the District and the Escrow Agent related to the defeasance and refunding of the Prior Special Tax Bonds.

“Fifth Supplemental Indenture” means the Fifth Supplemental Indenture, dated as of June 1, 2015, entered into by and between the District and the Fiscal Agent, pursuant to and in order to amend and supplement the Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture.

“First Supplemental Indenture” means the First Supplemental Indenture, dated as of November 1, 2005, entered into by and between the District and the Fiscal Agent, pursuant to and in order to amend and supplement the Indenture.

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

“Fiscal Year” means the 12-month period beginning July 1 of each year and terminating on June 30 of the following year, or any other annual accounting period hereinafter selected and designated by the District as its fiscal year in accordance with applicable law.

“Fourth Supplemental Indenture” means the Fourth Supplemental Indenture, dated as of May 1, 2012, entered into by and between the District and the Fiscal Agent, pursuant to and in order to amend and supplement the Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture.

“Funding Agreement” means the Funding Allocation Agreement, dated as of June 1, 2015, among the Authority, the School District and CFD No. 6.

“Government Obligations” means obligations described in Paragraph 1 of the definition of Permitted Investments.

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

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

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

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

“Independent Financial Consultant” means any person or firm possessing demonstrated experience and expertise in the preparation of special tax formulas, the administration of special taxes levied for community facilities districts and the provision of advice to public agencies with respect to the issuance and administration of bonds of community facilities districts secured by the levy of special taxes. 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, the School District, or the Authority; and
3. is not an officer or employee of the District, the School District, or the Authority, but who may be regularly retained by the District, 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.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>); provided, however, in accordance with the current guidelines of the Securities and Exchange Commission, “Information Services” shall mean such other organizations providing information with respect to called bonds as the District may designate in a Written Certificate of the District delivered to the Trustee.

“Insured Series 2016 Bonds” means the Series 2016 Bonds maturing on September 1 of the years 2033 through 2035, inclusive.

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

“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, 2017 as to the Series 2016 Bonds.

“Joint Acquisition Agreement” means the Joint Acquisition Agreement, dated as of February 1, 2014, by and among the Authority, Poway Unified School District Community Facilities District No. 2 (Subarea IV – Torrey Highlands), Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch), Poway Unified School District Community Facilities District No. 6 (4S Ranch),

Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II), Poway Unified School District Community Facilities District No. 9 (Portswood), Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV), Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and Clusters), Poway Unified School District Community Facilities District No. 13 (The Lakes), Poway Unified School District Community Facilities District No. 14 (Del Sur) and Poway Unified School District Community Facilities District No. 15 (Del Sur East) and Zions First National Bank, as fiscal agent thereunder.

“Joint Acquisition Agreement Fiscal Agent” mean, Zions Bank, a division of ZB, National Association, acting in its capacity as the fiscal agent under the Joint Acquisition Agreement.

“Land Secured Debt” means as to any Taxable Property (as such term is defined in the Special Tax RMA), (a) the principal amount of all Outstanding Series 2002 Bonds, Outstanding Parity Bonds previously issued and the Parity Bond proposed to be issued allocable to such Taxable Property, (b) the principal amount of all other bonds secured by special taxes allocable to such Taxable Property and (c) the amount of all fixed lien assessments levied on such Taxable Property.

“Legislative Body” means the Board of Education of the School District, acting as the legislative body of the District.

“Maximum Annual Debt Service” means, as of the date of any calculation, the largest Annual Debt Service during the current or any future Bond Year.

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

“Net Special Tax Revenues” means Special Tax Revenues minus amounts applied to pay the Administrative Expense Requirement

“Nominee” shall mean the nominee of the Depository that may be the Depository, as determined from time to time by the Depository.

“Outstanding” means as to the Bonds, all of the Bonds, except:

1. Bonds theretofore canceled or surrendered for cancellation in accordance with the Indenture;
2. Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to the terms of the Indenture; and
3. Bonds for the payment or redemption of which moneys shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or any applicable Supplemental Indenture.

“Parity Bonds” means, Bonds hereinafter issued which are secured by and payable from an irrevocable first lien on the Net Special Tax Revenues which lien is on a parity with the lien securing the Series 2016 Bonds.

“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):

A. The following obligations may be used for all purposes, including defeasance investments:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation).

- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - (a) U.S. treasury obligations,
 - (b) all direct or fully guaranteed obligations,
 - (c) Farmers Home Administration,
 - (d) General Services Administration,
 - (e) Guaranteed Title XI financing,
 - (f) Government National Mortgage Association (GNMA),
 - (g) State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or pre-payable prior to maturity or earlier redemption of the rated debt (excluding 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).

B. The following obligations may be used as for all purposes other than defeasance investments in refunding escrow accounts:

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - (a) Export-Import Bank,
 - (b) Rural Economic Community Development Administration,
 - (c) U.S. Maritime Administration,
 - (d) Small Business Administration,
 - (e) U.S. Department of Housing & Urban Development (PHAs),
 - (f) Federal Housing Administration,
 - (g) Federal Financing Bank.
- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - (a) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
 - (b) obligations of the Resolution Funding Corporation (REFCORP);
 - (c) senior debt obligations of the Federal Home Loan Bank System;
 - (d) senior debt obligations of other Government Sponsored Agencies approved by the 2007 Bonds Insurer and the insurer of any Series of Parity Bonds.
- (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).

- (4) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase.
- (5) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P including funds for which the Fiscal Agent or an affiliate provides investment advice or other services.
- (6) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
 - (a) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or
 - (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in A.(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
- (7) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P.
- (8) Investment agreements approved in writing by the 2007 Bonds Insurer and the insurer of any Series of Parity Bonds (supported by appropriate opinions of counsel).
- (9) Other forms of investments (including repurchase agreements) approved in writing by 2007 Bonds Insurer and the insurer of any Series of Parity Bonds.
- (10) Any other investment which the District is permitted by law to make as approved in writing by the 2007 Bonds Insurer, including without limitation investment in the Local Agency Investment Fund of the State of California (LAIF), provided that any investment of the type authorized pursuant to paragraphs (d), (e), (h), and (i) of Section 53601 of the California Government Code are additionally restricted as provided in the appropriate paragraph or paragraphs above applicable to such type of investment and provided further that investments authorized pursuant to paragraphs (r) and (m) of Section 53601 of the California Government Code are not permitted.

The value of any Permitted Investment shall be determined as follows:

- (1) for the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Fiscal Agent shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers;
- (2) as to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and

- (3) as to any Permitted Investment not specified above: the value thereof established by prior agreement among the District, the Fiscal Agent, the 2007 Bonds Insurer and the insurer of any Series of Parity Bonds.

“Policy” means the Municipal Bond Insurance Policy issued by BAM what guarantees the scheduled payment of principal of and interest on the Authority Bonds when due.

“Prepayments” means Special Tax Revenues identified to the Fiscal Agent by an Authorized Representative as representing a prepayment of the Special Tax.

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

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

“Prior Special Tax Bonds” means the outstanding Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2007 issued in the original principal amount of \$37,910,000.

“Proportionate Share” shall have the meaning given such term in the Funding Agreement.

“Qualified Reserve Fund Credit Instrument” shall be amended to be mean an irrevocable standby or direct pay letter of credit or surety bonds or insurance policy issued by a commercial bank or insurance company and deposited with the Fiscal Agent pursuant to the Indenture, provided that all of the following requirements are met by the District at the time of delivery thereof to the Fiscal Agent:

1. the long term credit rating of such bank or insurance company is “Aa” or better from Moody’s or “AA” or better from S&P;
2. such letter of credit, insurance policy or surety bond has a term of at least twelve (12) months;
3. such letter of credit, insurance policy or surety bond has a stated amount at least equal to the Reserve Requirement for such Series of Bonds; and
4. the Fiscal Agent is authorized pursuant to the terms of such letter of credit, surety bond or insurance policy to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required for the Series of Bonds such letter of credit, surety bond or insurance policy was issued for.

“Rebate Fund” mean the fund by that name established pursuant to the Indenture.

“Rebate Instructions” means the Rebate Instructions attached as an exhibit 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 Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by BAM held in the Authority Reserve Fund securing the Authority Bonds.

“Reserve Requirement” shall be amended to mean, the amount, if any, required to be deposited in the Reserve Fund for each Series of Bonds.

“School District” means the Poway Unified School District.

“School Facilities” means the types of facilities described in Exhibit A to Resolution No. 63-98 of the Board of Education of the School District adopted February 17, 1998.

“Second Supplemental Indenture” means the Second Supplemental Indenture, dated as of June 1, 2007, entered into by and between the District and the Fiscal Agent, pursuant to and in order to amend and supplement the Indenture and the First Supplemental Indenture.

“Securities Depositories” means The Depository Trust Company, New York, New York, and its successors and assigns and any replacement securities depository as may be designated in writing executed by an Authorized Representative of the District.

“Series” means any series of Bonds issued pursuant to the Indenture or any Supplemental Indenture.

“Series 2012 Bonds” means the \$38,940,000 Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2012.

“Series 2012 Bonds Reserve Account” means the account by that name established and held by the Fiscal Agent pursuant to Section 3.06(A) of the Indenture.

“Series 2012 Bonds Reserve Requirement” means an amount initially equal to \$3,321,750 which amount shall, as of any date of calculation, be equal to the least of (i) Maximum Annual Debt Service for the Series 2012 Bonds, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Series 2012 Bonds, or (iii) ten percent (10%) of the issue price (as defined in the Regulations) of the Bonds; provided, however, the Series 2012 Reserve Requirement shall not exceed the maximum amount then permitted to be funded from the proceeds of tax-exempt obligations under the Code.

“Series 2015 Bonds” means the \$39,065,000 Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Refunding Bonds, Series 2015.

“Series 2015 Bonds Reserve Requirement” shall be satisfied by the Reserve Policy issued by BAM held in the Authority Reserve Fund securing the Authority Bonds.

“Series 2016 Bonds” means the \$29,635,000.00 Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2016.

“Series 2016 Bonds Insurance Policy” means the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Series 2016 Bonds when due.

“Series 2016 Bonds Insurer” shall mean BAM, or any successor thereto.

“Series 2016 Bonds Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by BAM deposited in the Series 2016 Bonds Reserve Account securing the Series 2016 Bonds.

“Series 2016 Bonds Reserve Account” means the account by that name established and held by the Fiscal Agent pursuant to Section 3.06(B) of the Indenture.

“Series 2016 Bonds Reserve Insurer” shall mean BAM or any successor thereto.

“Series 2016 Bonds Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by BAM deposited in the Series 2016 Bonds Reserve Account securing the Series 2016 Bonds.

“Series 2016 Bonds Reserve Requirement” means an amount initially equal to \$2,834,212.50 which amount shall, as of any date of calculation, be equal to the least of (i) Maximum Annual Debt Service for the Series 2016 Bonds, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Series 2016 Bonds, or (iii) ten percent (10%) of the issue price (as defined in the Regulations) of the Bonds; provided, however, the Series 2016 Reserve Requirement shall not exceed the maximum amount then permitted to be funded from the proceeds of tax-exempt obligations under the Code.

“Sixth Supplemental Indenture” means the Sixth Supplemental Indenture, dated as of November 1, 2016, entered into by and between the District and the Fiscal Agent pursuant to and in order to amend and supplement the Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture.

“Special Tax” means the Special Tax authorized to be levied in the District to finance the acquisition and construction of the School Facilities pursuant to the Act and the Special Tax RMA excepting therefrom (a) the One-Time Special Tax (as defined in the Special Tax RMA) and (b) the Assigned Annual Special Tax (as defined in the Special Tax RMA) for Undeveloped Property (as defined in the Special Tax RMA) located in Zone A (as defined in the Special Tax RMA) of the District.

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

“Special Tax Refunding Bonds” has the meaning given such term in the Authority Indenture.

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

“Special Tax RMA” means the rate and method of apportionment of the Special Tax originally approved at the special election held in the District on March 24, 1998, as may be modified from time to time in accordance with the Act.

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

“State” means the State of California.

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

“Supplemental Indenture” means any bond indenture then in full force and effect which has been duly approved by resolution of the Legislative Body under and pursuant to the Act at a meeting of the Legislative Body duly convened and held, at which a quorum was present and acted thereon, amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

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

“Third Supplemental Indenture” means the Third Supplemental Indenture, dated as of October 1, 2010, entered into by and between the District and the Fiscal Agent pursuant to and in order to amend and supplement the Indenture, the First Supplemental Indenture and the Second Supplemental Indenture.

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

GENERAL AUTHORIZATION AND TERMS

Issuance of Parity Bonds.

The District may at any time issue Parity Bonds payable from Net Special Tax Revenues and other amounts deposited in the funds and accounts created under the Supplemental Indenture (other than in the Rebate Fund and the Administrative Expense Fund) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Prior Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be used for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then outstanding.

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

- A. Parity Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity Bonds results in a reduction of Annual Debt Service on all Outstanding Bonds.

- B. The District shall be in compliance with all covenants set forth in the Prior Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Fiscal Agent; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.
- C. The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify the following:
1. The purpose for which such Parity Bonds are to be issued and the fund or funds and accounts therein, if any, into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding Bonds or Parity Bonds, including payment of all costs incidental to or connected with such refunding;
 2. The authorized principal amount of such Parity Bonds;
 3. The date and the maturity date or dates of such Parity Bonds; provided that (a) each maturity date shall fall on a September 1, (b) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (c) fixed serial maturities or mandatory sinking fund payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;
 4. The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;
 5. The denominations and method of numbering of such Parity Bonds;
 6. The amount and due date of each mandatory sinking fund payment, if any, for such Parity Bonds;
 7. The form of such Parity Bonds; and
 8. Such other provisions as are necessary or appropriate and not inconsistent with the Prior Indenture.
- D. There shall have been received by the Fiscal Agent the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Fiscal Agent (unless the Fiscal Agent shall accept any of such documents bearing a prior date):
1. A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;
 2. A written request of the District as to the delivery of such Parity Bonds;
 3. An opinion of Bond Counsel to the effect that (a) the District has the right and power under the Act to adopt the Supplemental Indenture relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Special Tax Revenues and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement

of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds, the Bonds and Parity Bonds theretofore issued;

4. A certificate of an Authorized Representative containing such statements as may be reasonably necessary to show compliance with the requirements of the Prior Indenture;
5. A certificate of an Authorized Representative certifying that:
 - a. The District has received a certificate from one or more Special Tax Consultants which, when taken together, certify that (1) the amount of the maximum Special Taxes that may be levied pursuant to the Special Tax RMA in each remaining Bond Year based only on the Taxable Property (as such term is defined in the Special Tax RMA) existing as of the date of such certificate is at least 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding Bonds theretofore issued and the Parity Bonds proposed to be issued, provided, however, there shall be excluded from such calculation the Special Taxes on any parcel then delinquent in the payment of Special Taxes; and provided further that, for purposes of making the certifications required by the Special Tax Consultant may rely on reports or certificates of such other persons as may be acceptable to the District, Bond Counsel and the underwriter of the proposed Parity Bonds;
6. Such further documents, money and securities as are required by the provisions of the Prior Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

FUNDS AND ACCOUNTS

Special Tax Fund.

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

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

1. The Fiscal Agent shall each Fiscal Year transfer to the Administrative Expense Fund from the first 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. In the event funds are insufficient to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date, moneys

will be allocated pro rata among each Series of Outstanding Bonds based on Annual Debt Service for each such Series in such Bond Year.

3. The Fiscal Agent shall deposit in the Principal Account of the Bond Service Fund, on each Interest Payment Date, or of any Parity Bonds shall be subject to mandatory sinking fund redemption pursuant to a Supplemental Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date or are subject to mandatory sinking fund redemption pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds. In the event funds are insufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal becoming due and payable on such Interest Payment Date, moneys will be allocated pro rata among each Series of Outstanding Bonds based on Annual Debt Service for each such Series in such Bond Year.

4. On or after March 2 and September 2 of each Bond Year, after making the transfer and deposits required under 1. through 3. above, the Fiscal Agent shall transfer pro rata among Series as follows: (i) to the Authority Trustee the amount, if any, necessary to restore the Authority Reserve Fund to the Authority Reserve Requirement, but only to the extent that any draw on the Authority Reserve Fund was attributable to a deficiency in the amount of debt service received by the Authority, or the Trustee as assignee of the Authority, on the Bonds, together with amounts due and payable by the District to BAM in connection with any draw on the Reserve Policy, including Policy Costs, as defined in Section 12.14 of the Authority Indenture; (ii) to the Series 2012 Bonds Reserve Account the amount, if any, necessary to replenish the amount then on deposit in the Series 2012 Bonds Reserve Account to the Series 2012 Bonds Reserve Requirement; and [(iii) to the Series 2016 Bonds Reserve Insurer the amount, if any, sufficient to repay any amounts owed to the Series 2016 Bonds Reserve Insurer in connection with all draws under the Series 2016 Bonds Reserve Policy].

5. On September 2 of each year after making the deposits and transfers required under 1. through 4. above, or after September 2, if funds become available after September 2, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund pro rata among Series as follows: (i) to the Rebate Fund, the amount specified in such request, and (ii) to the Authority Trustee the District's Proportionate Share of any Excess Authority Rebate Obligation that is or will be due and payable during the Bond Year commencing on such September 2. Any such transfer pursuant to clause (ii) of the preceding sentence shall be accompanied by written notice to the Authority Trustee that the amount transferred is to be deposited in the Rebate Fund established pursuant to the Authority Indenture.

6. On September 2 of each year after making the deposits and transfers required under 1. through 5. above, or after September 2, if funds become available after September 2, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Administrative Expense Fund the amounts specified in such request to pay:

- (i) those Administrative Expenses that the District reasonably believes will become due and payable during such Bond 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;
- (ii) the District's Proportionate Share of Authority Administrative Expenses which the District reasonably determines will become due and payable during such Bond Year or the cost of which Authority Administrative Expenses have been previously paid by the Authority or the District from funds other than the Authority Administrative Expense Fund; and
- (iii) the cost of such Administrative Expenses and the District's Proportionate Share of the Authority's Administrative Expenses paid or projected to be paid from the Administrative Expense Fund during the Bond Year commencing on such September 2, that will be in excess of the Administrative Expense Requirement for such Bond Year.

7. If, on or after September 2 of each year, after making the deposits and transfers required under 1. through 6. above, moneys remain in the Special Tax Fund, such moneys shall be deemed to be Available Special Tax Revenues and shall be transferred to the Joint Acquisition Agreement Fiscal Agent for deposit in the CFD No. 6 Available Special Tax Revenue Account.

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

D. When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Special Tax Fund shall be transferred to the District and used only for such lawful purposes of the District as are authorized pursuant to 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 or (ii) paying the mandatory sinking fund redemption price of any Bonds pursuant to the Supplemental Indenture pursuant to which any Parity Bonds are issued.

Costs of Issuance Fund.

The Fiscal Agent shall, upon the written requisition of the District, executed by an Authorized Representative, disburse money from the Costs of Issuance Fund, if any, on such dates and in such amounts as specified in such requisition to pay the Costs of Issuance related to each Series of the Bonds. Any amounts remaining on deposit in the Costs of Issuance Fund on the earlier 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 each Series of the Bonds shall be transferred to the School Facilities Fund.

Reserve Fund.

The Fiscal Agent shall establish a special fund designated the "Reserve Fund" which the Fiscal Agent shall maintain and hold in trust. The Fiscal Agent shall establish separate accounts in the Reserve Fund to be designated as the "Series 2012 Bonds Reserve Account" and the "Series 2016 Bonds Reserve Account" and such accounts shall be administered as provided for hereinbelow.

(A) Series 2012 Bonds Reserve Account. On the Delivery Date, the Fiscal Agent shall deposit \$3,321,750 in the Series 2012 Bonds Reserve Account, such amount equals the Series 2012 Bonds Reserve Requirement. There shall be maintained in the Series 2012 Bonds Reserve Account moneys which equal the Series 2012 Bonds Reserve Requirement.

Moneys in the Series 2012 Bonds Reserve Account shall be used solely for the purpose of paying the principal of and interest on the Series 2012 Bonds as such amounts shall become due and payable in the event that the moneys in the Special Tax Fund and Bond Service Fund for such purpose are insufficient therefor or redeeming Series 2012 Bonds as described below. If amounts in the Interest Account or the Principal Account of the Debt Service Fund are insufficient to pay the principal of or interest on the Series 2012 Bonds when due, the Fiscal Agent shall withdraw from the Series 2012 Bonds Reserve Account for

deposit in the Interest Account and/or the Principal Account, as applicable, moneys necessary for such purposes. The moneys in the Series 2012 Bonds Reserve Account may not be applied to pay the principal of and interest on the Series 2015 Bonds, the Series 2016 Bonds, or any Bonds other than the Series 2012 Bonds in the event that moneys in the Interest Account or Principal Account of the Bond Service Fund are insufficient therefor.

Amounts, if any, in the Series 2012 Bonds Reserve Account may be applied in connection with an optional redemption of the Series 2012 Bonds pursuant to Section 2.03(A) of the Fourth Supplemental Indenture. Amounts, if any, in the Series 2012 Bonds Reserve Account may be applied in connection with a defeasance pursuant to the Indenture of the Series 2012 Bonds in whole or in part in accordance with the following sentence, or when the balance therein equals the principal and interest due on the Series 2012 Bonds to and including maturity to pay the principal of and interest due on the Series 2012 Bonds to maturity. Any amounts that would otherwise be on deposit in the Series 2012 Bonds Reserve Account following any such optional redemption or defeasance that will be in excess of the Series 2012 Bonds Reserve Requirement following such event shall be applied toward any such optional redemption or defeasance.

On each September 2nd during the term of the Series 2012 Bonds, the Fiscal Agent shall calculate the Series 2012 Bonds Reserve Requirement for the Bond Year commencing on such September 2nd. If the amount then on deposit in the Series 2012 Bonds Reserve Account exceeds the Series 2012 Bonds Reserve Requirement as of the date of such calculation (the "Excess Series 2012 Bonds Reserve Account Amount"), the Fiscal Agent shall not less than five (5) Business Days thereafter transfer the Excess Series 2012 Bonds Reserve Account Amount to the Bond Service Fund to be used to pay the principal of and interest on the Series 2012 Bonds or, at the option of the District, may be applied in connection with an optional redemption of the Series 2012 Bonds pursuant to the Fourth Supplemental Indenture.

Investment earnings on the investment of money on deposit in the Series 2012 Bonds Reserve Account shall be deposited in the Series 2012 Bonds Reserve Account.

(B) Series 2016 Bonds Reserve Account. On the Delivery Date, the District will acquire and deposit with the Fiscal Agent, the Series 2016 Bonds Reserve Policy with a stated amount of \$2,834,212.50 to be held in the Series 2016 Bonds Reserve Account. The Series 2016 Bonds Reserve Requirement will be satisfied by the delivery of the Series 2016 Bonds Reserve Policy. The District will have no obligation to replace the Series 2016 Bonds Reserve Policy or to fund the Series 2016 Bonds Reserve Account with cash, at any time that the Series 2016 Bonds are Outstanding, in the event of a downgrade of the Series 2016 Bonds Reserve Insurer or if amounts are not available under the Series 2016 Bonds Reserve Policy other than in connection with a draw on the Series 2016 Bonds Reserve Policy. The Series 2016 Bonds Reserve Policy will be held as a security solely for the Series 2016 Bonds. The Series 2016 Bonds Reserve Policy in the Series 2016 Bonds Reserve Account shall be applied to pay the principal of and interest on the Series 2016 Bonds when due in the event that the moneys in the Interest Account and/or the Principal Account of the Bond Service Fund are insufficient therefore.

With respect to the Series 2016 Bonds Reserve Policy, notwithstanding anything to the contrary set forth in the Security Documents the District and the Fiscal Agent agree to comply with the following provisions:

1. The District shall repay any draws under the Series 2016 Bonds Reserve Policy and pay all related reasonable expenses incurred by BAM. Interest shall accrue and be payable on such draws and expenses from the date of payment by BAM at the Late Payment Rate. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Bond Insurer in its sole and absolute discretion shall specify.

2. Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the “Policy Costs”) shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.
3. Amounts in respect of Policy Costs paid to BAM shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to BAM on account of principal due, the coverage under the Series 2016 Bonds Reserve Policy will be increased by a like amount, subject to the terms of the Series 2016 Bonds Reserve Policy.
4. All cash and investments in the Series 2016 Bonds Reserve Account established for the Series 2016 Bonds shall be transferred to the Debt Service Fund for payment of the debt service on the Series 2016 Bonds before any drawing may be made on the Series 2016 Bonds Reserve Policy or any other Qualified Reserve Fund Credit Instrument held in the Series 2016 Bonds Reserve Account established for the Series 2016 Bonds in lieu of cash.
5. Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all Qualified Reserve Fund Credit Instruments (including the Series 2016 Bonds Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available) after applying all available cash and investments in the Series 2016 Bonds Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Qualified Reserve Fund Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Series 2016 Bonds Reserve Account. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.
 - (i) Draws under the Series 2016 Bonds Reserve Policy may only be used to make payments on Series 2016 Bonds insured by BAM.
 - (ii) If the District shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, BAM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Series 2016 Bonds, or (ii) remedies which would adversely affect owners of the Series 2016 Bonds.
 - (iii) The Indenture shall not be discharged until all Policy Costs owing to BAM shall have been paid in full. The District’s obligation to pay such amount shall expressly survive payment in full of the Series 2016 Bonds.
 - (iv) The Fiscal Agent shall ascertain the necessity for a claim upon the Series 2016 Bonds Reserve Policy in accordance with the provisions of paragraph (a) hereof and provide notice to BAM at least three business days prior to each date upon which interest or principal is due on the Series 2016 Bonds.
 - (v) The Series 2016 Bonds Reserve Policy shall expire on the earlier of the date the Series 2016 Bonds are no longer outstanding and the final maturity date of the Series 2016 Bonds.

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. Moneys in the

Rebate Fund shall be used to pay rebate to the United States government upon written instructions from the district or as otherwise directed in writing by the District.

Notwithstanding the foregoing, the Rebate Instructions may be modified, in whole or in part, without the consent of the Owners of the Bonds, upon receipt by the District of an opinion of Bond Counsel to the effect that such modification shall not adversely affect the exclusion from gross income of interest on the Bonds then Outstanding for federal income tax purposes.

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

Redemption Fund.

Moneys shall be deposited into the Redemption Fund by the Fiscal Agent pursuant to the terms of the Indenture and shall be set aside and used solely for the purpose of redeeming Bonds in accordance with written instructions of the District executed by an Authorized Representative given in accordance with the provisions of the Indenture. Following the redemption of any Bonds, if any funds remain in the Redemption Fund, such funds shall be transferred to the Special Tax Fund.

Administrative Expense Fund.

The Fiscal Agent shall deposit from time to time the amounts authorized for deposit therein pursuant to the Indenture. The moneys in the Administrative Expense Fund shall be used: (i) to pay Administrative Expenses from time to time upon receipt by the Fiscal Agent of a written request of the District executed by an Authorized Representative; or (ii) for transfer to the Authority Trustee from time to time for payment of the District's Proportionate Share of those Authority Administrative Expenses not paid directly by the Fiscal Agent upon receipt by the Fiscal Agent of a written request of the District executed by an Authorized Representative specifying the estimated amount necessary to fund such share of such Authority Administrative Expenses.

Investment of Funds.

Unless otherwise specified in the Indenture, moneys in the Special Tax Fund, the Bond Service Fund, the Reserve Fund, the Costs of Issuance Fund and the Administrative Expense Fund shall, at the written direction of the District executed by an Authorized Representative given at least two (2) days prior, be invested and reinvested in Permitted Investments (including investments with the Fiscal Agent or an affiliate of the Fiscal Agent or investments for which the Fiscal Agent or an affiliate of the Fiscal Agent acts as investment advisor or provides other services so long as the investments are Permitted Investments). Moneys in the Redemption Fund shall, at the written direction of the District executed by an Authorized Representative, be invested in Permitted Investments identified in paragraph 7 of the definition of Permitted Investments. Notwithstanding anything to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in paragraph 7 of the definition of Permitted Investments. Any Permitted Investments that are registerable securities shall be registered in the name of the Trustee or its nominee.

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

Obligations purchased as investments of moneys in any fund or account shall be deemed at all times to be a part of such fund or account. Except where provided otherwise in the Indenture, any income realized

on or losses resulting from investments in any fund or account shall be credited or charged to such fund or account.

Subject to the restrictions set forth in the Indenture and/or any written investment instructions received by the Fiscal Agent, moneys in all funds and accounts, except for the Reserve Fund, shall be invested in Permitted Investments maturing, or with respect to which payments of principal and interest are scheduled or otherwise payable, not later than the date on which it is estimated that such moneys will be required by the Fiscal Agent for the purposes specified in the Indenture. With respect to the amounts in the Reserve Fund, if such investments may be redeemed without penalty or premium on the Business Day prior to each Interest Payment Date, 100% of the amount on deposit in the Reserve Fund may be invested in such redeemable investments of any maturity on or prior to the final maturity of the Bonds. Permitted Investments purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Fiscal Agent may deliver such Permitted Investments for repurchase under such agreement.

The Fiscal Agent shall sell or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer for such funds and accounts or from such funds and accounts. The Fiscal Agent shall not be liable for any loss from any investments made or sold by it in accordance with the provisions of the Indenture.

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

SUPPLEMENTAL INDENTURES

Amendments or Supplements.

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

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

Exclusive of the Supplemental Indentures, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing therein shall permit, or be construed as permitting, (i) an extension of the maturity date of the principal of, or the payment date of interest on, any Bond; or (ii) 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: (A) a preference or priority of any Bond or Bonds over any other Bond or Bonds; (B) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Indenture; or (C) creating of a pledge of or lien or charge upon the Special Tax Revenues superior to the pledge provided for in the Indenture, without the consent of the Owners of all Bonds then Outstanding.

If at any time the District shall desire to approve a Supplemental Indenture, which pursuant to the terms of the Indenture shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The District shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondowners at their addresses as they appear in the bond register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the principal office of the District for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved as provided in the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the District shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to the approval thereof by the Legislative Body substantially in the form of the copy thereof referred to in such notice as on file with the District, such proposed Supplemental Indenture, when duly approved by the Legislative Body, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of 60% of the aggregate principal amount of the Bonds have consented to the approval of any Supplemental Indenture, Bonds which are known to the

Fiscal Agent to be owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the approval of any Supplemental Indenture hereto and the receipt of consent to any such Supplemental Indenture from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modifications and amendments. Notwithstanding anything in the Indenture to the contrary, no Supplemental Indenture shall be entered into which would modify the duties of the Fiscal Agent thereunder, without the prior written consent of the Fiscal Agent.

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

MISCELLANEOUS CONDITIONS

Covenants.

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

A. 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 Special Tax levied in such Fiscal Year to determine the amount of Special Tax actually collected in such Fiscal Year. If the District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$5,000 or more, or (ii) any single parcel or parcels under common ownership subject to the Special Tax are delinquent in the payment of 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 the Indenture and for which the Special Taxes remain delinquent. With respect to aggregate delinquencies throughout the District, if the District determines that it has collected less than 95% of the 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 the Indenture and for which the Special Taxes remain delinquent.

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

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

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

E. The District shall comply with all requirements of the Act so as to assure the timely collection of the Special Taxes. The District shall annually ascertain the parcels on which the Special Taxes are to be levied in the following Fiscal Year, taking into account any subdivisions of parcels during the current Fiscal Year. The District shall effect the levy of the Special Tax in accordance with the 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 Special Tax for the parcels within the District for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Special Tax levy, the

District shall prepare or cause to be prepared, and shall transmit or cause to be transmitted to the Auditor of the County of San Diego, such data as such Auditor requires to include the levy of the Special Tax on the next real property tax roll.

The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that, absent the certification described below, a reduction in the Maximum Special Tax (as such term is defined in the Special Tax RMA) authorized to be levied below the levels provided would interfere with the timely retirement of the Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the Maximum Special Tax, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Special Tax RMA) of Developed Property in each Fiscal Year will equal at least the sum of the estimated Annual Special Taxes plus 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 the sum of the estimated Administrative Expenses plus 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 which purports to reduce the Maximum Special Tax below the levels authorized pursuant to the Special Tax RMA or to limit the power or authority of the District to levy Special Taxes pursuant to the 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 Special Taxes pursuant to the Special Tax RMA.

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

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

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

Without limiting the generality of the foregoing, the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed, or final Regulations as may be applicable to the Bonds and the District's Proportionate Share of the Authority Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds. The District specifically covenants to transfer or cause to be transferred to the Authority Trustee any amount necessary to pay the District's Proportionate Share of any Excess Authority Rebate Obligation.

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

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

J. Not later than October 30th of each year, commencing October 30, 2017, and until October 30th following the final maturity of the Bonds, the District shall supply or cause to be supplied to the California Debt and Investment Advisory Commission by mail, postage prepaid, the information, if any, then required by Government Code Section 53359.5 to be submitted to such agency.

K. The District covenants that it will not adopt any policy pursuant to Section 53344.1 of the Act permitting tender of Bonds in full payment or partial payment of any Special Taxes unless it first receives a certificate of an Independent Financial Consultant that accepting such tender will not result in the District having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds when due.

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

Arbitrage Certificate.

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

Defeasance.

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

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

- (a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;
- (b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds established pursuant to the Indenture 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, in such amounts as an Independent Accountant shall determine (as set forth in a verification report from such Independent Accountant) will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the funds established under the Indenture (exclusive of the Rebate Fund) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds shall not have been surrendered for payment, all obligations of the District under the Indenture with respect to such Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District to preserve the exclusion of the interest on the Bonds from gross income for federal income tax purposes. Notice of such election shall be filed with the Fiscal Agent not less than ten (10) days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Fiscal Agent. In connection with a defeasance under (b) or (c) above, there shall be provided to the Fiscal Agent a certificate of an Independent Accountant stating its opinion as to the sufficiency of the Defeasance Obligations 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 and available for such purpose to pay and discharge the principal of, premium, if any, and interest on all such Bonds to be defeased in accordance with the Indenture as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with the Indenture.

To accomplish such defeasance, the District shall cause to be delivered: (i) a report of the Independent Accountant verifying the determination made pursuant to paragraph (c) above (the "Verification Report"); and (ii) an opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding. The Verification Report and opinion of Bond Counsel shall be acceptable in form and substance, and addressed to the District and the Fiscal Agent.

EVENTS OF DEFAULT

Events of Default.

The following events shall be events of default under the Indenture:

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

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

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

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

Application of Revenues and Other Funds After Default.

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

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

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

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

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity 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 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 any other provision of the Indenture or the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners thereof at the respective dates of maturity, as therein provided, out of the Net Special Tax Revenues 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 thereunder.

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

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

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

RIGHTS OF BAM

Notice and Other Information to be given to BAM.

The District will provide BAM with all notices and other information it is obligated to provide (i) under its continuing disclosure agreement and (ii) to the holders of Insured Series 2016 Bonds or the Fiscal Agent under the Security Documents.

The notice address of BAM is: Build America Mutual Assurance Company, 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Re: Policy No. _____, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Series 2016 Bonds Insurance Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

Defeasance.

The investments in the defeasance escrow relating to Insured Series 2016 Bonds shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by BAM.

At least (three) 3 Business Days prior to any defeasance with respect to the Insured Series 2016 Bonds, the District shall deliver to BAM draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Insured Series 2016 Bonds, a verification report (a “Verification Report”) prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to BAM and shall be in form and substance satisfactory to BAM. In addition, the escrow agreement shall provide that:

- (1) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Series 2016 Bonds is excludable) from gross income of the holders of the Insured Series 2016 Bonds of the interest on the Insured Series 2016 Bonds for federal income tax purposes and the prior written consent of BAM, which consent will not be unreasonably withheld.
- (2) The District will not exercise any prior optional redemption of the Insured Series 2016 Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to BAM a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.
- (3) The District shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

Fiscal Agent.

A. BAM shall receive prior written notice of any name change of the Fiscal Agent for the Insured Series 2016 Bonds or the resignation or removal of the Fiscal Agent. Any successor Fiscal Agent must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by BAM in writing.

B. No removal, resignation or termination of the Fiscal Agent shall take effect until a successor, acceptable to BAM, shall be qualified and appointed.

Amendments, Supplements and Consents.

BAM's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The District shall send copies of any such amendments or supplements to BAM and the rating agencies which have assigned a rating to the Insured Series 2016 Bonds.

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

- (i) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or
- (ii) To grant or confer upon the holders of the Insured Series 2016 Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Series 2016 Bonds, or
- (iii) To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or
- (iv) To add to the covenants and agreements of the District in the Security Documents other covenants and agreements thereafter to be observed by the District or to surrender any right or power therein reserved to or conferred upon the District.
- (v) To issue additional parity debt in accordance with the requirements set forth in the Security Documents.

(B) Consent of BAM in Addition to Bondholder Consent.

Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the Insured Series 2016 Bonds or adversely affects the rights or interests of BAM shall be subject to the prior written consent of BAM.

(C) Insolvency.

Any reorganization or liquidation plan with respect to the District must be acceptable to BAM. The Fiscal Agent and each owner of the Insured Series 2016 Bonds hereby appoint BAM as their agent and attorney-in-fact with respect to the Insured Series 2016 Bonds and agree that BAM may at any time during the continuation of any proceeding by or against the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedes or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Fiscal Agent and each owner of the Insured Series 2016 Bonds delegate and assign to BAM, to the fullest extent permitted by law, the rights of the Fiscal Agent and each owner of the Insured Series 2016 Bonds with respect to the Insured Series 2016 Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(D) Control by BAM Upon Default.

Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, BAM shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Series 2016 Bonds or the Fiscal Agent for the benefit of the holders of the Insured Series 2016 Bonds under any Security Document. No default or event of default may be waived without BAM's written consent.

(E) BAM as Owner.

Upon the occurrence and continuance of a default or an event of default, BAM shall be deemed to be the sole owner of the Insured Series 2016 Bonds for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(F) Consent of BAM for Acceleration.

BAM's prior written consent is required as a condition precedent to and in all instances of acceleration.

(G) Grace Period for Payment Defaults.

No grace period shall be permitted for payment defaults on the Insured Series 2016 Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of BAM.

(H) Special Provisions for Insurer Default.

If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs 4(a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the Series 2016 Bonds Insurance Policy, to the extent of such payment BAM shall be treated like any other holder of the Insured Series 2016 Bonds for all purposes, including giving of consents, and (2) if BAM has not made any payment under the Series 2016 Bonds Insurance Policy, BAM shall have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Series 2016 Bonds Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) BAM has failed to make any payment under the Series 2016 Bonds Insurance Policy when due and owing in accordance with its terms; or (B) BAM shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Series 2016 Bonds Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

BAM As Third Party Beneficiary.

BAM is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

Payment Procedure Under the Series 2016 Bonds Insurance Policy.

In the event that principal and/or interest due on the Insured Series 2016 Bonds shall be paid by BAM pursuant to the Series 2016 Bonds Insurance Policy, the Insured Series 2016 Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the registered owners shall continue to exist and shall run to the benefit of BAM, and BAM shall be subrogated to the rights of such registered owners.

In the event that on the second (2nd) business day prior to any payment date on the Insured Series 2016 Bonds, the Fiscal Agent has not received sufficient moneys to pay all principal of and interest on the Insured Series 2016 Bonds due on such payment date, the Fiscal Agent shall immediately notify BAM or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Fiscal Agent shall so notify BAM or its designee.

In addition, if the Fiscal Agent has notice that any holder of the Insured Series 2016 Bonds has been required to disgorge payments of principal of or interest on the Insured Series 2016 Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Fiscal Agent shall notify BAM or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of BAM.

The Fiscal Agent shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Series 2016 Bonds as follows:

- (i) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Series 2016 Bonds, the Fiscal Agent shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holders of the Insured Series 2016 Bonds in any legal proceeding related to the payment and assignment to BAM of the claims for interest on the Insured Series 2016 Bonds, (ii) receive as designee of the respective holders (and not as Fiscal Agent) in accordance with the tenor of the Series 2016 Bonds Insurance Policy payment from BAM with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the “BAM Policy Payment Account”) to only be used to make scheduled payments of principal of and interest on the Insured Series 2016 Bond, and (iv) disburse the same to such respective holders; and
- (ii) If there is a deficiency in amounts required to pay principal of the Insured Series 2016 Bonds, the Fiscal Agent shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holder of the Insured Series 2016 Bonds in any legal proceeding related to the payment of such principal and an assignment to BAM of the Insured Series 2016 Bonds surrendered to BAM, (ii) receive as designee of the respective holders (and not as Fiscal Agent) in accordance with the tenor of the Series 2016 Bonds Insurance Policy payment therefore from BAM, (iii) segregate all such payments in the BAM Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Insured Series 2016 Bond, and (iv) disburse the same to such holders.
- (iii) The Fiscal Agent shall designate any portion of payment of principal on Insured Series 2016 Bonds paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Series 2016 Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Series 2016 Bond to BAM, registered in the name directed by BAM, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Fiscal Agent’s failure to so designate any payment or issue any replacement Insured Series 2016 Bond shall have no effect on the amount of principal or interest payable by the District on any Insured Series 2016 Bond or the subrogation or assignment rights of BAM.
- (iv) Payments with respect to claims for interest on and principal of Insured Series 2016 Bonds disbursed by the Fiscal Agent from proceeds of the Series 2016 Bonds Insurance Policy shall not be considered to discharge the obligation of the District with respect to such

Insured Series 2016 Bonds, and BAM shall become the owner of such unpaid Insured Series 2016 Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Security Documents shall not be discharged or terminated unless all amounts due or to become due to BAM have been paid in full or duly provided for.

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

- (i) They recognize that to the extent BAM makes payments directly or indirectly (e.g., by paying through the Fiscal Agent), on account of principal of or interest on the Insured Series 2016 Bonds, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the District, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Insured Series 2016 Bonds; and
- (ii) They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Insured Series 2016 Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Series 2016 Bonds to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

Additional Payments.

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

Notwithstanding anything herein to the contrary, the District agrees to pay to BAM (i) a sum equal to the total of all amounts paid by BAM under the Series 2016 Bonds Insurance Policy ("BAM Policy Payment"); and (ii) interest on such BAM Policy Payments from the date paid by BAM until payment thereof in full by the District, payable to BAM at the Late Payment Rate per annum (collectively, "BAM Reimbursement Amounts") compounded semi-annually. The District hereby covenants and agrees that the BAM Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Insured Series 2016 Bonds on a parity with debt service due on the Insured Series 2016 Bonds.

Reserve Fund.

The prior written consent of BAM shall be a condition precedent to the deposit of any Qualified Reserve Fund Credit Instrument provided in lieu of a cash deposit into the Reserve Fund, if any. Amounts on deposit in the Series 2016 Bonds Reserve Account of the Reserve Fund shall be applied solely to the payment of debt service due on the Series 2016 Bonds.

Exercise of Rights by BAM.

The rights granted to BAM under the Security Documents to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Series 2016 Bonds Insurance Policy. Any exercise by BAM of such rights is merely an exercise of the BAM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Series 2016 Bonds and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the Insured Series 2016 Bonds or any other person is required in addition to the consent of BAM.

BAM shall be entitled to pay principal or interest on the Insured Series 2016 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Series 2016 Bonds Insurance Policy) and any amounts due on the Insured Series 2016 Bonds as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not BAM has received a claim upon the Series 2016 Bonds Insurance Policy.

No contract shall be entered into or any action taken by which the rights of BAM or security for or source of payment of the Insured Series 2016 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of BAM.

If an event of default occurs under any agreement pursuant to which any Obligation of the District has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Insured Series 2016 Bonds or BAM, as BAM may determine in its sole discretion, then an event of default shall be deemed to have occurred under the Indenture and the related Security Documents for which BAM or the Fiscal Agent, at the direction of BAM, shall be entitled to exercise all available remedies under the Security Documents, at law and in equity. For purposes of the foregoing "Obligation" shall mean any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Insured Series 2016 Bonds.

APPENDIX D

FORM OF COMMUNITY FACILITIES DISTRICT CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and entered into as of November 1, 2016, by and between the Poway Unified School District, on behalf of the Poway Unified School District Community Facilities District No. 6 (4S Ranch) (the “Community Facilities District”), and Zions Bank, a division of ZB, National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Bank”) in its capacity as Fiscal Agent (the “Fiscal Agent”), and agreed to and accepted by Cooperative Strategies, 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) Special Tax Refunding Bonds, Series 2016 (the “2016 Bonds”);

W I T N E S S E T H :

WHEREAS, pursuant to Bond Indenture, dated as of November 1, 2016 (the “Indenture”), by and between the Community Facilities District and the Fiscal Agent, the Community Facilities District has issued the 2016 Bonds in the aggregate principal amount of \$29,635,000; and

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

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

Section 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Community Facilities District for the benefit of the owners and beneficial owners of the 2016 Bonds and in order to assist the Participating Underwriter (as defined below) in complying with S.E.C. Rule 15c2-12(b)(5) (as defined below).

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

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

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

“Community Facilities District” shall mean the Poway Unified School District Community Facilities District No. 6 (4S Ranch).

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

“Dissemination Agent” shall mean Cooperative Strategies, LLC or any successor Dissemination Agent designated in writing by the Community Facilities District and which has filed with the Community Facilities District and the Fiscal Agent a written acceptance of such designation.

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

“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 Piper Jaffray & Co., as the original underwriter of the 2016 Bonds required to comply with the Rule.

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

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

Section 3. Provision of Annual Reports.

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

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

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

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

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

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

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

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

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

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

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

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Community Facilities District shall give, or cause to be given, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the 2016 Bonds:

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

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

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

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

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

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

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 2016 Bonds, (ii) prior redemption of the 2016 Bonds or (iii) payment in full of all the 2016 Bonds. If such termination occurs prior to the final maturity of the 2016 Bonds, the Community Facilities District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

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

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

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

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

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

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Community Facilities District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in

the accounting principles shall be sent to the MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(e).

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

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

Section 11. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. Section 6.08 of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture, and the Fiscal Agent and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded to the Fiscal Agent thereunder. The Dissemination Agent and the Fiscal Agent shall have only such duties hereunder as are specifically set forth in this Disclosure Agreement. This Disclosure Agreement does not apply to any other securities issued or to be issued by the Community Facilities District. The Dissemination Agent shall have no obligation to make any disclosure concerning the 2016 Bonds, the Community Facilities District or any other matter except as expressly set out herein, *provided* that no provision of this Disclosure Agreement shall limit the duties or obligations of the Fiscal Agent under the Indenture. The Dissemination Agent shall have no responsibility for the preparation, review, form or content of any Annual Report or any notice of a Listed Event. The fact that the Fiscal Agent has or may have any banking, fiduciary or other relationship with the Community Facilities District or any other party, apart from the relationship created by the Indenture and this Disclosure Agreement, shall not be construed to mean that the Fiscal Agent has knowledge or notice of any event or condition relating to the 2016 Bonds or the Community Facilities District except in its respective capacities under such agreements. No provision of this Disclosure Agreement shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may conclusively rely on the determination of the Community Facilities District as to the materiality of any event for purposes of Section 5 hereof. Neither the Fiscal Agent nor the Dissemination Agent makes any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Dissemination Agent shall be paid compensation by

the Community Facilities District for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Community Facilities District's obligations under this Section shall survive the termination of this Disclosure Agreement.

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

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

If to the Community Facilities District:	Poway Unified School District Community Facilities District No. 6 (4S Ranch) 15250 Avenue of Science San Diego, California 92128-3406 Telephone: (858) 679-2778 Telecopier: (858) 485-1388 Attention: Associate Superintendent, Business Support Services
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With a copy to:	Poway Unified School District Community Facilities District No. 6 (4S Ranch) 13626 Twin Peaks Road Poway, California 92064 Telephone: (858) 679-2570 Telecopier: (858) 668-5850 Attention: Director, Capital Facilities Funding and Planning
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If to the Dissemination Agent:	Cooperative Strategies, LLC 8955 Research Drive Irvine, California 92618 Telephone: (949) 250-8300 Telecopier: (949) 250-8301
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If to the Fiscal Agent:	Zions Bank, a division of ZB, National Association 550 South Hope Street, Suite 2875 Los Angeles, California 90071 Telephone: (213) 593-3157 Telecopier: (866) 870-0209
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provided, however, that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The parties may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.

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

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

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

POWAY UNIFIED SCHOOL DISTRICT,
on behalf of Poway Unified School District
Community Facilities District No. 6 (4S Ranch)

By: _____
Authorized Officer

ZIONS BANK, A DIVISION OF ZB, NATIONAL
ASSOCIATION, as Fiscal Agent

By: _____
Authorized Officer

COOPERATIVE STRATEGIES, 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)
Special Tax Refunding Bonds, Series 2016

Date of Issuance: November 30, 2016

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

Dated: _____

[Dissemination Agent]

cc: Community Facilities District No. 6 (4S Ranch)
Piper Jaffray & Co.
Zions Bank, a division of ZB, National Association

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Board of Education
Poway Unified School District
15250 Avenue of Science
San Diego, California 92128-3406

\$29,635,000

**POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 6 (4S RANCH)
SPECIAL TAX REFUNDING BONDS, SERIES 2016**

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 “Community Facilities District”) of its Special Tax Refunding Bonds, Series 2016 in the aggregate principal amount of \$29,635,000 (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. 14-2017 adopted by the Board of Education of the Poway Unified School District (the “School District”), acting in its capacity as the Legislative Body of the Community Facilities District, on September 13, 2016, and a Bond Indenture executed in connection therewith, as heretofore amended and supplemented, including by the Sixth Supplemental Indenture, dated as of November 1, 2016, by and between the Community Facilities District and Zions Bank, a division of ZB, National Association, as Fiscal Agent (collectively, 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 Community Facilities District 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 Community Facilities 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 Community Facilities 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 Community Facilities 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 Community Facilities District, payable in accordance with their terms. The Community Facilities District has the full right, power and authority to levy and pledge the Special Taxes to the Owners of the Bonds. The Bonds are limited obligations of the Community Facilities 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 Community Facilities District).

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

BOOK-ENTRY SYSTEM

The following description of the “Procedures and Record Keeping” with respect to beneficial ownership interests in the 2016 Bonds, payment of principal of and interest on the 2016 Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the 2016 Bonds, confirmation and transfer of beneficial ownership interests in the 2016 Bonds and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the 2016 Bonds is based solely on information furnished by DTC to the Community Facilities District which the Community Facilities District believes to be reliable, but the Community Facilities District, the Community Facilities District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Procedures and Record Keeping

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by such reference or otherwise.

Purchases of 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2016 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect

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

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

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

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

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

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

payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Discontinuance of DTC Services

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

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

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

this Official Statement. The Community Facilities District and the Fiscal Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the 2016 Bonds or any error or delay relating thereto.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND
INSURANCE POLICY
NO.

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer