

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "CONCLUDING INFORMATION – Tax Matters" herein.*

**\$40,000,000**

**POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY  
SPECIAL TAX REVENUE BONDS, SERIES 2014**

**Dated: Date of Delivery****Due: October 1, as shown on inside cover**

The Poway Unified School District Public Financing Authority Special Tax Revenue Bonds, Series 2014 (the "Bonds") are being issued pursuant to an Indenture (the "Indenture"), dated as of February 1, 2014, by and between Poway Unified School District Public Financing Authority (the "Authority") and Zions First National Bank, as trustee (the "Trustee") to provide funds (i) to finance the acquisition and construction of certain school facilities, (ii) to fund capitalized interest on the Bonds through October 1, 2016, and a portion of the interest due on April 1, 2017, (iii) to acquire a reserve insurance policy for the Bonds in an aggregate amount equal to the initial Reserve Requirement, and (iv) to pay costs of issuance of the Bonds. The Bonds are payable solely from Installment Payments (the "Installment Payments") to be made pursuant to the Joint Acquisition Agreement, dated as of February 1, 2014 (the "Joint Acquisition Agreement"), by and among the Authority, ten Community Facilities Districts (collectively, the "Community Facilities Districts") and Zions First National Bank, as Fiscal Agent, and the other assets pledged therefor as described herein.

The Bonds will be issued in the denominations of \$5,000 or any integral multiple thereof. Interest is payable semiannually on April 1 and October 1 each year, commencing October 1, 2014. The Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee, as registrar, paying agent and trustee for the Bonds to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Trustee's books as of the fifteenth day of the calendar month immediately preceding each interest payment date. See "THE BONDS" herein and in APPENDIX F – "BOOK-ENTRY-ONLY PROVISIONS."

*The Bonds are subject to optional redemption, mandatory redemption from Special Tax Prepayments (as defined herein) and mandatory sinking fund redemption as described herein.*

The Bonds are limited obligations of the Authority. The Bonds are payable solely from Installment Payments payable by the Community Facilities Districts pursuant to the Joint Acquisition Agreement and from certain other amounts on deposit in the funds and accounts under the Indenture, other than the Project Fund, the Costs of Issuance Fund or the Rebate Fund. Under the Joint Acquisition Agreement, the Community Facilities Districts pay Installment Payments from "Net Available Special Tax Revenues" (as defined herein). "Net Available Special Tax Revenues" consist generally of the amounts received by the Fiscal Agent under the Joint Acquisition Agreement as the payment derived from "Available Special Tax Revenues" (as defined herein) received with respect to the Community Facilities Districts after the payment of the Senior CFD Bonds (as defined herein), as more fully described herein less Administrative Expenses. The Installment Payments are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Bonds when due, assuming that the payments on the Installment Payments are made in full when due. A default in the payment by one Community Facilities District does not constitute a default by the other Community Facilities Districts, and each Community Facilities District is separately obligated to pay its respective Available Special Tax Revenues to the Fiscal Agent in accordance with the Joint Acquisition Agreement. A default in payment by a Community Facilities District under the Joint Acquisition Agreement may result in insufficient Net Available Special Tax Revenues with which to pay the Installment Payments and therefor insufficient amounts with which to pay the principal of and interest on the Bonds. Under the Joint Acquisition Agreement, the Community Facilities Districts have established the Coverage Stabilization Fund to be held by the Fiscal Agent to secure the payment of Installment Payments. See "SOURCES OF PAYMENT FOR THE BONDS" herein.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, POWAY UNIFIED SCHOOL DISTRICT (THE "SCHOOL DISTRICT"), THE COUNTY OF SAN DIEGO (THE "COUNTY"), THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT NOR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM INSTALLMENT PAYMENTS BY THE COMMUNITY FACILITIES DISTRICTS AND CERTAIN AMOUNTS DEPOSITED BY THE AUTHORITY IN THE BOND FUND, REDEMPTION FUND AND RESERVE ACCOUNT AS MORE FULLY DESCRIBED HEREIN.**

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



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

*The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel and subject to certain other conditions. Certain legal matters will be passed on for the Authority, the Community Facilities Districts and the School District by Best Best & Krieger LLP, San Diego, California, as the special counsel for said entities and for the Bond Insurer by its Associate General Counsel. Certain matters will be passed upon for the Authority and the Community Facilities Districts by McFarlin & Anderson LLP, Laguna Hills, California, Disclosure Counsel. Additionally, Nossaman LLP, Irvine, California, has reviewed certain matters as counsel for the Underwriter. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about February 27, 2014.*

**STIFEL**

**\$40,000,000**  
**POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY**  
**SPECIAL TAX REVENUE BONDS, SERIES 2014**

**MATURITY SCHEDULE**  
**\$16,880,000 SERIAL BONDS**  
Base CUSIP® No. 73885Q<sup>†</sup>

Maturity (October 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†	Maturity (October 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†
2019	\$390,000	3.00%	1.95%	CV9	2027	\$1,080,000	5.00%	4.03% <sup>C</sup>	DD8
2020	490,000	4.00	2.38	CW7	2028	1,240,000	5.00	4.10 <sup>C</sup>	DE6
2021	570,000	4.00	2.74	CX5	2029	1,360,000	5.00	4.20 <sup>C</sup>	DF3
2022	660,000	4.00	3.07	CY3	2030	1,530,000	5.00	4.29 <sup>C</sup>	DG1
2023	760,000	4.00	3.31	CZ0	2031	1,700,000	5.00	4.38 <sup>C</sup>	DH9
2024	750,000	4.00	3.49 <sup>C</sup>	DA4	2032	1,850,000	5.00	4.46 <sup>C</sup>	DJ5
2025	850,000	5.00	3.72 <sup>C</sup>	DB2	2033	1,340,000	5.00	4.54 <sup>C</sup>	DK2
2026	1,000,000	4.50	3.88 <sup>C</sup>	DC0	2034	1,310,000	5.00	4.59 <sup>C</sup>	DL0
	\$1,750,000	5.00%		Term Bonds Due October 1, 2038	Yield 4.85% <sup>C</sup>				CUSIP® No. 73885Q CT4 <sup>†</sup>
	\$9,315,000	4.75%		Term Bonds Due October 1, 2038	Yield 4.92% <sup>C</sup>				CUSIP® No. 73885Q DM8 <sup>†</sup>
	\$12,055,000	5.00%		Term Bonds Due October 1, 2041	Yield 4.95% <sup>C</sup>				CUSIP® No. 73885Q DN6 <sup>†</sup>

<sup>C</sup> Priced to the first optional redemption date of October 1, 2023, at 100% of the principal amount thereof.

<sup>†</sup>CUSIP® A registered trademark of the American Bankers Association. Copyright © 1999-2014 Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor's CUSIP® Service Bureau. This 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 Authority the Districts and the Underwriter take no any responsibility for the accuracy of such numbers.

**POWAY UNIFIED SCHOOL DISTRICT AND  
POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY**

**BOARD OF EDUCATION  
AND AUTHORITY BOARD OF DIRECTORS**

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

**SCHOOL DISTRICT ADMINISTRATION**

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

**SPECIAL SERVICES**

**BOND COUNSEL**

Orrick, Herrington & Sutcliffe LLP  
Los Angeles, California

**SPECIAL COUNSEL TO THE SCHOOL DISTRICT**

Best Best & Krieger LLP  
San Diego, California

**DISCLOSURE COUNSEL**

McFarlin & Anderson LLP  
Laguna Hills, California

**FINANCIAL ADVISOR, SPECIAL TAX CONSULTANT & ADMINISTRATOR**

Dolinka Group, LLC  
Irvine, California

**PROGRAM FUNDING MANAGER**

California Financial Services  
Mission Viejo, California

**TRUSTEE AND FISCAL AGENT**

Zions First National Bank  
Los Angeles, California

## GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the offer and sale of the 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 Bonds. All information for investors regarding the Authority, the Community Facilities Districts and the 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 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 Authority or a Community Facilities District is in any press release and in any oral statement made with the approval of an authorized officer of the Authority or the Community Facilities Districts 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 Authority or the Community Facilities Districts or any other entity described or referenced herein since the date hereof. The Authority or the Community Facilities Districts do not plan to issue any updates or revision to the forward-looking statements set forth in this Official Statement.

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 any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE” and in APPENDIX G – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

**Authorized Information.** No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations in connection with the offer or sale of the 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 Authority 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 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 Authority, the School District or the Community Facilities Districts 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.

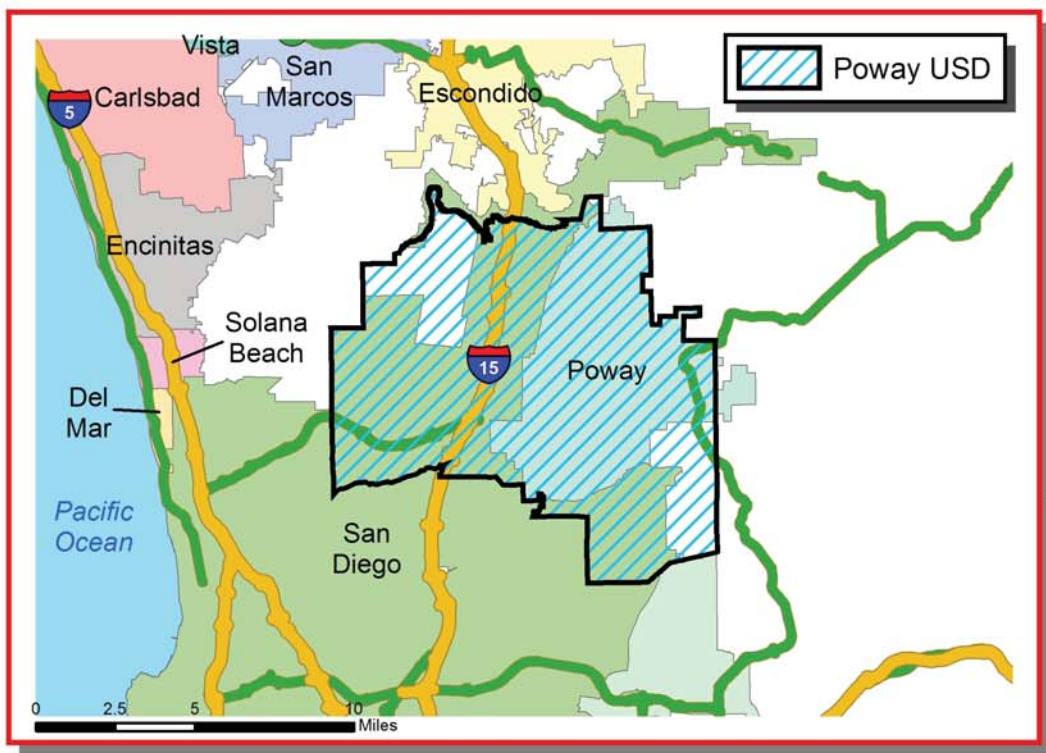
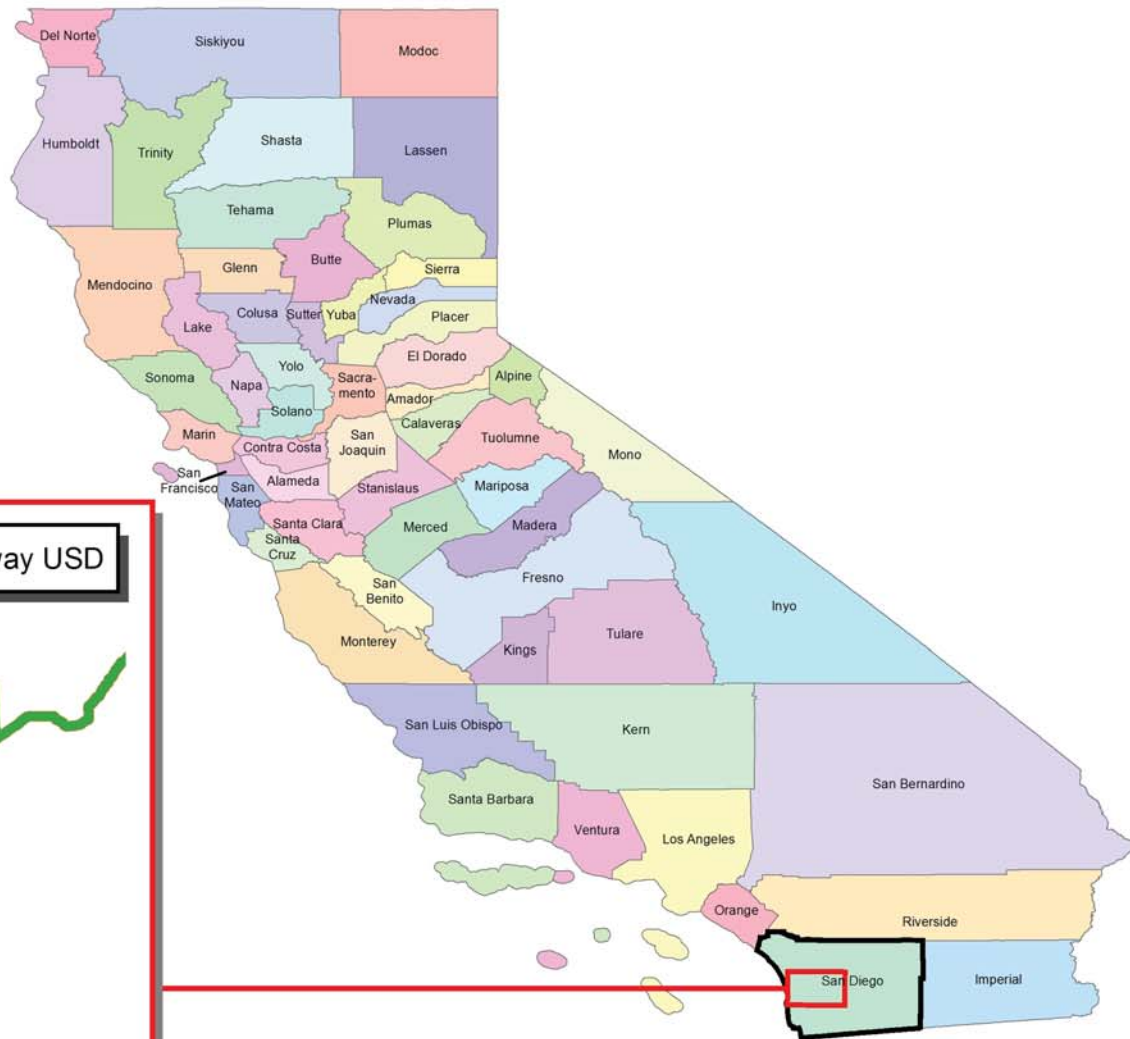
**Stabilization of Prices.** In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued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

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

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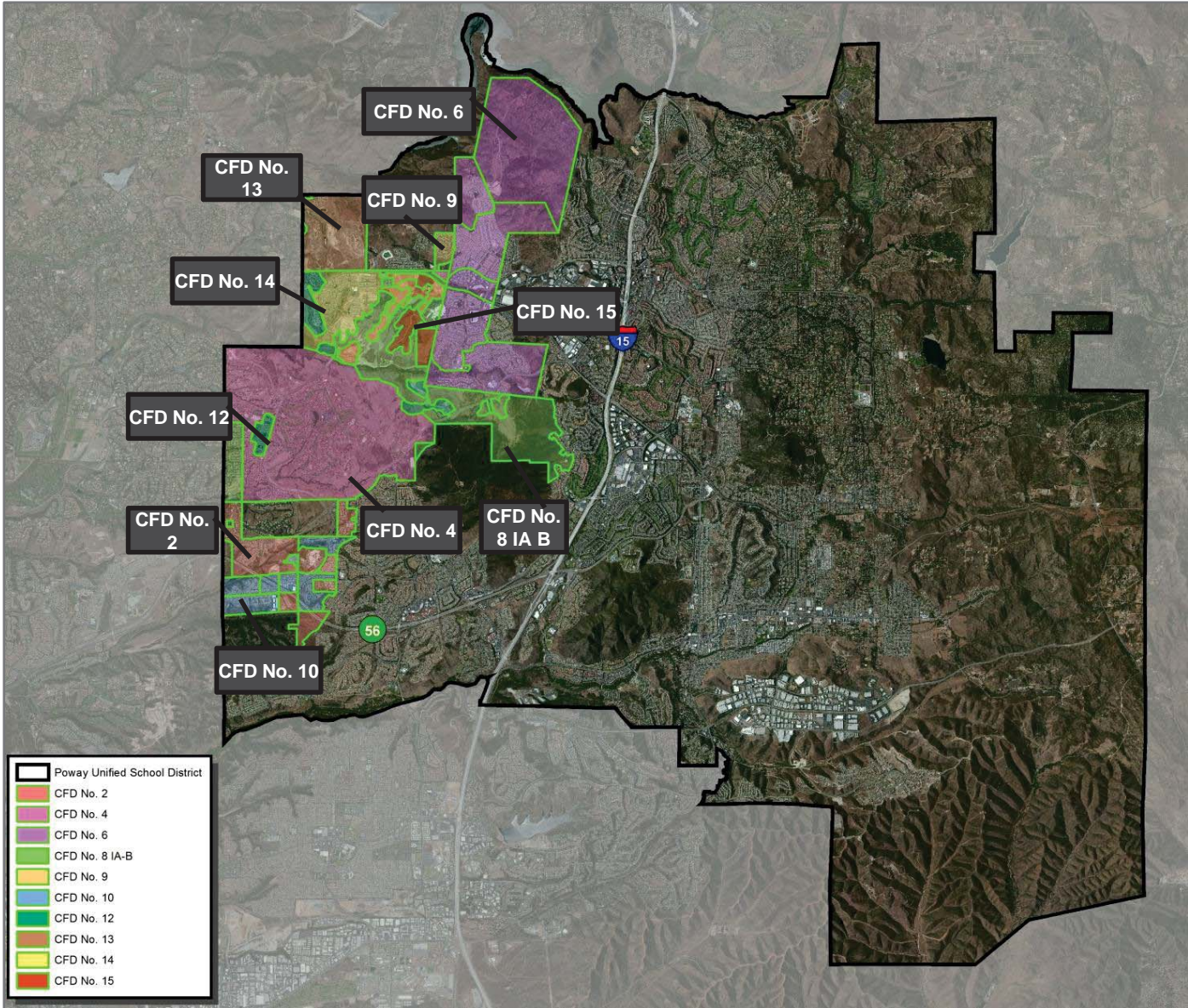
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# Map of Community Facilities Districts



Source: Dolinka Group, LLC (boundaries are approximate)



## OFFICIAL STATEMENT

**\$40,000,000**

### **POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY SPECIAL TAX REVENUE BONDS, SERIES 2014**

#### **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 Bonds to potential investors is made only by means of the entire Official Statement.*

#### **General**

The purpose of this Official Statement, which includes the cover pages and Appendices hereto (the “Official Statement”), is to provide certain information concerning the sale and issuance of the Poway Unified School District Public Financing Authority Special Tax Revenue Bonds, Series 2014 (the “Authority” and the “Bonds,” respectively).

The Bonds are being issued pursuant to an Indenture (the “Indenture”), dated as of February 1, 2014, by and between the Authority and Zions First National Bank, as the trustee (the “Trustee”). See “THE BONDS – Authority for Issuance” herein.

#### **The Authority**

The Authority is a joint exercise of powers agency organized under the joint exercise of powers act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Joint Powers Act”). It is composed of the Poway Unified School District (the “School District”) and Community Facilities District No. 1 of the Poway Unified School District (“CFD No. 1”). Pursuant to the Joint Powers Act, the Authority is authorized to issue revenue bonds to be repaid from the proceeds of public obligations and to provide financing and refinancing for public capital improvements, including for the Community Facilities Districts (defined below).

#### **Purpose of Issue**

Proceeds of the Bonds will be used to finance eligible school facilities, all as further described under “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS.” In addition, proceeds of the Bonds will be used (i) to fund capitalized interest on the Bonds through October 1, 2016, and a portion of the interest due on April 1, 2017, (ii) to acquire a reserve insurance policy (the “Reserve Policy”) for the Bonds in an aggregate amount equal to the Reserve Requirement, and (iii) to pay costs of issuance of the Bonds. The Bonds constitute special obligations of the Authority and are payable solely from Installment Payments, and the other assets pledged therefor as described herein.

The Authority will enter into the Joint Acquisition Agreement, dated as of February 1, 2014 (the “Joint Acquisition Agreement”) with Zions First National Bank, as Fiscal Agent, and the following ten Community Facilities Districts:

- (i) Poway Unified School District Community Facilities District No. 2 (Subarea IV – Torrey Highlands) (“CFD No. 2”);

- (ii) Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch) (“CFD No. 4”);
- (iii) Poway Unified School District Community Facilities District No. 6 (4S Ranch) (“CFD No. 6”);
- (iv) Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II) (“CFD No. 8”) with respect to Improvement Area B of CFD No. 8;
- (v) Poway Unified School District Community Facilities District No. 9 (Portswood) (“CFD No. 9”);
- (vi) Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) (“CFD No. 10”);
- (vii) Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters) (“CFD No. 12”);
- (viii) Poway Unified School District Community Facilities District No. 13 (The Lakes) (“CFD No. 13”);
- (ix) Poway Unified School District Community Facilities District No. 14 (Del Sur) (“CFD No. 14”); and
- (x) Poway Unified School District Community Facilities District No. 15 (Del Sur East) (“CFD No. 15”) (collectively, the “Community Facilities Districts”).

Each Community Facilities District, except CFD No. 15, has previously issued special tax bonds as described herein. Such previously issued bonds, together with any additional senior bonds issued in compliance with the provisions of the Joint Acquisition Agreement, are referred to herein as the “Senior CFD Bonds.” Each CFD is obligated to pay debt service on the Senior CFD Bonds pursuant to the Indenture relating to the Applicable Senior CFD Bonds from Special Tax Revenues. After those payments have been made, Available Special Tax Revenues (as defined below) will be deposited with the Fiscal Agent pursuant to the Joint Acquisition Agreement and the Community Facilities Districts will make Installment Payments, payable from Net Available Special Tax Revenues (as defined below), to the Authority for the Project (as defined below).

### **The Community Facilities Districts**

The Community Facilities Districts were created by the School District pursuant to proceedings taken under the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code) (the “Act”). 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. The special tax (the “Special Taxes” or the “Special Tax,” except that with respect to CFD No. 8, special taxes means the special taxes levied within CFD No. 8 Improvement Area B pursuant to the Act and the Rate and Method of CFD No. 8 with respect to Improvement Area B) may be levied in accordance with the applicable Rate and Method of Apportionment of Special Tax (each a “Rate and Method” with respect to a Community Facilities District, except that with respect to CFD No. 8, “Rate and Method” means the rate and method of apportionment of the special taxes for CFD No. 8 Improvement Area B incorporated into the Resolution of Formation of CFD No. 8 and approved by the qualified electors of CFD No. 8 Improvement Area B). Subject to approval by a two-thirds vote of the qualified voters within a community facilities district 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.

The Community Facilities Districts were established and the levy of Special Taxes on the real property within the boundaries of the respective Community Facilities Districts and the incurrence by the respective Community Facilities Districts of bonded indebtedness were authorized pursuant to the Act. As indicated above, each Community Facilities District, except CFD No. 15, has previously issued Senior CFD Bonds. See “SOURCES OF PAYMENT FOR THE BONDS – Senior CFD Bonds; Estimated Schedule of Installment Payments.”

The qualified electors in each Community Facilities District authorized such Community Facilities District to incur bonded indebtedness to finance the acquisition and construction of school facilities and in certain of the Community Facilities Districts (CFD No. 6, CFD No. 10, CFD No. 14 and CFD No. 15) established Improvement Areas within such Community Facilities Districts and authorized such Community Facilities District to incur bonded indebtedness with regard to the respective Improvement Areas to finance the acquisition and construction of non-school facilities pursuant to separate rate and methods of apportionment of special taxes with regard to such Improvement Areas and in each case approved the levy of separate special taxes therefore. Except with respect to Special Taxes levied by CFD No. 8 with respect to Improvement Area B, special taxes levied pursuant to a rate and method apportionment of special taxes with respect to an Improvement Area do not constitute Available Special Tax Revenues.

Information regarding the aggregate amounts of the respective Senior CFD Bonds which remain outstanding is set forth in “SOURCES OF PAYMENT FOR THE BONDS – Senior CFD Bonds; Estimated Schedule of Installment Payments.” Information regarding the aggregate amount of authorized debt for each Community Facilities District is set forth in “THE COMMUNITY FACILITIES DISTRICTS – General.”

The annual payments for each Community Facilities District’s outstanding special tax bonds and for the Installment Payments are secured solely by the annual special tax levied under the applicable rate and method of apportionment of special tax on taxable property in the respective community facilities districts, as applicable, and are not debts of the School District. The outstanding special tax bonds of the Community Facilities Districts payable from Special Taxes and any refunding bonds issued in the future to refund such bonds in compliance with the Joint Acquisition Agreement constitute “Senior CFD Bonds.” See “SOURCES OF PAYMENT FOR THE BONDS – Senior CFD Bonds; Estimated Schedule of Installment Payments” and “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt” for information regarding the specific bond issues and aggregate debt service with respect to the outstanding Senior CFD Bonds.

The following paragraphs describe the Community Facilities Districts.

**CFD No. 2.** CFD No. 2 was formed December 15, 1997, and includes several non-contiguous areas of land located in that portion of the School District within the boundaries of the City of San Diego. The parcels are within the Torrey Highlands community which is in the southwest quadrant of the School District and west of the community or area known as Rancho Peñasquitos. CFD No. 2 is located along the south section of Camino del Sur and straddles the east-west corridor of State Route 56. CFD No. 2 originally encompassed approximately 1,071 gross acres but owners of approximately 470 gross acres requested creation of CFD No. 10 to finance both school facilities and other public facilities, and the approximately 470 gross acres is no longer subject to the CFD No. 2 Special Tax leaving approximately 601 gross acres (approximately 183.02 taxable acres) encompassing, as of January 1, 2014, approximately 629 residential units, which are currently classified as Developed Property. The owner of an approximately 122-unit apartment complex and one homeowner prepaid his Special Taxes and is no longer subject to the levy of Special Taxes. CFD No. 2 is located in the north part of Torrey Highlands – Subarea IV in the northern part of the City of San Diego. See “THE COMMUNITY FACILITIES DISTRICTS – General” herein.

**CFD No. 4.** CFD No. 4 was formed December 15, 1997, and is located in a portion of the School District which is within the City of San Diego and known as Santaluz. It is located west of Carmel Valley

Road. Camino del Sur runs north and south through the center of CFD No. 4. CFD No. 4 is approximately 2,937 gross acres (approximately 575.17 taxable acres). CFD No. 4 is located generally northwest from Carmel Valley Road. CFD No. 4 is located approximately 4.5 miles west of Interstate 15 in the northern portion of the County of San Diego (the "County"). As of January 1, 2014, 828 single-family detached homes and 50 attached townhomes were classified as Developed Property. In addition, nine (9) homeowners prepaid their Special Taxes. Total expected build-out of CFD No. 4 is an aggregate of 924 single-family detached and attached homes. See "THE COMMUNITY FACILITIES DISTRICTS – General" herein.

**CFD No. 6.** CFD No. 6 was formed March 24, 1998, and is contiguous and is generally located north and south along Camino del Norte and along both sides of 4S Ranch Parkway in the northern unincorporated portion of the County, just under two miles west of the Interstate 15. CFD No. 6 is part of the specific plan area known as "4S Ranch." CFD No. 6 is an extension of the on-going development of the community of Rancho Bernardo. CFD No. 6 is comprised of approximately 2,888 gross acres (approximately 500 net acres). As of January 1, 2014, approximately 3,766 residential units were classified as Developed Property, of which 3,003 are single-family detached units and 763 are single-family attached units. In addition, approximately 120 units are affordable dwelling units in Neighborhood One, which affordable units ("Affordable Units") are not subject to the levy of the CFD No. 6 Special Tax and 65 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 CFD No. 6, 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. CFD No. 6 is built out with the final four (4) permits issued January 2, 2013. See "THE COMMUNITY FACILITIES DISTRICTS – General" herein.

**Improvement Area B of CFD No. 8.** Improvement Area B of CFD No. 8 was formed December 17, 1998, and includes several non-contiguous areas of land located in a portion of the School District within the City of San Diego. Most of the parcels lie west of Camino del Sur and north of Carmel Valley Road and border the western boundary of the School District. Improvement Area B of CFD No. 8 also contains parcels located south of the Del Norte High School site and parcels located southeast of the Carmel Valley Road extension in the Rancho Peñasquitos area. Improvement Area B of CFD No. 8 is approximately 514 gross acres (approximately 478.37 taxable acres). Improvement Area B of CFD No. 8 is located south of San Dieguito Road and west of Camino del Sur. As of January 1, 2014, 188 residential units are classified as Developed Property, all of which are single-family detached homes. In addition, the owners of two single-family detached units and the owners of 36 affordable units prepaid their Special Taxes and are no longer subject to the levy of Special Taxes. Improvement Area B of CFD No. 8 is built out. See "THE COMMUNITY FACILITIES DISTRICTS – General" herein.

**CFD No. 9.** CFD No. 9 was formed November 16, 1998, and is a 63-unit single family gated community of estate-sized homes in the unincorporated area of the County north of Camino Del Sur. CFD No. 9 is approximately 60.27 gross acres (approximately 42.12 taxable acres). As of January 1, 2014, 63 single-family detached homes are classified as Developed Property, of which 63 homes were completed. None of the homeowners prepaid their Special Taxes. CFD No. 9 is built out. See "THE COMMUNITY FACILITIES DISTRICTS – General" herein.

**CFD No. 10.** CFD No. 10 was formed August 27, 2001, and includes several non-contiguous areas of land located in a portion of the School District which is within the City of San Diego. It straddles State Route 56 to the north and south and includes parcels on both the east and west side of Camino del Sur adjacent to Westview High School. CFD No. 10 is approximately 469.16 gross acres (approximately 156.07 taxable acres). CFD No. 10 is located along Camino del Sur, south of Carmel Valley Road, to the west of the community known as the Rancho Peñasquitos area, to the east by Pacific Highlands Ranch and to the south of Black Mountain Ranch. CFD No. 10 is located approximately 4 miles east of Interstate 5 and approximately 3 miles west of Interstate 15. As of January 1, 2014, 1,286 residential units (1,202 single-family detached homes and 84 attached homes) are classified as Developed Property. In addition, 24

homeowners prepaid their Special Taxes. In addition, three (3) owners of affordable units (Vista Terraza), 76 owners of affordable units (Torrey Highlands Apartments) and 26 owners of affordable units (Villa Glen Apartments) prepaid their Special Taxes. CFD No. 10 is built out. See “THE COMMUNITY FACILITIES DISTRICTS – General” herein.

**CFD No. 12.** CFD No. 12 was formed June 24, 2002, and includes several non-contiguous areas of land located in a portion of the School District which is within the City of San Diego. The eastern portion of CFD No. 12 consists of several parcels north and south of the easterly portion of Carmel Valley Road. Additional parcels are in the northwestern portion of the School District, west of Camino del Sur and within the Del Sur community. The remaining parcel is within the Santaluz community, west of Camino del Sur between Via Azul and Lazanja Drive. CFD No. 12 is approximately 320.63 gross acres (approximately 280.63 taxable acres). CFD No. 12 is located approximately 2 miles west of Interstate 15. As of January 1, 2014, 307 single-family detached homes are classified as Developed Property. In addition, two homeowners prepaid their Special Taxes. Total expected build-out of CFD No. 12 is an aggregate of approximately 485 single-family detached homes. See “THE COMMUNITY FACILITIES DISTRICTS – General” herein.

**CFD No. 13.** CFD No. 13 was formed March 12, 2007, and is contiguous and is located in a portion of the School District which is within the County. Parcels are in the most northwestern portion of the School District, west of Interstate 15, north of Camino del Sur, and within The Lakes community. CFD No. 13 is approximately 553.68 gross acres (approximately 271.54 taxable acres). CFD No. 13 is located approximately 4 miles west of Interstate 15. As of January 1, 2014, 206 single-family detached homes are classified as Developed Property. In addition, one (1) homeowner prepaid its Special Taxes. Total expected build-out of CFD No. 13 is an aggregate of 382 single-family detached and attached homes. See “THE COMMUNITY FACILITIES DISTRICTS – General” herein.

**CFD No. 14.** CFD No. 14 was formed January 17, 2006, and is contiguous and is generally located west of Interstate 15 and the 4S Ranch community, north of Carmel Valley Road and east and north of Camino Del Sur. CFD No. 14 lies within the area of the master-planned community known as “Del Sur” and is part of the area known as “Black Mountain Ranch.” CFD No. 14 is comprised of approximately 142.63 net residential acres expected to be developed with approximately 1,148 residential units and a school site in an area of Black Mountain Ranch referred to as the area of the “North Village.” As of January 1, 2014, 1,092 homes were classified as Developed Property. In addition, two homeowners prepaid their Special Taxes. See “THE COMMUNITY FACILITIES DISTRICTS – General” herein.

**CFD No. 15.** CFD No. 15 was formed December 17, 2012, and is contiguous and is generally located west of Interstate 15 and the 4S Ranch community, north of Carmel Valley Road and east and north of Camino Del Sur. CFD No. 15 is the development referred to as Del Sur East which is expected to have approximately 1,166 for-sale residential homes upon build-out with a mixture of approximately 756 detached units and 410 attached units. (There are also estimated to be 165 affordable units which would not be subject to the levy of the Special Tax.) CFD No. 15 is approximately 362 gross acres (approximately 253 taxable acres). CFD No. 15 is located approximately 2.8 miles west of Interstate 15. As of January 1, 2014, 115 single-family detached homes were classified as Developed Property. In addition, the owners of 165 affordable units (Fairbanks Commons) prepaid their Special Taxes. See “THE COMMUNITY FACILITIES DISTRICTS – General” herein.

## **The School District**

The School District is a school district organized under the laws of the State of California (the “State”). The School District was established in 1962. The School District provides education instruction for grades K-12 within an approximately 100-mile area in the central portion of the County and includes the City of Poway and portions of the City of San Diego and unincorporated areas of 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), five high schools (9-12) and one continuation high school. The School District reported 35,196 students enrolled at the California Basic Educational Data System (“CBEDS”) for Fiscal Year 2012-13. The School District reports 35,407 students enrolled at the CBEDS during Fiscal Year 2013-14. See APPENDIX A – “GENERAL INFORMATION ABOUT THE POWAY UNIFIED SCHOOL DISTRICT” herein.

## **Authority for Issuance**

The Bonds are authorized to be issued in accordance with the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 (commencing with Section 6584), of Chapter 5, Division 7, Title 1 of the California Government Code and the Indenture. The Indenture permits the issuance of additional debt on a parity with the Bonds. See “ – Additional Bonds; Limitations on Parity Obligations Payable from Special Tax Revenues” below.

## **Security for the Bonds**

The Bonds are payable solely from Installment Payments payable by the Community Facilities Districts pursuant to the Joint Acquisition Agreement and from certain other amounts on deposit in the funds and accounts under the Indenture, other than the Project Fund, the Costs of Issuance Fund or the Rebate Fund. The Trustee will also establish a Reserve Account for the Bonds pursuant to the Indenture. Under the Joint Acquisition Agreement, the Community Facilities Districts have established the Coverage Stabilization Fund to be held by the Fiscal Agent to secure the payment of Installment Payments. See “ – Reserve Account” and “ – Coverage Stabilization Fund” below.

Under the Joint Acquisition Agreement, the Community Facilities Districts pay the purchase price of the Project in Installment Payments payable from “Net Available Special Tax Revenues.” “Net Available Special Tax Revenues” consist generally of the amounts received by the Fiscal Agent under the Joint Acquisition Agreement as the payment derived from “Available Special Tax Revenues” (as defined herein) received with respect to the Community Facilities Districts, after the payment of the Senior CFD Bonds (as defined herein), as more fully described herein, less amounts required to pay Administrative Expenses of such Community Facilities District.

Under the Joint Acquisition Agreement, “Special Taxes” are (a) with respect to a Community Facilities District, other than CFD No. 8, the special taxes levied within such Community Facilities District pursuant to the Act and the Rate and Method of such Community Facilities District, and (b) with respect to CFD No. 8, the special taxes levied within CFD No. 8 Improvement Area B pursuant to the Act and the Rate and Method of CFD No. 8. “Special Tax Revenues” means, with respect to a Community Facilities District, the proceeds of the Special Taxes of such Community Facilities District received by or on behalf of such Community Facilities District, including interest and penalties thereon, proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of such Special Taxes, after payment of administrative costs and attorneys’ fees payable from proceeds of such redemption or sale, but excluding any prepayments of such Special Taxes. Available Special Tax Revenues of each Community Facilities District are those Special Tax Revenues remaining after payment of the Senior CFD Bonds.

See Tables 4A through 5C and “SOURCES OF PAYMENT FOR THE BONDS – Senior CFD Bonds; Estimated Schedule of Installment Payments,” for further details regarding Net Available Special Tax Revenues and Available Special Tax Revenues, and for a description of the aggregate estimated Net Available Special Tax Revenues of the Community Facilities Districts for the Installment Payments.

The Installment Payments are due and payable on the Installment Payment Dates. The amount of the Installment Payment payable by the Community Facilities Districts on each Installment Payment Date are equal to the interest on, or the principal of (including mandatory sinking fund redemptions) and interest on, as applicable, Bonds due on the following Interest Payment Date. If and to the extent that, on any Installment Payment Date, there are amounts on deposit in the Bond Fund established under the Indenture, which amounts are not being held for the payment of specific Bonds, said amounts will be credited against the Installment Payment due on such Installment Payment Date. See “ – Additional Bonds; Limitations on Parity Obligations Payable from Special Tax Revenues,” below, “SOURCES OF PAYMENT FOR THE BONDS – General,” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS” herein.

**See the section of this Official Statement entitled “BOND OWNERS’ RISKS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.**

**The Installment Payments are special obligations of the Community Facilities Districts, payable, as provided in the Joint Acquisition Agreement, solely from Net Available Special Tax Revenues and the other assets pledged therefor, including funds held in the Coverage Stabilization Fund. Neither the faith and credit nor the taxing power of the Community Facilities Districts (except to the limited extent set forth in the Joint Acquisition Agreement), the Authority, the School District, or the State, or any political subdivision thereof, is pledged to the payment of the Installment Payments or other payments required to be made by the Community Facilities Districts pursuant to the Joint Acquisition Agreement.**

The amount of the Special Taxes to be levied annually on a parcel will depend on the parcel’s classification in accordance with the applicable Rate and Method for each Community Facilities District. See “THE COMMUNITY FACILITIES DISTRICTS – Rates and Methods of Apportionment of Special Tax” and APPENDIX B – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX.”

Each Community Facilities District has covenanted in the Joint Acquisition Agreement to fix and levy the amount of Special Taxes of such Community Facilities District in each Fiscal Year in accordance with the Rate and Method of such Community Facilities District and, subject to the limitations in such Rate and Method as to the maximum Special Tax of such Community Facilities District that may be levied, in an amount that, together with the amount of Special Taxes of each other Community Facilities District levied in accordance with the Joint Acquisition Agreement, will be sufficient to yield Net Available Special Tax Revenues in the amount required for (i) the payment of the Installment Payments becoming due and payable during the Bond Year commencing in such Fiscal Year, (ii) any necessary replenishment of the Reserve Account, (iii) the payment of Additional Insurance Premium becoming due and payable during the Bond Year commencing in such Fiscal Year and (iv) any necessary replenishment of the Coverage Stabilization Fund, taking into account the balances in the funds and accounts established under the Joint Acquisition Agreement.

The Special Taxes of each Community Facilities District are payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property. See “THE COMMUNITY FACILITIES DISTRICTS” for a description of the Community

Facilities Districts and a description of the Special Tax within each applicable Community Facilities District. See also “SOURCES OF PAYMENT FOR THE BONDS” and “BOND OWNERS’ RISKS” herein.

Each Community Facilities District has covenanted for the benefit of the Authority, that the Community Facilities District will take action with respect to delinquencies in the payment of Special Taxes, including commencing foreclosure action, all as set forth in the Joint Acquisition Agreement. See “SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure.”

### **Reserve Account**

Pursuant to the Indenture, the Authority has established with the Trustee the Reserve Fund and within the Reserve Fund, a Reserve Account for the Bonds. Except in connection with the redemption of Bonds or if amounts on deposit in the Reserve Account are in excess of the Reserve Requirement, amounts in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of (i) making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of or interest on the Bonds, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, and (ii) redeeming Bonds in accordance with the provisions of the Indenture. Initially, the Authority will acquire the Reserve Policy in an amount equal to the Reserve Requirement. The Reserve Requirement required by the Indenture for the Bonds, as of the date of any calculation, is the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Additional Bonds), (b) Maximum Annual Debt Service and (c) 125% of Average Annual Debt Service. The Authority is not obligated: (i) to make any additional deposits into the Reserve Account in the event that the insurer defaults on its obligations to make payments under the Reserve Policy; or (ii) to replace the Reserve Policy in the event of a rating downgrade of the Insurer. See “SOURCES OF PAYMENT FOR THE BONDS – Reserve Account” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture.”

### **Coverage Stabilization Fund**

Pursuant to the Joint Acquisition Agreement, the Community Facilities Districts have established with the Fiscal Agent a “Coverage Stabilization Fund” and will fund the Coverage Stabilization Fund with Net Available Special Tax Revenues received after issuance of the Bonds. The Fiscal Agent will deposit in the Coverage Stabilization Fund the amounts transferred from the Net Available Special Tax Revenue Fund and required to be deposited in the Coverage Stabilization Fund, if any, necessary to cause the amount on deposit in the Coverage Stabilization Fund to be equal to the Coverage Stabilization Requirement of \$3,500,000 (the “Coverage Stabilization Requirement”).

In the event that, on the Business Day prior to an Installment Payment Date, amounts in the Net Available Special Tax Revenue Fund are insufficient to make the transfers, if any, required under the Joint Acquisition Agreement to be made on such Installment Payment Date to the Trustee for deposit in the Bond Fund and the Reserve Account established under the Indenture, the Fiscal Agent will withdraw from the Coverage Stabilization Fund, to the extent of any funds therein, the amount of such insufficiency, and will transfer the amount so withdrawn to the Net Available Special Tax Revenue Fund.

*Release of Coverage Stabilization Fund.* The Fiscal Agent will withdraw all amounts then on deposit in the Coverage Stabilization Fund and transfer the same to the Surplus Fund as such time as the Community Facilities Districts deliver to the Fiscal Agent and the Trustee a certificate of an independent consultant selected by the Community Facilities Districts (the “Independent Consultant”) certifying that (i) the amount of the Available Special Tax Revenues of all Community Facilities Districts to be transferred to the Fiscal Agent pursuant to the Joint Acquisition Agreement is at least equal to 120% of Annual Debt Service for the Corresponding Bond Year on all Outstanding Bonds and (ii) the aggregate of the assessed and appraised values of Developed Property within all of the Community Facilities Districts is at least 15



times the sum of the aggregate amount of the Bonds, plus the aggregate principal amount of all fixed lien special assessments on parcels of Developed Property, and plus the allocable portion of Other CFD Bonds (as defined below).<sup>1</sup> In such event, the Coverage Stabilization Requirement will be reduced to \$0 as provided in the Joint Acquisition Agreement. See “SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds; Other Special Tax Obligations.”

### **Value-to-Lien Ratios**

The aggregate assessed values of the property within each Community Facilities District for Fiscal Year 2013-14 (excluding Exempt Property (as defined in each Rate and Method) and parcels for which Special Taxes have been prepaid) are set out in Tables 6A and 6B in “THE COMMUNITY FACILITIES DISTRICTS – Estimated Value-to-Lien Ratios.”

The assessed values result in an estimated aggregate value-to-lien ratio of 11.09:1 and value-to-lien ratios within each Community Facilities District ranging from 21.19:1 to 5.72:1 based on the assessed value, calculated in each case with respect to estimated direct and overlapping tax and assessment debt on the parcels constituting Developed Property in Fiscal Year 2013-14 as of the estimated closing date. The value-to-lien ratios of individual parcels will differ from the foregoing aggregate values. See “THE COMMUNITY FACILITIES DISTRICTS – Estimated Value-to-Lien Ratios,” and “– Direct and Overlapping Debt,” and “BOND OWNERS’ RISKS – THE BONDS – The Installment Payments and Net Available Special Tax Revenues – *Value-to-Lien Ratios*” herein for further information on the assessed values. The assessed value of a property does not necessarily represent the market value for such property.

### **Additional Bonds; Limitations on Parity Obligations Payable from Special Tax Revenues**

*Additional Bonds.* The Indenture permits the issuance of additional debt on a parity with the Bonds.

*Limitations on Parity Obligations Payable from Special Tax Revenues.* Except as otherwise provided in the Joint Acquisition Agreement for the issuance of Senior CFD Refunding Bonds, prior to the date on which the Joint Acquisition Agreement is terminated pursuant to its terms, no Community Facilities District may issue any bonds or incur any obligations (other than Administrative Expenses of such Community Facilities District) payable from Special Tax Revenues (as defined below) of such Community Facilities District, other than the Installment Payments and other payments required to be made by the Community Facilities Districts under the Joint Acquisition Agreement. See “SOURCES OF PAYMENT FOR THE BONDS – Senior CFD Bonds; Estimated Schedule of Installment Payments.”

### **Description of the Bonds**

*The Bonds.* The net proceeds of the Bonds will be used to finance the acquisition and construction of a K-8 school in the Del Sur community and other eligible school facilities, to fund capitalized interest on the Bonds through October 1, 2016, and a portion of the interest on the Bonds through April 1, 2017, to acquire the Reserve Policy for the Bonds in an aggregate amount equal to the Reserve Requirement, and to pay costs of issuance of the Bonds. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE COMMUNITY FACILITIES DISTRICTS” herein.

*Payments.* Interest is payable on October 1, 2014, and semiannually thereafter on April 1 and October 1 each year. Principal of and premium, if any, on the Bonds will be payable by the Trustee, as registrar, transfer agent and trustee. See “THE BONDS” and APPENDIX F – “BOOK-ENTRY-ONLY PROVISIONS” herein.

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<sup>1</sup>Of the Community Facilities Districts with property which remains to be developed, CFD No. 15 is expected to provide the greatest increase in Available Special Tax Revenues in the future. CFD No. 15 is expected to have approximately 1,166 for-sale residential homes at build out. As of January 1, 2014, 115 building permits have been issued.

*Redemption.* The Bonds are subject to optional redemption, mandatory redemption from Special Tax Prepayments (as defined herein) and mandatory sinking fund redemption as described herein. See “THE BONDS – Redemption” herein.

*Registration, Transfers and Exchanges.* The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) under the book-entry system maintained by DTC. See “THE BONDS” and APPENDIX F – “BOOK-ENTRY-ONLY PROVISIONS.”

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

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

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

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

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 AUTHORITY, THE COMMUNITY FACILITIES DISTRICTS AND THE SCHOOL DISTRICT DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## **Professionals Involved in the Offering**

Zions First National Bank, Los Angeles, California will serve as the Trustee for the 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 Bonds and all activities related to the redemption of the Bonds. Zions First National Bank will also serve as Fiscal Agent under the Joint Acquisition Agreement. Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, is serving as Bond Counsel to the Authority. Best Best & Krieger LLP, San Diego, California, is acting as special counsel to the School District on matters related to the Bonds. McFarlin & Anderson LLP, Laguna Hills, California, is acting as Disclosure Counsel. Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), Los Angeles, California, is acting as Underwriter in connection with the issuance and delivery of the Bonds. Nossaman LLP, Irvine, California, is acting as Underwriter’s Counsel. Dolinka Group, LLC, Irvine, California, is acting as Financial Advisor, Special Tax Consultant, Administrator and Dissemination Agent to the Authority and the Community Facilities Districts. California Financial Services, Mission Viejo, California, is acting a program funding manager to the Authority and the Community Facilities Districts. Dolinka Group, LLC and California Financial Services, are each registered with the Municipal Securities Rulemaking Board and with the Securities and Exchange Commission as municipal advisors. Certain legal matters will be passed on for the Insurer by its counsel.

*Except for some Special Tax Consultant fees paid from Special Taxes, payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Underwriter, the Financial Advisor/Special Tax Consultant, the Program Funding Manager, the Trustee and the Fiscal Agent is contingent upon the issuance of the Bonds.*

## **Continuing Disclosure**

The Authority has covenanted 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 Bonds, to provide certain financial and operating data relating to the Bonds, the Installment Payments, the Authority, the School District and the Community Facilities Districts. The Annual Report will be delivered by not later than January 31 in each year, commencing with January 31, 2015 (the “Annual Report”), and to provide notices of the occurrence of certain listed events.

The Annual Report will be filed by the Authority or Dolinka Group, LLC, as Dissemination Agent on behalf of the Authority, with the Municipal Securities Rulemaking Board (“MSRB”) through the Electronic Municipal Market Access System (“EMMA System”) in an electronic format and accompanied by identifying information as prescribed by the MSRB, with a copy to the Trustee and the Fiscal Agent. Any notice of a listed event will be filed by the Authority or the Dissemination Agent on behalf of the Authority with the MSRB through the EMMA System. The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in the Continuing Disclosure Agreement. The covenants of the Authority in the Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with Securities 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 or the Joint Acquisition Agreement, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Authority or the Dissemination Agent to comply with the Continuing Disclosure Agreement will be an action to compel performance. The Authority, the School District and the Community Facilities Districts have not ever failed to comply, in any material respect, with an undertaking under the Rule during the previous five years.

## Other Information

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

## THE FINANCING PLAN

The Bonds are being issued for the purpose of providing funds (i) to finance construction of a new K-8 school in the Del Sur community and other eligible school facilities (the "Project"), (ii) to fund capitalized interest on the Bonds through October 1, 2016, and a portion of the interest due on April 1, 2017, (iii) to acquire the Reserve Policy for the Bonds, in an aggregate amount equal to the initial Reserve Requirement, and (iv) to pay costs of issuance of the Bonds.

## APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS

*The Bonds.* The estimated sources and uses of Bond proceeds and other amounts received by the Authority are as follows:

### Sources:

Principal Amount	\$40,000,000.00
Underwriter's Discount	(320,820.00)
Net Original Issue Premium	<u>802,458.80</u>
Total	\$40,481,638.80

### Uses:

Project Fund	\$33,350,000.00
Bond Fund <sup>(1)</sup>	5,794,837.50
Municipal Bond Insurance Premium <sup>(2)</sup>	448,569.74
Reserve Policy Premium <sup>(3)</sup>	218,947.50
Costs of Issuance <sup>(4)</sup>	<u>669,284.06</u>
Total	\$40,481,638.80

(1) An amount equal to interest on the Bonds through October 1, 2016, and a portion of the interest due on April 1, 2017.

(2) On October 2 of each year, commencing October 2, 2023, and continuing so long as any Bonds are Outstanding, the Fiscal Agent will withdraw from the Net Available Special Tax Revenue Fund and pay to the Insurer an additional insurance premium (the "Additional Insurance Premium") for the Bond Year commencing on such October 2. See "SOURCES OF PAYMENT FOR THE BONDS – Security for Installment Payments; Flow of Funds – *Net Available Special Tax Revenue Fund.*"

(3) Initially, the Authority will acquire the Reserve Policy for the Bonds in an aggregate amount equal to the initial Reserve Requirement.

(4) A portion of the proceeds of the Bonds will be deposited in the Costs of Issuance Fund. Costs of Issuance include, among other things, rating agency fees, the fees and expense of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Program Funding Manager, the cost of printing the preliminary and final Official Statements, fees and expenses of the Trustee, the Fiscal Agent and the fees of the Special Tax Consultant.

## THE BONDS

### Authority for Issuance

The Bonds are issued pursuant to the Joint Powers Act, a Resolution of Issuance and the Indenture.

### General Provisions

The Bonds will be dated the date of delivery thereof and will be issued in the aggregate principal amount set forth on the inside cover hereof. The Bonds will bear interest from their dated date 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 semiannually on each April 1 and October 1, commencing October 1, 2014 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof. When issued, the Bonds will be registered in the name of Cede & Co., as nominee of DTC. See APPENDIX F – "BOOK-ENTRY-ONLY PROVISIONS." So long as the Bonds are in book-entry only form, "Bond Owners" or "Owners" means DTC and not the Beneficial Owners of the Bonds.

Principal and premium, if any, on the Bonds are payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the principal corporate trust office of the Trustee (or other office as specified by the Trustee). Interest on the Bonds (including the final interest payment upon maturity or early redemption) is payable by check of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the registration books as of the close of business as shown on the Trustee's books as of the fifteenth calendar day of the month preceding such interest payment date (whether or not such day is a business day) (the "Record Date") or by wire transfer at the written request of an Owner of not less than \$1,000,000 aggregate principal amount of Bonds, which written request is received by the Trustee on or prior to the Record Date.

Interest on the Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless: (1) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event interest thereon will be payable from such Interest Payment Date; (2) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the dated date provided in the form of the Bonds; or (3) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has previously been paid or duly provided for. Interest will be paid in lawful money of the United States on each Interest Payment Date. Interest will be paid by check of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date, or by wire transfer at the written request of an Owner of not less than \$1,000,000 aggregate principal amount of Bonds, which written request is received by the Trustee on or prior to the Record Date. Notwithstanding the foregoing, interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date will, if and to the extent that amounts subsequently become available therefor, be paid on a payment date established by the Trustee to the person in whose name the ownership of such Bond is registered on the registration books at the close of business on a special record date to be established by the Trustee for the payment of such defaulted interest, notice of which will be given to such Owner not less than ten days prior to such special record date.

## Redemption

*Optional Redemption.* The Bonds maturing on or prior to October 1, 2023, are not subject to optional redemption before maturity. The Bonds maturing on or after October 1, 2024, will be subject to optional redemption, in whole or in part in authorized denominations on any date on or after October 1, 2023, upon the exercise by the Community Facilities Districts of their right to cause the redemption of Bonds in accordance with the Joint Acquisition Agreement, from any source of available funds, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

*Mandatory Redemption from Special Tax Prepayments.* The Bonds are subject to mandatory redemption, in whole or in part in Authorized Denominations, on any Interest Payment Date on or after October 1, 2014, from and to the extent of any Special Tax Prepayments, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
October 1, 2014 through and including April 1, 2021	103%
October 1, 2021 and April 1, 2022	102
October 1, 2022 and April 1, 2023	101
October 1, 2023 and thereafter	100

*Mandatory Sinking Fund Redemption.* The Bonds maturing on October 1, 2038, bearing interest at the rate of 5.00%, are subject to mandatory sinking fund redemption, in part, on October 1 in each year, commencing October 1, 2035, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate respective principal amounts in the respective years as follows:

### 2038 Term Bonds

<u>Sinking Fund Redemption Date (October 1)</u>	<u>Principal Amount to be Redeemed</u>
2035	\$315,000
2036	465,000
2037	480,000
2038 (maturity)	490,000

The Bonds maturing on October 1, 2038, bearing interest at the rate of 4.75%, are subject to mandatory sinking fund redemption, in part, on October 1 in each year, commencing October 1, 2035, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate respective principal amounts in the respective years as follows:

2038 Term Bonds

Sinking Fund Redemption Date (October 1)	Principal Amount to be Redeemed
2035	\$1,155,000
2036	2,485,000
2037	2,715,000
2038 (maturity)	2,960,000

The Bonds maturing on October 1, 2041, are subject to mandatory sinking fund redemption, in part, on October 1 in each year, commencing October 1, 2039, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

2041 Term Bonds

Sinking Fund Redemption Date (October 1)	Principal Amount to be Redeemed
2039	\$3,720,000
2040	4,015,000
2041 (maturity)	4,320,000

The amounts in the foregoing tables will be reduced in the manner specified in the Indenture as a result of any partial optional or mandatory redemption from Special Tax Prepayments.

*Selection of Bonds for Redemption.* If less than all of the Outstanding Bonds of a maturity are to be redeemed, the Trustee will select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion deems appropriate. Upon surrender of Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the registered Owner, at the expense of the Authority, a new Bond or Bonds, of authorized denominations equal in aggregate principal amount and maturity to the unredeemed portion of the Bond or Bonds.

*Notice of Redemption.* So long as the Bonds are held in book-entry form, notice of redemption will be mailed by the Trustee only to DTC and not to the Beneficial Owners (as defined in Appendix F) of Bonds under the DTC book-entry-only system. Neither the Authority nor the Trustee is responsible for notifying the Beneficial Owners, who are to be notified in accordance with the procedures in effect for the DTC book-entry system.

The Trustee will mail (by first-class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the registration books at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP<sup>®</sup> numbers, if any, the Bond numbers and the maturity or maturities of the Bonds to be redeemed (except in the event of redemption of all of the Bonds of such maturity or maturities in whole), and will require that such Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption. Neither the

failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

*Conditional Notice.* With respect to any notice of any optional redemption of Bonds, unless at the time such notice is given the Bonds to be redeemed will be deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the Redemption Price of, and accrued interest on, the Bonds to be redeemed, and that if such moneys have not been so received said notice will be of no force and effect and the Authority will not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption will not be made and the Trustee will, within a reasonable time after the date on which such redemption was to occur, give notice to the persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there will be no redemption of Bonds pursuant to such notice of redemption.

*Effect of Notice of Redemption.* If on the date fixed for redemption, moneys for the redemption price of all of the Bonds to be redeemed, together with interest to said date, are held by the Trustee so as to be available therefor on such date, and, if notice of redemption has been mailed and not canceled, then, from and after said date, interest on said Bonds will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed without liability for interest thereon.

*Circumstances Leading to Redemption of Bonds Prior to Maturity.* Bond purchasers should be aware of the following circumstances, among others, that may lead to redemption of Bonds prior to maturity:

- (i) Prepayment of all or part of any Special Taxes within a Community Facilities District;
- (ii) Issuance of refunding bonds – pursuant to the Joint Powers Act, the Authority may issue refunding bonds for the purpose of redeeming the Bonds; and
- (iii) Accumulation of investment income in the Bond Fund.

### **Transfer and Exchange of Bonds**

Any Bond may be transferred upon the registration books by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond to the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds are so surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver a new Bond or Bonds of the same series and maturity in a like aggregate principal amount, in any authorized denomination. The Trustee will require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same series and maturity of other authorized denominations. The Trustee will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee is not be obligated to make any transfer or exchange of Bonds of a series pursuant to the Indenture during the period established by the Trustee for the selection of Bonds of such series for redemption, or with respect to any Bonds of such series selected for redemption.



## **The Trustee**

Zions First National Bank, Los Angeles, California, has been appointed as the Trustee for the Bonds under the Indenture and as Fiscal Agent under the Joint Acquisition Agreement. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture” hereto for a further description of the rights and obligations of the Trustee under the Indenture and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Joint Acquisition Agreement” for a further description of the rights and obligations of the Fiscal Agent under the Joint Acquisition Agreement.

## **Book-Entry and DTC**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX F – “BOOK-ENTRY-ONLY PROVISIONS.”

## Estimated Debt Service Schedule

The following table presents the debt service schedule for the Bonds, assuming no redemptions are made:

**Table 1**  
**Poway Unified School District Public Financing Authority**  
**Special Tax Revenue Bonds, Series 2014**  
**Annual Debt Service Schedule**

<b>Year Ending (October 1)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	–	\$1,148,236.32	\$1,148,236.32
2015	–	1,931,612.50	1,931,612.50
2016	–	1,931,612.50	1,931,612.50
2017	–	1,931,612.50	1,931,612.50
2018	–	1,931,612.50	1,931,612.50
2019	\$390,000	1,931,612.50	2,321,612.50
2020	490,000	1,919,912.50	2,409,912.50
2021	570,000	1,900,312.50	2,470,312.50
2022	660,000	1,877,512.50	2,537,512.50
2023	760,000	1,851,112.50	2,611,112.50
2024	750,000	1,820,712.50	2,570,712.50
2025	850,000	1,790,712.50	2,640,712.50
2026	1,000,000	1,748,212.50	2,748,212.50
2027	1,080,000	1,703,212.50	2,783,212.50
2028	1,240,000	1,649,212.50	2,889,212.50
2029	1,360,000	1,587,212.50	2,947,212.50
2030	1,530,000	1,519,212.50	3,049,212.50
2031	1,700,000	1,442,712.50	3,142,712.50
2032	1,850,000	1,357,712.50	3,207,712.50
2033	1,340,000	1,265,212.50	2,605,212.50
2034	1,310,000	1,198,212.50	2,508,212.50
2035	1,470,000	1,132,712.50	2,602,712.50
2036	2,950,000	1,062,100.00	4,012,100.00
2037	3,195,000	920,812.50	4,115,812.50
2038	3,450,000	767,850.00	4,217,850.00
2039	3,720,000	602,750.00	4,322,750.00
2040	4,015,000	416,750.00	4,431,750.00
2041	4,320,000	216,000.00	4,536,000.00
<b>Total</b>	<b>\$40,000,000</b>	<b>\$40,556,461.32</b>	<b>\$80,556,461.32</b>

*Source: The Underwriter.*

## **SOURCES OF PAYMENT FOR THE BONDS**

### **General**

The Bonds are secured by the Installment Payments payable by the Community Facilities Districts to the Authority pursuant to the Joint Acquisition Agreement and by any other amounts held in any fund or account established pursuant to the Indenture, other than the Project Fund, the Costs of Issuance Fund and the Rebate Fund. Installment Payments are payable from Net Available Special Tax Revenues.

All of the Net Available Special Tax Revenues and any other amounts held in the Available Special Tax Revenue Fund, the Net Available Special Tax Revenue Fund and the Coverage Stabilization Fund are pledged under the Joint Acquisition Agreement to the payment of the Installment Payments and other payments required to be made by the Community Facilities Districts under the Joint Acquisition Agreement. Said pledge constitutes a first lien on and security interest in such assets, which will immediately attach to such assets and be effective, binding and enforceable against the Community Facilities Districts, their successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Joint Acquisition Agreement, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, the Authority pledges to the Owners, and grants thereto a lien on and a security interest in, all of the Installment Payments and any other amounts held in the Bond Fund and the Reserve Account. Said pledge constitutes a first lien on and security interest in such assets, which will immediately attach to such assets and be effective, binding and enforceable against the Authority, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Indenture.

The Authority in the Indenture sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Joint Acquisition Agreement, including, without limitation, the right to receive Installment Payments; provided, however, that the Authority retains the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Joint Acquisition Agreement. The Trustee is entitled to and will collect and receive all of the Installment Payments, and any Installment Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and will be paid by the Authority to the Trustee.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE INSTALLMENT PAYMENTS PLEDGED THEREFOR IN THE INDENTURE, FROM AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS UNDER THE INDENTURE OTHER THAN THE PROJECT FUND, THE COSTS OF ISSUANCE FUND AND THE REBATE FUND. THE BONDS ARE NOT A DEBT OF THE COMMUNITY FACILITIES DISTRICTS, THE SCHOOL DISTRICT, THE COUNTY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AUTHORITY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMUNITY FACILITIES DISTRICTS, THE SCHOOL DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER. NEITHER THE COMMUNITY FACILITIES DISTRICTS, THE SCHOOL DISTRICT, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE FOR THE PAYMENT OF THE BONDS.

**OWNERSHIP OF THE BONDS IS SUBJECT TO RISK. POTENTIAL INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “BOND OWNERS’ RISKS.”**

**Bond Fund**

The Trustee will establish and maintain a separate fund designated the “Bond Fund” and deposit in the Bond Fund the amounts transferred to the Trustee by the Fiscal Agent for deposit in the Bond Fund pursuant to the Joint Acquisition Agreement. Additionally, the Trustee will deposit in the Bond Fund the portion of a Special Tax Prepayment transferred to the Trustee by a Community Facilities District pursuant to the Joint Acquisition Agreement that is to be applied to the payment of interest on Bonds to be redeemed from such Special Tax Prepayment, as such portion is identified in the written certificate of the Community Facilities Districts required, pursuant to the Joint Acquisition Agreement, to be delivered to the Trustee at the time such Special Tax Prepayment is so transferred.

On the date three Business Days prior to each Installment Payment Date, the Trustee will notify the Fiscal Agent of the amount, if any, on deposit in the Bond Fund on such date.

In the event that, on the Business Day prior to an Interest Payment Date, amounts in the Bond Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, the Trustee will withdraw from the Reserve Account, to the extent of any funds therein, the amount of such insufficiency, and will transfer any amounts so withdrawn to the Bond Fund.

On each Interest Payment Date, the Trustee will withdraw from the Bond Fund for payment to the Owners of the Bonds the principal, if any, of and interest on the Bonds then due and payable, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds.

**Reserve Account**

The Trustee will establish and maintain a special fund designated the “Reserve Fund” and upon issuance of the Bonds, the Trustee will establish and maintain within the Reserve Fund, a special reserve account for the Bonds (the “Reserve Account”). On the Closing Date, the Trustee will deposit in the Reserve Account the “Reserve Requirement.” The term “Reserve Requirement” for the Bonds means, as of the date of any calculation, the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Additional Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service.

Initially, the Reserve Requirement is equal to \$3,649,124.98 and will be funded through the acquisition of the Reserve Policy. There will additionally be deposited in a separate reserve account in connection with the issuance of Additional Bonds, the amount required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued and such amount may be satisfied through a deposit of cash or through deposit of a reserve insurance policy or surety bond in an amount which is not less than the reserve requirement in connection with the issuance of such Additional Bonds and which reserve insurance policy or surety bond is issued by an insurance company or association authorized to do business in the State, the long-term unsecured obligations of which, at the time of delivery of such reserve insurance policy or surety bond, are rated at not lower than one of the top two ratings categories by Moody’s Investors Service, Inc. or Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business.

Except as otherwise described below, amounts in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of (i) making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of or interest on the

Bonds, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, and (ii) redeeming Bonds in accordance with the Indenture.

*Reserve Policy.* On the date of issuance of the Bonds, the Trustee shall deposit the Reserve Policy in the Series 2014 Reserve Account. If a draw has been made on the Reserve Policy, the Trustee will, from the deposits to the Reserve Account made pursuant to the Indenture, repay the Insurer for such draw, pay the Insurer for any Insurer Administrative Expenses related to such draw and pay the Insurer interest on such draw and Insurer Administrative Expenses from the date of payment by the Insurer at the Insurer Rate. Amounts so paid to the Insurer shall be applied, first, to such interest due, second, to such Administrative Expenses due and, third, to repayment of such draw. As and to the extent that payments are made to the Insurer in repayment of such draw, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments, if any, in the Reserve Account will be transferred to the Bond Fund for payment of the debt service on the Bonds before any drawing may be made on the Reserve Policy or any other surety bond or insurance policy deposited in the Reserve Account pursuant to the Indenture (each a “Reserve Facility”) deposited in the Reserve Account.

Repayment of draws on the Reserve Facility in the Reserve Account, payment to the issuer of such Reserve Facility of administrative expenses related to such draw and payment to the issuer of such Reserve Facility of interest due with respect to such draw and administrative expenses will be made prior to replenishment of any cash amounts. Draws on all Reserve Facilities in the Reserve Account (including the Reserve Policy) on which there is available coverage will be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Repayment to the issuers of Reserve Facilities in the Reserve Account of draws thereon, of payment of administrative expenses related to such draws and payment to such issuers of interest due with respect to such draws and administrative expenses will be made on a pro-rata basis. The term “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable Reserve Facility without regard to the legal or financial ability or willingness of the issuer thereof to honor a claim or draw thereon or the failure of such issuer to honor any such claim or draw.

Draws on Reserve Facilities in the Reserve Account shall only be used to make payments on the Bonds.

If the Authority fails to pay any amounts owing to the Insurer as described above, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than remedies which would adversely affect owners of the Bonds.

### **Reserve Policy**

*Set forth below is a brief summary of certain information concerning BAM and the terms of the Reserve Policy. The information relating to BAM and the Reserve Policy contained below has been supplied to the School District by BAM. No representation is made by the School District as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in the condition of BAM subsequent to the date of this Official Statement.*

The Insurer has made a commitment to issue the Reserve Policy. Under the terms of the Reserve Policy, the Insurer will, subject to the Reserve Policy limits described below, unconditionally and irrevocably guarantee to pay that portion of the scheduled principal of and interest with respect to the Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Authority (the “Insured Payments”).

The Insurer will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Authority to the Trustee or the Paying Agent, as beneficiary of the Reserve Policy on behalf of the owners of the Bonds on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which the Insurer receives a demand for payment therefor in accordance with the terms of the Reserve Policy.

No payment shall be made under the Reserve Policy in excess of the lesser of \$3,649,124.98 and the Reserve Requirement established for the Bonds (the "Reserve Account Policy Limit"). Pursuant to the terms of the Reserve Policy, the amount available at any particular time to be paid to the Trustee or the Paying Agent shall automatically be reduced to the extent of any payment made by the Insurer under the Reserve Policy, provided that, to the extent of the reimbursement of such payment by the Authority to the Insurer, the amount available under the Reserve Policy will be reinstated in full or in part, in an amount not to exceed the Reserve Account Policy Limit.

The Reserve Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee or the Paying Agent.

The Insurer makes no representation regarding the Bonds or the advisability or suitability of investing in the Bonds. In addition, the Insurer has not 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 the Insurer, supplied by the Insurer and presented under the headings "SOURCES OF PAYMENT FOR THE BONDS – Reserve Policy" and "BOND INSURANCE."

### **Redemption Fund**

The Trustee will establish and maintain a special fund designated the "Redemption Fund" and deposit in the Redemption Fund (i) amounts received from the Community Facilities Districts in connection with the exercise by the Community Facilities Districts of their right to cause the redemption of Bonds in accordance with the Joint Acquisition Agreement, (ii) the portion of a Special Tax Prepayment transferred to the Trustee by a Community Facilities District pursuant to the Joint Acquisition Agreement that is to be applied to the redemption price of Bonds, and (iii) amounts required to be deposited therein pursuant to any Supplemental Indenture.

Amounts deposited in the Redemption Fund in connection with the Community Facilities Districts' exercise of their right to cause the redemption of Bonds in accordance with the Joint Acquisition Agreement will be disbursed therefrom to pay the redemption price of Bonds redeemed pursuant to optional redemption and to pay the redemption price of Additional Bonds redeemed under the corresponding provisions of the Supplemental Indenture pursuant to which such Additional Bonds are issued. Amounts deposited in the Redemption Fund representing Special Tax Prepayments will be disbursed therefrom to pay the redemption price of Bonds redeemed pursuant to mandatory redemption from Special Tax Prepayments and to pay the redemption price of Additional Bonds redeemed under the corresponding provisions of the Supplemental Indenture pursuant to which such Additional Bonds are issued.

The term "Special Tax Prepayments" are prepayments of the Special Tax of the applicable Community Facilities District made pursuant to the applicable Rate and Method after the date on which no Senior CFD Bonds are Outstanding and the Senior CFD Indenture is discharged, except that with respect to CFD No. 15, means any prepayments of the Special Tax of CFD No. 15 made pursuant to the Rate and Method of CFD No. 15. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Certain Definitions."

## **Other Funds**

*Costs of Issuance Fund.* Moneys in the Costs of Issuance Fund will be disbursed to pay costs of issuance of the Bonds. On the last Business Day that is no later than six months after the Closing Date, the Trustee will transfer any amounts then remaining in the Costs of Issuance Fund to the Project Fund.

*Authority Rebate Fund.* The Trustee will establish and maintain a special fund designated the “Rebate Fund.” All money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts to satisfy the Rebate Requirement will be withdrawn by the Trustee and remitted to the Authority.

## **The Joint Acquisition Agreement**

*Acquisition, Construction and Installation of the Project.* The Authority agrees in the Joint Acquisition Agreement to cause the Project to be acquired, constructed and installed and appoints the Community Facilities Districts as its agents for purposes of such acquisition, construction and installation. The Community Facilities Districts will enter into contracts, or cause contracts to be entered into, and, as agents of the Authority, provide for the complete acquisition, construction and installation of the Project. The Community Facilities Districts agree that they will cause the acquisition, construction and installation of the Project to be diligently performed. It is expressly understood and agreed that, except to the extent of proceeds of Bonds deposited in the Project Fund established pursuant to the Indenture, and the investment earnings thereon, the Authority is under no liability of any kind or character whatsoever for the payment of any of the costs of the acquisition, construction and installation of the Project. In the event such amounts are insufficient to complete the acquisition, construction and installation of the Project, the Community Facilities Districts will cause to be applied other legally available funds in an amount equal to that necessary to complete the acquisition, construction and installation of the Project.

*Installment Payments.* The Community Facilities Districts agree to pay to the Authority, from Net Available Special Tax Revenues, the purchase price of the Project in Installment Payments, as provided in the Joint Acquisition Agreement. The Installment Payments are due and payable on the Installment Payment Dates. The amount of the Installment Payment payable by the Community Facilities Districts on each Installment Payment Date are equal to the interest on, or the principal of (including mandatory sinking fund redemptions) and interest on, as applicable, Bonds due on the following Interest Payment Date. If and to the extent that, on any Installment Payment Date, there are amounts on deposit in the Bond Fund established under the Indenture, which amounts are not being held for the payment of specific Bonds, said amounts will be credited against the Installment Payment due on such Installment Payment Date.

**The Installment Payments are special obligations of the Community Facilities Districts, payable, as provided in the Joint Acquisition Agreement, solely from Net Available Special Tax Revenues and the other assets pledged therefor under the Joint Acquisition Agreement. Neither the faith and credit nor the taxing power of the Community Facilities Districts (except to the limited extent set forth in the Joint Acquisition Agreement), the Authority, the School District, or the State, or any political subdivision thereof, is pledged to the payment of the Installment Payments or other payments required to be made by the Community Facilities Districts pursuant to the Joint Acquisition Agreement.**

*Reserve Account Payments.* The Community Facilities Districts will maintain or cause to be maintained in the Reserve Account established under the Indenture an amount equal to the Reserve Requirement for the Bonds. Reserve Account payments to replenish said Reserve Account are payable solely from Net Available Special Tax Revenues and will be made at the times and in the manner described below in “Security for Installment Payments; Flow of Funds – *Net Available Special Tax Revenue Fund.*”

*Joint and Several Liability; Obligation Absolute.* The obligations of the Community Facilities Districts to pay the Installment Payments and other payments required to be made pursuant to the Joint Acquisition Agreement are joint and several obligations of the Community Facilities Districts. The obligations of the Community Facilities Districts to make the Installment Payments and other payments required to be made by them under the Joint Acquisition Agreement, solely from the sources and in the manner provided in the Joint Acquisition Agreement, are absolute and unconditional, and until such time as the Installment Payments and such other payments have been paid in full, the Community Facilities Districts will not discontinue or suspend any Installment Payments or other payments required to be made by them when due, whether or not the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such Installment Payments and other payments are not be subject to reduction, whether by offset or otherwise, and are not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

### **Security for Installment Payments; Flow of Funds**

*Pledge.* Subject only to the provisions of the Joint Acquisition Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Net Available Special Tax Revenues and any other amounts held in the Available Special Tax Revenue Fund, the Net Available Special Tax Revenue Fund and the Coverage Stabilization Fund are pledged to the payment of the Installment Payments and other payments required to be made by the Community Facilities Districts under Joint Acquisition Agreement. See “SOURCES OF PAYMENT FOR THE BONDS – General,” above. Said pledge constitutes a first lien on and security interest in such assets, which will immediately attach to such assets and be effective, binding and enforceable against the Community Facilities Districts, their successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Joint Acquisition Agreement, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

*Available Special Tax Revenue Fund.* The Fiscal Agent will establish and maintain a separate fund designated the “Available Special Tax Revenue Fund.” Within the Available Special Tax Revenue Fund, the Fiscal Agent will establish and maintain a separate account for each Community Facilities District designated the “Available Special Tax Revenue Account” of such Community Facilities District.

As soon as practicable after the Available Special Tax Revenues of a Community Facilities District are received, by such Community Facilities District (see “SOURCES OF PAYMENT FOR THE BONDS – Senior CFD Bonds; Estimated Schedule of Installment Payments” and Table 5B below for the dates on which Available Special Tax Revenues are released from the lien of the applicable Indenture for the Senior CFD Bonds and transferred to the Fiscal Agent), such Community Facilities District will transfer, or cause to be transferred, such Available Special Tax Revenues to the Fiscal Agent for deposit in the Available Special Tax Revenue Account of such Community Facilities District.

Upon receipt of a written request of the Community Facilities Districts, the Fiscal Agent will withdraw from the Available Special Tax Revenue Account of the Community Facilities District specified in such written request of the Community Facilities Districts and transfer to the Administrative Expense Account of such Community Facilities District the amount specified in such written request of the Community Facilities Districts as the amount necessary to be transferred thereto in order to have sufficient amounts available therein to pay Administrative Expenses of such Community Facilities District; provided, however, that no such transfers shall be made during the period from October 1 of each year to October 30 of such year.



On the third Business Day immediately preceding each Installment Payment Date, after having made any requested transfers to the Administrative Expense Accounts, the Fiscal Agent will withdraw from the Available Special Tax Revenue Account of each Community Facilities District all Available Special Tax Revenues of such Community Facilities District remaining therein and transfer such Available Special Tax Revenues to the Net Available Special Tax Revenue Fund.

*Net Available Special Tax Revenue Fund.* The Fiscal Agent will establish and maintain a separate fund designated the “Net Available Special Tax Revenue Fund.” The Fiscal Agent will deposit in the Net Available Special Tax Revenue Fund the amounts required to be transferred thereto described above and in “*Coverage Stabilization Fund*” below.

On each Installment Payment Date, the Fiscal Agent will withdraw from the Net Available Special Tax Revenue Fund an amount of Net Available Special Tax Revenues sufficient to enable the Fiscal Agent to make the following transfers in the following order of priority:

- (i) Bond Fund. To the Trustee for deposit in the Bond Fund established under the Indenture, the amount, if any, necessary to cause the amount on deposit in said Bond Fund to be equal to the interest on, or the principal of (including mandatory sinking fund redemptions) and interest on, as applicable, Bonds due on the following Interest Payment Date. The transfer of such amount, together with the amount, if any, then on deposit in said Bond Fund, which is to be applied as a credit, will constitute the payment of the Installment Payment due on such Installment Payment Date;
- (ii) Reserve Account. To the Trustee for deposit in the Reserve Account established under the Indenture, the amount, if any, necessary to cause the amount on deposit in said Reserve Account to be equal to the Reserve Requirement, which transfer will constitute the Reserve Account payment required to be made pursuant to the Joint Acquisition Agreement; and
- (iii) Coverage Stabilization Fund. To the Coverage Stabilization Fund, the amount, if any, necessary to cause the amount on deposit in the Coverage Stabilization Fund to be equal to the Coverage Stabilization Requirement.

On October 2 of each year, commencing October 2, 2023, and continuing so long as any Bonds are Outstanding, the Fiscal Agent will withdraw from the Net Available Special Tax Revenue Fund, to the extent of any funds therein, and pay to the Insurer the Additional Insurance Premium for the Bond Year commencing on such October 2; provided, however, that (i) if an amount sufficient to pay such Additional Insurance Premium is not then on deposit in the Net Available Special Tax Revenue Fund, the Fiscal Agent will withdraw from the Coverage Stabilization Fund, to the extent of any funds therein, and pay to the Insurer the portion of such Additional Insurance Premium not paid from the Net Available Special Tax Revenue Fund, and (ii) if such Additional Insurance Premium is not so paid in full, interest will accrue on the unpaid amount thereof at the Insurer Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full. For definitions of “Additional Insurance Premium” and “Insurer Rate,” see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS” herein.

No later than October 30 of each year, the Fiscal Agent will withdraw from the Net Available Special Tax Revenue Fund an amount equal to the amount that was on deposit therein on the immediately preceding October 5 and, from such amount, the Fiscal Agent will deposit in the Surplus Account of each Community Facilities District the amount, if any, requested to be deposited therein in the written request of the Community Facilities Districts delivered after said October 5 to the Fiscal Agent by the Community Facilities Districts.

*Administrative Expense Fund.* (a) The Fiscal Agent will establish and maintain a special fund designated the “Administrative Expense Fund.” Within the Administrative Expense Fund, the Fiscal Agent will establish and maintain a separate account for each Community Facilities District designated the “Administrative Expense Account” of such Community Facilities District. The Fiscal Agent will deposit in the Administrative Expense Account of a Community Facilities District the amounts transferred from the Available Special Tax Revenue Account of such Community Facilities District and required to be deposited therein pursuant to the Joint Acquisition Agreement.

The moneys in the Administrative Expense Account of a Community Facilities District will be used and withdrawn by the Fiscal Agent from time to time to pay the Administrative Expenses of such Community Facilities District.

*Coverage Stabilization Fund.* The Fiscal Agent will establish and maintain a separate fund designated the “Coverage Stabilization Fund.” The Fiscal Agent will deposit in the Coverage Stabilization Fund the amounts transferred from the Net Available Special Tax Revenue Fund and required to be deposited therein pursuant to the Joint Acquisition Agreement as described above.

In the event that, on the Business Day prior to an Installment Payment Date, amounts in the Net Available Special Tax Revenue Fund are insufficient to make the transfers, if any, required pursuant to the Indenture, to be made on such Installment Payment Date to the Trustee for deposit in the Bond Fund and the Reserve Account established under the Indenture, the Fiscal Agent will withdraw from the Coverage Stabilization Fund, to the extent of any funds therein, the amount of such insufficiency, and will transfer the amount so withdrawn to the Net Available Special Tax Revenue Fund.

In the event that, on any October 2 on which an Additional Insurance Premium is due and payable, as provided in the Indenture, amounts in the Net Available Special Tax Revenue Fund are insufficient to pay to the Insurer such Additional Insurance Premium, the Fiscal Agent will withdraw from the Coverage Stabilization Fund, to the extent of any funds therein, the amount of such insufficiency, and will pay such amount to the Insurer.

Upon the delivery by the Community Facilities Districts to the Fiscal Agent and the Trustee of the certificate of an independent consultant described in the definition of “Coverage Stabilization Requirement,” and the written request of the Community Facilities Districts requesting that the Fiscal Agent transfer from the Coverage Stabilization Fund to the Surplus Account of each Community Facilities District the amount, if any, so specified to be transferred thereto in such written request of the Community Facilities Districts (the sum of which amounts requested to be so transferred to the Surplus Accounts of the Community Facilities Districts will be equal to the amount then on deposit in the Coverage Stabilization Fund), the Fiscal Agent will withdraw the amounts then on deposit in the Coverage Stabilization Fund and transfer the same as specified in such written request. See “INTRODUCTION – Coverage Stabilization Fund – *Release of Coverage Stabilization Fund*” above.

*Surplus Fund.* The Fiscal Agent will establish and maintain a special fund designated the “Surplus Fund.” Within the Surplus Fund, the Fiscal Agent will establish and maintain a separate account for each Community Facilities District designated the “Surplus Account” of such Community Facilities District. The Fiscal Agent will deposit in the Surplus Fund the amounts transferred from the Net Available Special Tax Revenue Fund and required to be deposited therein pursuant to the Joint Acquisition Agreement and the amounts transferred from the Coverage Stabilization Fund and required to be deposited therein as described above.

No later than October 5 of each year, the Fiscal Agent will notify the Community Facilities Districts, in writing, of the amount then on deposit in the Net Available Special Tax Revenue Fund. No later than October 20 of each year, the Community Facilities Districts will deliver to the Fiscal Agent a Written Request of the Community Facilities Districts requesting that the Fiscal Agent transfer from the Net Available Special Tax Revenue Fund to the Surplus Account of each Community Facilities District the amount, if any, so specified to be transferred thereto in such Written Request of the Community Facilities Districts; provided, however, that (i) the sum of the amounts requested to be so transferred to the Surplus Accounts of the Community Facilities Districts will be equal to the amount on deposit in the Net Available Special Tax Revenue Fund on the immediately preceding October 5, as specified in the notice from the Fiscal Agent to the Community Facilities Districts provided by the Fiscal Agent pursuant to the first sentence of this paragraph, and (ii) the amount so transferred to the Surplus Account of any Community Facilities District will not exceed the remainder of (A) the amount of Available Special Tax Revenues of such Community Facilities District deposited in the Available Special Tax Revenue Account of such Community Facilities District during the one year period ending on the immediately preceding October 1, minus (B) the amount, if any, transferred from the Available Special Tax Revenue Account of such Community Facilities District to the Administrative Expense Account of such Community Facilities District during the one year period ending on the immediately preceding October 1.

The moneys in the Surplus Account of a Community Facilities District will be used and withdrawn by the Fiscal Agent from time to time to pay the costs of the School Facilities. Additionally, upon receipt of a written request of the Community Facilities Districts requesting that the Fiscal Agent transfer the amount specified therein from the Surplus Account of a Community Facilities District to the Trustee for deposit in the Redemption Fund established under the Indenture, to be applied to the optional redemption of Bonds, the Fiscal Agent will so withdraw and transfer the amount so specified in such Written Request of the Community Facilities Districts.

## **Special Taxes**

The amount of Special Taxes that a Community Facilities District may levy in any year is strictly limited by the maximum rates approved by the qualified electors within the Community Facilities District at the time of formation, including the limitation imposed by Section 53321 of the Act as applied to each Community Facilities District. Each Community Facilities District is legally authorized under the Act, and has covenanted in the Joint Acquisition Agreement, to annually cause the levy of the Special Taxes in an amount determined according to the applicable Rate and Method. See “– *Special Taxes*” below. Each Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in the applicable Community Facilities District as more particularly described therein. See “THE COMMUNITY FACILITIES DISTRICTS – Rates and Methods of Apportionment of Special Tax” and APPENDIX B – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX” hereto.

Under existing laws, regulations, rulings and judicial decisions, the Special Taxes of each Community Facilities District are exempt from the tax rate limitations of California Constitution Article XIII A pursuant to Section 4 thereof as “special tax” authorized by a two-thirds vote of the qualified electors with respect to each Community Facilities District. Consequently, each Community Facilities District has the power and is obligated to cause the levy and collection of the Special Taxes in an amount determined according to a methodology which the Board of Education (the “Board”) and the qualified electors in the Community Facilities District have approved. However, Article XIII C of the California Constitution may allow the voters in each Community Facilities District (or perhaps in the School District) under certain conditions, to adopt an ordinance by initiative which would reduce or appeal the Special Taxes. See “BOND OWNERS’ RISKS – The Installment Payments and Net Available Special Tax Revenues – *Right to Vote on Taxes Act*” and “– *Ballot Initiatives and Legislative Measures.*” See “THE COMMUNITY FACILITIES DISTRICTS – Rates and Methods of Apportionment of Special Tax.”

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE INSTALLMENT PAYMENTS. EXCEPT FOR THE NET AVAILABLE SPECIAL TAX REVENUES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE INSTALLMENT PAYMENTS. THE INSTALLMENT PAYMENTS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF EACH COMMUNITY FACILITIES DISTRICT BUT ARE SPECIAL OBLIGATIONS OF EACH COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE NET AVAILABLE SPECIAL TAX REVENUES AND OTHER AMOUNTS PLEDGED UNDER THE JOINT ACQUISITION AGREEMENT AS MORE FULLY DESCRIBED HEREIN.**

The levy of the Special Taxes was authorized by the landowners within the territory included in each Community Facilities District, as the then qualified electors of the Community Facilities District, at a special election held within each Community Facilities District. A notice of Special Taxes with respect to each Rate and Method has been recorded in the Official Records of the County.

Each Community Facilities District has covenanted in the Joint Acquisition Agreement to fix and levy the amount of Special Taxes of such Community Facilities District in each Fiscal Year in accordance with the Rate and Method of such Community Facilities District and, subject to the limitations in such Rate and Method as to the maximum Special Tax of such Community Facilities District that may be levied, in an amount that, together with the amount of Special Taxes of each other Community Facilities District levied as described in this paragraph, will be sufficient to yield Net Available Special Tax Revenues in the amount required for (i) the payment of the Installment Payments becoming due and payable during the Bond Year commencing in such Fiscal Year, (ii) any necessary replenishment of the Reserve Account, (iii) the payment of Additional Insurance Premium becoming due and payable during the Bond Year commencing in such Fiscal Year and (iv) any necessary replenishment of the Coverage Stabilization Fund, taking into account the balances in the funds and accounts established under the Joint Acquisition Agreement. See "THE COMMUNITY FACILITIES DISTRICTS – Rates and Methods of Apportionment of Special Tax."

The following tables provide information regarding the Fiscal Year 2013-14 and the Fiscal Year 2014-15 Special Tax Levy with respect to each Community Facilities District.

**Table 2A**  
**Poway Unified School District Public Financing Authority**  
**Special Tax Revenue Bonds, Series 2014**  
**Combined Fiscal Year 2013-14 Special Tax Levy**  
**(As of January 1, 2014)**

CFD	Units Levied <sup>(1)</sup>	Special Taxes Levied	Administrative Expense Requirement	FY 2013-14 Special Tax Levy as Percent of Total	Senior CFD Debt Service	Available Special Tax Levy	FY 2013-14 Available Special Tax Levy as Percent of Total
CFD No. 2	621	\$1,527,614.70	\$60,000.00	7.49%	\$839,355.00	\$628,259.70	19.72%
CFD No. 4	828	1,257,275.20	77,616.30	6.02	1,064,714.76	114,944.14	3.61
CFD No. 6 <sup>(2)</sup>	3,769	9,283,927.74	49,734.97	47.13	7,794,286.26	1,439,906.51	45.19
CFD No. 8 IA B	188	542,449.92	40,376.05	2.56	454,200.00	47,873.87	1.50
CFD No. 9	63	154,743.00	33,646.70	0.62	109,648.00	11,448.30	0.36
CFD No. 10	1,286	2,639,139.84	31,706.04	13.31	2,119,224.00	488,209.80	15.32
CFD No. 12	307	730,562.94	44,388.71	3.50	623,056.62	63,117.61	1.98
CFD No. 13	135	408,823.26	33,122.42	1.92	274,075.00	101,625.84	3.19
CFD No. 14	1,045	3,475,837.68	58,582.96	17.44	3,126,220.00	291,034.72	9.13
CFD No. 15	6	18,463.14	18,463.14	0.00	0.00	0.00	0.00
<b>Total<sup>(3)</sup></b>	<b>8,248</b>	<b>\$20,038,837.42</b>	<b>\$447,637.29</b>	<b>100.00%</b>	<b>\$16,404,779.64</b>	<b>\$3,186,420.49</b>	<b>100.00%</b>

<sup>(1)</sup> Parcels are classified as Developed Property as of January 1 of each year with respect to CFD No. 4, CFD No. 6, CFD No. 8 (with respect to Improvement Area B), CFD No. 9, and CFD No. 12, as of March 1 of each year with respect to CFD No. 2 and as of May 1 of each year with respect to CFD No. 10, CFD No. 13, CFD No. 14 and CFD No. 15. The number of Units shown here exclude Assigned Units, Affordable Units, Affordable Excess Units, Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(2)</sup> During 2014, a number of parcels prepaid the Special Tax obligation and such parcels will not be taxed commencing with Fiscal Year 2014-15.

<sup>(3)</sup> Totals may not sum due to rounding.

**Table 2B**  
**Poway Unified School District Public Financing Authority**  
**Special Tax Revenue Bonds, Series 2014**  
**Combined Fiscal Year 2014-15 Special Tax Levy**  
**(As of January 1, 2014)**

CFD	Units Levied <sup>(1)</sup>	Special Taxes Levied <sup>(2)</sup>	Administrative Expense Requirement	FY 2014-15 Special Tax Levy as Percent of Total	Senior CFD Debt Service	Available Special Tax Levy	FY 2014-15 Available Special Tax Levy as Percent of Total
CFD No. 2	629	\$1,582,046.44	\$60,000.00	7.32%	\$854,392.50	\$667,653.94	16.27%
CFD No. 4	846	1,345,912.58	79,168.63	6.09	1,082,630.76	184,113.19	4.49
CFD No. 6 <sup>(2)</sup>	3,766	9,461,728.14	50,729.67	45.25	7,919,895.00	1,491,103.47	36.33
IA B of CFD No. 8	188	553,298.64	41,183.57	2.46	463,432.00	48,683.07	1.19
CFD No. 9	63	157,837.58	34,319.63	0.59	112,016.00	11,501.95	0.28
CFD No. 10	1,286	2,691,919.34	32,340.16	12.79	2,161,240.00	498,339.18	12.14
CFD No. 12	307	745,395.00	45,276.48	3.37	635,960.17	64,158.35	1.56
CFD No. 13	206	653,310.96	33,784.87	2.98	278,475.00	341,051.09	8.31
CFD No. 14	1,092	3,773,243.40	59,754.62	17.85	3,185,460.00	528,028.78	12.86
CFD No. 15	115	348,162.92	78,030.00	1.30	0.00	270,132.92	6.58
<b>Total<sup>(3)</sup></b>	<b>8,498</b>	<b>\$21,312,855.00</b>	<b>\$514,587.63</b>	<b>100.00%</b>	<b>\$16,693,501.43</b>	<b>\$4,104,765.94</b>	<b>100.00%</b>

<sup>(1)</sup> Parcels are classified as Developed Property as of January 1 of each year with respect to CFD No. 4, CFD No. 6, CFD No. 8 (with respect to Improvement Area B), CFD No. 9, and CFD No. 12, as of March 1 of each year with respect to CFD No. 2 and as of May 1 of each year with respect to CFD No. 10, CFD No. 13, CFD No. 14 and CFD No. 15. The number of Units shown here include Building Permits issued as of January 1, 2014 and exclude Assigned Units, Affordable Units, Affordable Excess Units, Exempt Property and parcels which have prepaid their Special Tax obligation. Additional Building Permits may be issued prior to the final calculation of the Fiscal Year 2014-15 Special Tax levy resulting in a higher Special Tax levy than is shown here.

<sup>(2)</sup> During 2014, a number of parcels prepaid the Special Tax obligation and such parcels will not be taxed commencing with Fiscal Year 2014-15.

<sup>(3)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 3A**  
**Community Facilities District No. 2**  
**of the Poway Unified School District**  
**Fiscal Year 2014-15 Special Tax Levy**  
**(As of January 1, 2014)**

<b>Special Tax Class</b>	<b>Unit Type</b>	<b>Building Square Footage</b>	<b>Average FY 2014-15 Special Tax Rate</b>	<b>Units Levied<sup>(1) (2)</sup></b>	<b>Special Taxes Levied</b>	<b>FY 2014-15 Levy as Percent of Total</b>
1	Detached	NA	\$2,515.18	629	\$1,582,046.44	100.00%
2	Attached	NA	0.00	0	0.00	0.00
<b>Total<sup>(3)</sup></b>				<b>629</b>	<b>\$1,582,046.44</b>	<b>100.00%</b>

<sup>(1)</sup> Since March 1, 2013, Building Permits have been issued for an additional eight (8) Units and such Units will be classified as Developed Property in Fiscal Year 2014-15; a 2% index escalator was assumed for these Units.

<sup>(2)</sup> Additional Building Permits may be issued prior to the final calculation of the Fiscal Year 2014-15 Special Tax levy resulting in a higher Special Tax levy than is shown here.

<sup>(3)</sup> Totals may not sum due to rounding.

*Source: Dolinka Group, LLC.*

**Table 3B**  
**Community Facilities District No. 4**  
**of the Poway Unified School District**  
**Fiscal Year 2014-15 Special Tax Levy**  
**(As of January 1, 2014)**

Special Tax Class	Unit Type	Building Square Footage	Average FY 2014-15 Special Tax Rate	Units Levied <sup>(1) (2)</sup>	Special Taxes Levied	FY 2014-15 Levy as Percent of Total
1	Production	< 1,500	\$326.98	28	\$9,155.44	0.68%
2	Production	1,500 - 2,249	662.07	118	78,123.90	5.80
3	Production	2,250 - 2,749	959.28	53	50,841.66	3.78
4	Production	2,750 - 3,149	959.83	100	95,982.60	7.13
5	Production	3,150 - 3,749	958.29	86	82,412.52	6.12
6	Production	3,750 - 4,049	1,002.23	97	97,216.66	7.22
7	Production	4,050 - 4,499	1,144.11	39	44,620.46	3.32
8	Production	4,500 - 4,999	1,486.17	56	83,225.40	6.18
9	Production	5,000 - 5,499	1,797.93	24	43,150.32	3.21
10	Production	5,500 - 5,999	1,937.36	20	38,747.16	2.88
11	Production	6,000 - 6,499	0.00	0	0.00	0.00
12	Production	> 6,500	0.00	0	0.00	0.00
13	Custom	NA	3,210.83	225	722,436.46	53.68
14	Assigned Excess	NA	0.00	0	0.00	0.00
15	Companion Excess	NA	0.00	0	0.00	0.00
16	Affordable	NA	0.00	0	0.00	0.00
17	Senior	NA	0.00	0	0.00	0.00
<b>Total<sup>(3)</sup></b>				<b>846</b>	<b>\$1,345,912.58</b>	<b>100.00%</b>

<sup>(1)</sup> Since January 1, 2013, Building Permits have been issued for an additional 18 Units and such Units will be classified as Developed Property in Fiscal Year 2014-15; a 2% inflator escalator was assumed for these Units. Additional Building Permits may be issued prior to the final calculation of the Fiscal Year 2014-15 Special Tax levy resulting in a higher Special Tax levy than is shown here.

<sup>(2)</sup> There are 119 Units in the Assigned category and 70 in the Excess Affordable category which are not subject to the levy of the Special Tax.

<sup>(3)</sup> Totals may not sum due to rounding

Source: Dolinka Group, LLC.



**Table 3C**  
**Community Facilities District No. 6**  
**of the Poway Unified School District**  
**Fiscal Year 2014-15 Special Tax Levy**  
**(As of January 1, 2014)**

<b>Special Tax Class</b>	<b>Unit Type</b>	<b>Building Square Footage</b>	<b>Average FY 2014-15 Special Tax Rate</b>	<b>Units Levied<sup>(1)(2)</sup></b>	<b>Special Taxes Levied</b>	<b>FY 2014-15 Levy as Percent of Total</b>
1	Detached	NA	\$2,820.61	3,003	\$8,470,287.88	89.52%
2	Attached	NA	1,299.40	763	991,440.26	10.48
<b>Total<sup>(3)</sup></b>				<b>3,766</b>	<b>\$9,461,728.14</b>	<b>100.00%</b>

<sup>(1)</sup> Since January 1, 2013, Building Permits have been issued for an additional four (4) Units and such Units will be classified as Developed Property in Fiscal Year 2014-15; a 2% inflator escalator was assumed for these Units.

<sup>(2)</sup> Since July 1, 2013, seven (7) Units have prepaid their special tax obligation for CFD No. 6.

<sup>(3)</sup> Totals may not sum due to rounding.

*Source: Dolinka Group, LLC.*

**Table 3D**  
**Improvement Area B of Community Facilities District No. 8**  
**of the Poway Unified School District**  
**Fiscal Year 2014-15 Special Tax Levy**  
**(As of January 1, 2014)**

<b>Special Tax Class</b>	<b>Unit Type</b>	<b>Building Square Footage</b>	<b>Average FY 2014-15 Special Tax Rate</b>	<b>Units Levied<sup>(1)</sup></b>	<b>Special Taxes Levied</b>	<b>FY 2014-15 Levy as Percent of Total</b>
1	Detached	NA	\$2,943.08	188	\$553,298.64	100.00%
2	Attached	NA	0.00	0	0.00	0.00
<b>Total<sup>(2)</sup></b>				<b>188</b>	<b>\$553,298.64</b>	<b>100.00%</b>

<sup>(1)</sup> Additional Building Permits may be issued prior to the final calculation of the Fiscal Year 2014-15 Special Tax levy resulting in a higher Special Tax levy than is shown here.

<sup>(2)</sup> Totals may not sum due to rounding.

*Source: Dolinka Group, LLC.*

**Table 3E**  
**Community Facilities District No. 9**  
**of the Poway Unified School District**  
**Fiscal Year 2014-15 Special Tax Levy**  
**(As of January 1, 2014)**

Special Tax Class	Unit Type	Building Square Footage	Average FY 2014-15 Special Tax Rate	Units Levied	Special Taxes Levied	FY 2014-15 Levy as Percent of Total
1	Developed	NA	\$2,505.36	63	\$157,837.58	100.00%
<b>Total<sup>(1)</sup></b>				<b>63</b>	<b>\$157,837.58</b>	<b>100.00%</b>

<sup>(1)</sup>Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 3F**  
**Community Facilities District No. 10**  
**of the Poway Unified School District**  
**Fiscal Year 2014-15 Special Tax Levy**  
**(As of January 1, 2014)**

Special Tax Class	Unit Type	Building Square Footage	Average FY 2014-15 Special Tax Rate	Units Levied	Special Taxes Levied	FY 2014-15 Levy as Percent of Total
<i>Zone 1</i>						
1	Detached	NA	\$2,411.22	926	\$2,232,786.60	82.94%
2	Attached	NA	993.82	84	83,480.88	3.10
<i>Zone 2</i>						
3	Detached	NA	1,361.06	276	375,651.86	13.95
4	Attached	NA	0.00	0	0.00	0.00
<b>Total<sup>(1)</sup></b>				<b>1,286</b>	<b>\$2,691,919.34</b>	<b>100.00%</b>

<sup>(1)</sup>Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 3G**  
**Community Facilities District No. 12**  
**of the Poway Unified School District**  
**Fiscal Year 2014-15 Special Tax Levy**  
**(As of January 1, 2014)**

Special Tax Class	Unit Type	Building Square Footage	Average FY 2014-15 Special Tax Rate	Units Levied <sup>(1)(2)</sup>	Special Taxes Levied	FY 2014-15 Levy as Percent of Total
1	Detached	> 3,750	\$2,981.84	110	\$328,002.22	44.00%
2	Detached	3,501 - 3,750	2,463.22	50	123,160.90	16.52
3	Detached	3,251 – 3,500	2,293.68	20	45,873.62	6.15
4	Detached	3,001 - 3,250	2,120.72	61	129,364.20	17.36
5	Detached	2,751 - 3,000	1,918.48	23	44,125.04	5.92
6	Detached	2,501 – 2,750	1,741.14	43	74,869.02	10.04
7	Detached	2,251 – 2,500	0.00	0	0.00	0.00
8	Detached	2,001 – 2,250	0.00	0	0.00	0.00
9	Detached	1,751 - 2,000	0.00	0	0.00	0.00
10	Detached	1,501 - 1,750	0.00	0	0.00	0.00
11	Detached	< 1,500	0.00	0	0.00	0.00
12	Attached	NA	0.00	0	0.00	0.00
13	Affordable <sup>(3)</sup>	NA	0.00	0	0.00	0.00
14	Senior Citizen	NA	0.00	0	0.00	0.00
<b>Total<sup>(4)</sup></b>				<b>307</b>	<b>\$745,395.00</b>	<b>100.00%</b>

<sup>(1)</sup> Since January 1, 2013, one (1) Unit issued a Building Permit and will be classified as Developed Property in Fiscal Year 2014-15; a 2% inflator escalator was assumed for these Units. Additional Building Permits may be issued prior to the final calculation of the Fiscal Year 2014-15 Special Tax levy resulting in a higher Special Tax levy than is shown here.

<sup>(2)</sup> At the request of the developer, one (1) Unit within Special Tax Class 1 was reclassified as Undeveloped Property due to an expired Building Permit.

<sup>(3)</sup> There are 42 Affordable Units which are not subject to the levy of the Special Tax.

<sup>(4)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 3H**  
**Community Facilities District No. 13**  
**of the Poway Unified School District**  
**Fiscal Year 2014-15 Special Tax Levy**  
**(As of January 1, 2014)**

<b>Special Tax Class</b>	<b>Unit Type</b>	<b>Building Square Footage</b>	<b>Average FY 2014-15 Special Tax Rate</b>	<b>Units Levied<sup>(1)</sup></b>	<b>Special Taxes Levied</b>	<b>FY 2014-15 Levy as Percent of Total</b>
<i>Zone 1</i>						
1	Developed	< 4,000	\$2,783.57	120	\$334,028.70	51.13%
2	Developed	4,000 – 4,300	3,155.52	7	22,088.64	3.38
3	Developed	4,301 – 4,600	3,514.88	32	112,476.20	17.22
4	Developed	4,601 – 4,900	3,890.26	24	93,366.32	14.29
5	Developed	4,901 – 5,200	3,720.04	6	22,320.24	3.42
6	Developed	> 5,200	4,060.64	17	69,030.86	10.57
<i>Subtotal</i>				206	\$653,310.96	100.00%
<i>Zone 2</i>						
7	Developed	NA	0.00	0	\$0.00	0.00%
<i>Subtotal</i>				0	\$0.00	0.00%
<b>Total<sup>(2)</sup></b>				<b>206</b>	<b>\$653,310.96</b>	<b>100.00%</b>

<sup>(1)</sup> Since May 1, 2013, Building Permits have been issued for 71 Units and such Units will be classified as Developed Property in Fiscal Year 2014-15; a 2% inflator escalator was assumed for these Units. Additional Building Permits may be issued prior to the final calculation of the Fiscal Year 2014-15 Special Tax levy resulting in a higher Special Tax levy than is shown here.

<sup>(2)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 3I**  
**Community Facilities District No. 14**  
**of the Poway Unified School District**  
**Fiscal Year 2014-15 Special Tax Levy**  
**(As of January 1, 2014)**

Special Tax Class	Unit Type	Building Square Footage	Average FY 2014-15 Special Tax Rate	Units Levied <sup>(1)(2)</sup>	Special Taxes Levied	FY 2014-15 Levy as Percent of Total
1	Detached	< 1,800	\$2,526.02	77	\$194,503.86	5.15%
2	Detached	1,800 - 2,000	2,822.59	153	431,856.24	11.45
3	Detached	2,001 - 2,200	3,312.42	71	235,182.06	6.23
4	Detached	2,201 - 2,400	3,334.64	55	183,405.22	4.86
5	Detached	2,401 - 2,600	3,253.57	112	364,399.52	9.66
6	Detached	2,601 - 2,800	3,481.93	76	264,626.88	7.01
7	Detached	2,801 - 3,000	3,751.40	94	352,631.68	9.35
8	Detached	3,001 - 3,200	4,138.85	113	467,690.12	12.39
9	Detached	3,201 - 3,450	4,862.98	61	296,641.48	7.86
10	Attached	> 3,450	4,984.65	95	473,542.00	12.55
11	Attached	< 1,900	2,399.61	65	155,974.34	4.13
12	Attached	1,900 - 2,100	2,554.65	10	25,546.50	0.68
13	Attached	> 2,100	2,974.94	110	327,243.50	8.67
14	Affordable	NA	0.00	0	0.00	0.00
15	Senior Citizen Commercial/	NA	0.00	0	0.00	0.00
16	Industrial	NA	0.00	0	0.00	0.00
<b>Total<sup>(3)</sup></b>				<b>1,092</b>	<b>\$3,773,243.40</b>	<b>100.00%</b>

<sup>(1)</sup> Since May 1, 2013, Building Permits have been issued 47 Units and such Units will be classified as Developed Property in Fiscal Year 2014-15; a 2% inflator escalator was assumed for these Units. Additional Building Permits may be issued prior to the final calculation of the Fiscal Year 2014-15 Special Tax levy resulting in a higher Special Tax levy than is shown here.

<sup>(2)</sup> Based on updated information provided by the developer, 11 Units adjusted their Building Square Footage which reclassified the Units to a larger Special Tax Class.

<sup>(3)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 3J**  
**Community Facilities District No. 15**  
**of the Poway Unified School District**  
**Fiscal Year 2014-15 Special Tax Levy**  
**(As of January 1, 2014)**

Special Tax Class	Unit Type	Building Square Footage	Average FY 2014-15 Special Tax Rate	Units Levied <sup>(1)</sup>	Special Taxes Levied	FY 2014-15 Levy as Percent of Total
1	Detached	≤ 1,550	\$0.00	0	\$0.00	0.00%
2	Detached	1,551 – 1,750	0.00	0	0.00	0.00
3	Detached	1,751 – 1,950	0.00	0	0.00	0.00
4	Detached	1,951 – 2,150	0.00	0	0.00	0.00
5	Detached	2,151 – 2,350	0.00	0	0.00	0.00
6	Detached	2,351 – 2,550	2,533.98	14	35,475.72	10.19
7	Detached	2,551 – 2,750	2,731.54	23	62,825.42	18.04
8	Detached	2,751 – 2,950	2,826.04	31	87,607.18	25.16
9	Detached	2,951 – 3,150	0.00	0	0.00	0.00
10	Detached	3,151 – 3,350	0.00	0	0.00	0.00
11	Detached	3,351 – 3,550	3,135.26	8	25,082.08	7.20
12	Detached	3,551 – 3,750	0.00	0	0.00	0.00
13	Detached	3,751 – 3,950	3,319.94	10	33,199.40	9.54
14	Detached	3,951 – 4,150	3,456.74	2	6,913.48	1.99
15	Detached	> 4,150	3,594.80	27	97,059.64	27.88
16	Attached	≤ 1,200	0.00	0	0.00	0.00
17	Attached	1,201 – 1,350	0.00	0	0.00	0.00
18	Attached	1,351 – 1,500	0.00	0	0.00	0.00
19	Attached	1,501 – 1,650	0.00	0	0.00	0.00
20	Attached	1,651 – 1,800	0.00	0	0.00	0.00
21	Attached	> 1,800	0.00	0	0.00	0.00
22	Affordable	NA	0.00	0	0.00	0.00
23	Senior Citizen	NA	0.00	0	0.00	0.00
24	Commercial/ Industrial	NA	0.00	0	0.00	0.00
<b>Total<sup>(2)</sup></b>				<b>115</b>	<b>\$348,162.92</b>	<b>100.00%</b>

<sup>(1)</sup> Since May 1, 2013, Building Permits have been issued for 109 Units and such Units will be classified as Developed Property in Fiscal Year 2014-15; a 2% inflator escalator was assumed for these Units. Additional Building Permits may be issued prior to the final calculation of the Fiscal Year 2014-15 Special Tax levy resulting in a higher Special Tax levy than is shown here.

<sup>(2)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

The levies of Special Taxes are subject to certain limitations. For example, certain properties are exempt from the Special Tax pursuant to law or the applicable Rate and Method for each Community Facilities District. See “BOND OWNERS’ RISKS – The Installment Payments and Net Available Special Tax Revenues – *Exempt Properties*.” The annual levy of Special Taxes on each parcel within each Community Facilities District is constrained by the maximum Special Tax rate applicable to such parcel. See “THE COMMUNITY FACILITIES DISTRICTS – Rates and Methods of Apportionment of Special Tax” and “BOND OWNERS’ RISKS – The Installment Payments and Net Available Special Tax Revenues – *Maximum Rates*” herein.

The amount of the Special Taxes that can be levied and collected in future years will be dependent upon, among other factors, then existing development, the Special Tax rates imposed and the level of delinquent Special Tax installments. See “SOURCES OF PAYMENT FOR THE BONDS – Levy of Special Taxes to Applicable Maximum Rates” and “BOND OWNERS’ RISKS” herein.

The Special Taxes imposed by each Community Facilities District are customarily billed with *ad valorem* property taxes and collected by the County. When received, such Special Taxes will be transferred by each Community Facilities District in accordance with the applicable Senior CFD Indenture to pay the applicable Senior CFD Bonds, and then will be transferred to the Fiscal Agent in accordance with the Joint Acquisition Agreement and deposited by the Fiscal Agent in the Available Special Tax Revenue Fund to be held as specified in “Security for Installment Payments; Flow of Funds – *Available Special Tax Revenue Fund*” above.

Although the Special Tax, when levied, will constitute a lien on parcels subject to taxation within each Community Facilities District, it does not constitute a personal indebtedness of the owners of property within such Community Facilities District. There is no assurance that the owners of real property in the applicable Community Facilities District 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 “BOND OWNERS’ RISKS” herein.

### **Covenant for Superior Court Foreclosure**

Pursuant to Section 53356.1 of the Act, each Community Facilities District hereby covenants in the Joint Acquisition Agreement that, on or before June 1 of each Fiscal Year, such Community Facilities District will review the public records of the County in connection with the Special Tax of such Community Facilities District levied in such Fiscal Year to determine the amount of such Special Tax actually collected in such Fiscal Year.

*Individual Delinquencies.* If such Community Facilities District determines that any single parcel subject to the Special Tax of such Community Facilities District is delinquent in the payment of all or a portion of four semi-annual installments of Special Taxes of such Community Facilities District, such Community Facilities District will, 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. Such 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 pursuant to this paragraph and for which such Special Taxes remain delinquent.

*Aggregate Delinquencies.* With respect to aggregate delinquencies throughout such Community Facilities District, if such Community Facilities District determines that it has collected less than 95% of the Special Taxes of such Community Facilities District levied in such Fiscal Year, then such Community Facilities District will, not later than 45 days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). Such 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 pursuant to this paragraph and for which such Special Taxes remain delinquent.

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 “BOND OWNERS’ RISKS – The Installment Payments and Net Available Special Tax Revenues – *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 “BOND OWNERS’ RISKS – The Installment Payments and Net Available Special Tax Revenues – *Bankruptcy and Foreclosure Delay.*” If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the applicable 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 applicable outstanding bonds.

**No assurances can be given that the real property subject to sale or foreclosure will be sold or, if sold, that the proceeds of the sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the School District or the Community Facilities Districts 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 delinquencies in the payment of Special Taxes exist, there could be a default or delay in payments to the Authority of the Installment Payments, which default or delay may result in a default or delay in payments to the Bond Owners pending prosecution of foreclosure proceedings and receipt by the applicable Community Facilities District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method, each Community Facilities District may adjust the Special Taxes levied on all property within such Community Facilities District in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay Installment Payments due under the Joint Acquisition Agreement. There is, however, no assurance that the maximum Special Tax rates will be at all times sufficient to pay the Installment Payments required to be paid.

### **Authorized Investments**

Funds and accounts established under the Indenture and the Joint Acquisition Agreement are held by the Trustee or Fiscal Agent, as applicable. Moneys in any of the funds and accounts will be invested at the direction of the Authority or the applicable Community Facilities District in Permitted Investments (as applicable) which will be deemed at all times to be a part of such funds and accounts. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS” for a list of Permitted Investments.

Any income realized or loss resulting from such Permitted Investments will be credited or charged to the fund from which such investment was made, other than the Reserve Account and the Coverage Stabilization Fund. All interest, profits or other income received from the investment of moneys in the Reserve Account shall, prior to the completion of the Project, be transferred to the Project Fund and, thereafter, shall be deposited in the Bond Fund; provided, however, that, notwithstanding the foregoing, any such transfer shall be made from the Reserve Account only if and to the extent that, after such transfer, the amount on deposit in the Reserve Account is at least equal to the Reserve Requirement. All interest, profits or other income received from the investment of moneys in the Coverage Stabilization Fund shall be transferred to the Surplus Fund; provided, however, that,



notwithstanding the foregoing, any such transfer shall be made from the Coverage Stabilization Fund only if and to the extent that, after such transfer, the amount on deposit in the Coverage Stabilization Fund is at least equal to the Coverage Stabilization Requirement.

### **Additional Bonds; Other Special Tax Obligations**

*Additional Bonds.* Pursuant to the Joint Acquisition Agreement, the amount of the Installment Payments payable by the Community Facilities Districts on each Installment Payment Date is equal to the interest on, or the principal of (including mandatory sinking fund redemptions) and interest on, as applicable, Bonds due on the following Interest Payment Date and, therefore, the issuance by the Authority of Additional Bonds will result in changes in the amounts of the Installment Payments to be made by the Community Facilities Districts pursuant to the Joint Acquisition Agreement. The Authority will not issue a Series of Additional Bonds (in addition to the Bonds) payable from the Installment Payments as provided in the Indenture on a parity with all other Bonds theretofore issued thereunder, unless certain conditions are satisfied. Among such conditions are the following:

- (a) upon the issuance of such Additional Bonds, no event of default will have occurred and be continuing under the Joint Acquisition Agreement;
- (b) the proceeds of such Additional Bonds will be applied only to one or more of the following purposes (i) providing funds to pay costs of the School Facilities, (ii) providing funds to refund any Bonds previously issued under the Indenture, (iii) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds, (iv) providing funds to capitalize interest on such Additional Bonds, and (v) providing funds to make any deposit to the Reserve Fund required to be made pursuant to the Indenture;
- (c) if the proceeds of such Additional Bonds are to be applied to provide funds to pay costs of the School Facilities, the Joint Acquisition Agreement will have been amended and modified so as to add to the description of the Project a description of the School Facilities, funds to pay the costs of which are to be provided from the proceeds of such Additional Bonds;
- (d) the Community Facilities Districts and the Authority will have received a certificate of an Independent Consultant certifying that:
  - (i) on the basis of the parcels of land and improvements existing in the CFD Area as of the date 60 days prior to the date of issuance of such Additional Bonds, for each Fiscal Year that Bonds will be Outstanding, the amount of the Available Special Tax Revenues of all Community Facilities Districts to be transferred to the Fiscal Agent in such Fiscal Year is at least equal to 120% of Annual Debt Service for the Corresponding Bond Year on all Outstanding Bonds; and
  - (ii) the sum of (A) the Assessed Value of parcels of Developed Property for which a Qualified Appraisal Report (as defined in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Certain Definitions”) has not been provided, plus (B) the Appraised Value of parcels of Developed Property for which a Qualified Appraisal Report has been provided, as such Appraised Value is shown in such Qualified Appraisal Report, is at least 15 times the sum of (I) the aggregate principal amount of Outstanding Bonds, plus (II) the aggregate principal amount of all fixed lien special assessments levied on parcels of Developed Property, based upon information from the most recent Fiscal Year for which such information is available, plus (III) the sum of a portion of the aggregate principal amount of Other CFD Bonds, which portion will be equal to the aggregate principal amount of such Other CFD Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for such Other CFD Bonds on parcels of Developed Property, and the denominator of which is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on such Other CFD Bonds occurs), based upon information from the most recent Fiscal Year for which such information is available.

Notwithstanding the foregoing, if (i) such Additional Bonds are being issued to refund previously issued Bonds, and (ii) Annual Debt Service in each Bond Year, calculated for all Bonds that will be Outstanding after the issuance of such Additional Bonds, will be less than or equal to Annual Debt Service in such Bond Year, calculated for all Bonds that are Outstanding immediately prior to the issuance of such Additional Bonds, the receipt of the certificate described in paragraph (d), above, will not be a condition precedent to the issuance of such Additional Bonds.

*Other Special Tax Obligations.* Except as otherwise described in the following paragraph, prior to the date on which the Joint Acquisition Agreement is terminated pursuant to its terms, no Community Facilities District will issue any bonds or incur any obligations (other than Administrative Expenses of such Community Facilities District) payable from Special Tax Revenues of such Community Facilities District, other than the Installment Payments and other payments required to be made by the Community Facilities Districts under the Joint Acquisition Agreement.

Notwithstanding the prohibition on additional Special Tax obligations contained in the preceding paragraph, each Community Facilities District may, from time to time, issue Senior CFD Refunding Bonds of such Community Facilities District if Annual Debt Service in each Bond Year, calculated for all Senior CFD Bonds of such Community Facilities District that will be Outstanding after the issuance of such Senior CFD Refunding Bonds, will be less than or equal to Annual Debt Service in such Bond Year, calculated for all Senior CFD Bonds of such Community Facilities District that are Outstanding immediately prior to the issuance of such Senior CFD Refunding Bonds.

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Joint Acquisition Agreement.”

#### **No Acceleration**

The principal of the Bonds will not be subject to acceleration under the provisions of the Indenture. The Installment Payments payable by the Community Facilities Districts will not be subject to acceleration under the provisions of the Joint Acquisition Agreement.

#### **Senior CFD Bonds; Estimated Schedule of Installment Payments**

Each Community Facilities District, other than CFD No. 15, has previously issued special tax bonds payable from Special Taxes. Such outstanding special tax bonds, and any refunding bonds issued in compliance with the provisions of the Joint Acquisition Agreement, constitute Senior CFD Bonds. The Joint Acquisition Agreement defines “Senior CFD Bonds” as, collectively, the Senior CFD No. 2 Bonds, the Senior CFD No. 4 Bonds, the Senior CFD No. 6 Bonds, the Senior CFD No. 8 Bonds, the Senior CFD No. 9 Bonds, the Senior CFD No. 10 Bonds, the Senior CFD No. 12 Bonds, the Senior CFD No. 13 Bonds and the Senior CFD No. 14 Bonds. The Senior CFD Bonds for each Community Facilities District are further defined as follows with the outstanding principal amounts set forth in the parenthetical relating to each such issue of Senior CFD Bonds:

- (i) “Senior CFD No. 2 2003 Bonds” means, collectively, the Poway Unified School District Community Facilities District No. 2 2003 Special Tax Bonds (\$10,225,000 of which remain outstanding as of December 1, 2013), Senior CFD No. 2 2007 Bonds (\$1,598,847.12 in original principal amount of capital appreciation bonds which remain outstanding as of December 1, 2013) and any Senior CFD No. 2 2003 Refunding Bonds.
- (ii) “Senior CFD No. 4 Bonds” means, collectively, the Senior CFD No. 4 2007 Bonds (\$11,527,000 of which remain outstanding as of December 1, 2013), the Senior CFD No. 4 2013 Bonds (\$7,990,000 of which remain outstanding as of December 1, 2013) and any Senior CFD No. 4 Refunding Bonds.
- (iii) “Senior CFD No. 6 Bonds” means, collectively, the Senior CFD No. 6 2005 Bonds (\$42,210,000 of which remain outstanding as of December 1, 2013), the Senior CFD No. 6 2007 Bonds (\$36,115,000 of which remain outstanding as of December 1, 2013), the Senior CFD No. 6 2010 Bonds (\$4,740,000 of which remain outstanding as of December 1, 2013), the Senior CFD No. 6 2012 Bonds (\$38,080,000 of which remain outstanding as of December 1, 2013) and any Senior CFD No. 6 Refunding Bonds.
- (iv) “Senior CFD No. 8 Bonds” means the Senior CFD No. 8 2007 Bonds with respect to Improvement Area B (\$6,525,000 of which remain outstanding as of December 1, 2013) and any Senior CFD No. 8 Refunding Bonds.
- (v) “Senior CFD No. 9 Bonds” means the Senior CFD No. 9 2007 Bonds (\$1,576,000 of which remain outstanding as of December 1, 2013) and any Senior CFD No. 9 Refunding Bonds.
- (vi) “Senior CFD No. 10 Bonds” means the Senior CFD No. 10 2007 Bonds (\$37,213,000 of which remain outstanding as of December 1, 2013) and any Senior CFD No. 10 Refunding Bonds.
- (vii) “Senior CFD No. 12 Bonds” means, collectively, the Senior CFD No. 12 2007 Bonds (\$5,705,468.16 in original principal amount of capital appreciation bonds which remain outstanding as of December 1, 2013), the Senior CFD No. 12 2013 Bonds (\$4,430,000 of which remain outstanding as of December 1, 2013) and any Senior CFD No. 12 Refunding Bonds.
- (viii) “Senior CFD No. 13 2013 Bonds” means the Senior CFD No. 13 2013 Bonds (\$5,375,000 of which remain outstanding as of December 1, 2013) and any Senior CFD No. 13 Refunding Bonds.
- (ix) “Senior CFD No. 14 Bonds” means the Senior CFD No. 14 2006 Bonds (\$49,555,000 of which remain outstanding as of December 1, 2013) and any Senior CFD No. 14 Refunding Bonds.

With respect to each Community Facilities District, prior to the respective dates on which no Senior CFD Bonds are Outstanding and the applicable Senior CFD Indenture is discharged, Available Special Tax Revenues for the Community Facilities Districts are described below.

- (i) With respect to CFD Nos. 2, 4, 8, 9, 10, and 12, in connection with the 2007 Authority financing, such Community Facility Districts issued their respective 2007 Special Tax Bonds. The Authority entered into an Indenture relating to the 2007 Authority Bonds (the “2007 Senior Authority Indenture”), and each of the Community Facilities Districts entered into separate Indentures in connection with such financing (each a “2007 Senior CFD Indenture”). Each such 2007 Senior CFD Indenture established a “Surplus Special Tax Fund.” Special Tax Revenues of the applicable Community Facilities Districts transferred from the Surplus Special Tax Fund established under the applicable 2007 Senior CFD Indenture to the Surplus Fund established under the 2007 Senior Authority Indenture on September 2 of each year and remaining on

deposit in such Surplus Fund on March 16 of the next succeeding year constitute Available Special Tax Revenues and are to be transferred to the Fiscal Agent in accordance with the Joint Acquisition Agreement.

- (ii) With respect to CFD No. 6, Available Special Tax Revenues prior to the date on which no Senior CFD No. 6 Bonds are Outstanding and the Senior CFD No. 6 Indenture is discharged, are Special Tax Revenues of CFD No. 6 on deposit in the Special Tax Fund established under the Senior CFD No. 6 Indenture on September 2 of each year.
- (iii) With respect to CFD No. 13, Available Special Tax Revenues prior to the date on which no Senior CFD No. 13 Bonds are Outstanding and the Senior CFD No. 13 Indenture is discharged are Special Tax Revenues of CFD No. 13 on deposit in the Special Tax Fund established under the Senior CFD No. 13 Indenture on September 2 of each year transferred to the custodial account established for CFD No. 13 under the Custodian Agreement, dated as of December 1, 2001, by and between the School District and State Street Bank and Trust Company, N.A., as originally executed and as it may be amended from time to time in accordance with the provisions thereof.
- (iv) With respect to CFD No. 14, Available Special Tax Revenues are Special Tax Revenues on deposit in the Special Tax Fund established under the Senior CFD No. 14 Indenture on September 2 of each year.

With respect to each Community Facilities District, from and after the respective dates on which no Senior CFD Bonds are Outstanding and the Senior CFD Indenture for the applicable Community Facilities District is discharged, Available Special Tax Revenues for the Community Facilities Districts are all Special Tax Revenues of such Community Facilities District.

“Net Available Special Tax Revenues” of each Community Facilities District means “Available Special Tax Revenues” of such Community Facilities District, less amounts required to pay Administrative Expenses of such Community Facilities District. “Special Taxes” are (a) with respect to a Community Facilities District, other than CFD No. 8, the special taxes levied within such Community Facilities District pursuant to the Act and the Rate and Method of such Community Facilities District, and (b) with respect to CFD No. 8, the special taxes levied within CFD No. 8 Improvement Area B pursuant to the Act and the Rate and Method of CFD No. 8. “Special Tax Revenues” means, with respect to a Community Facilities District, the proceeds of the Special Taxes of such Community Facilities District received by or on behalf of such Community Facilities District, including interest and penalties thereon, proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of such Special Taxes, after payment of administrative costs and attorneys’ fees payable from proceeds of such redemption or sale, but excluding any prepayments of such Special Taxes.

Tables 4A, 4B and 4C below illustrate the aggregate estimated Net Available Special Tax Revenues of the Community Facilities Districts for the Installment Payments and Tables 5A through 5C below illustrate the amount of Net Available Special Tax Revenues remaining after payment of the aggregate debt service on the Senior CFD Bonds and the Bonds. The Special Tax Revenues and Net Available Special Tax Revenues set forth in Tables 4A through 5C are based on Developed Property as of January 1, 2014. See “THE BONDS – Estimated Debt Service Schedule.” See the tables entitled “Special Tax Collections” under “THE COMMUNITY FACILITIES DISTRICTS – Special Tax Delinquency” herein for information of historical Special Tax delinquencies in the Community Facilities Districts.

**Table 4A**  
**Poway Unified School District Public Financing Authority**  
**Special Tax Revenue of Developed Property as of January 1, 2014**

<b>Year Ending Sept. 15</b>	<b>CFD No. 2 Net Special Tax Revenues<sup>(1)</sup></b>	<b>CFD No. 4 Net Special Tax Revenues<sup>(1)</sup></b>	<b>CFD No. 6 Net Special Tax Revenues<sup>(1)</sup></b>	<b>CFD No. 8 Imp. Area B Special Tax Revenues<sup>(1)</sup></b>	<b>CFD No. 9 Net Special Tax Revenues<sup>(1)</sup></b>	<b>CFD No. 10 Net Special Tax Revenues<sup>(1)</sup></b>	<b>CFD No. 12 Net Special Tax Revenues<sup>(1)</sup></b>	<b>CFD No. 13 Net Special Tax Revenues<sup>(1)</sup></b>	<b>CFD No. 14 Net Special Tax Revenues<sup>(1)</sup></b>	<b>CFD No. 15 Net Special Tax Revenues<sup>(1)</sup></b>	<b>Aggregate Net Special Tax Revenues</b>
2014	\$1,467,615	\$1,179,659	\$9,234,193	\$502,074	\$121,096	\$2,607,434	\$686,174	\$375,701	\$3,417,255	\$0	\$19,591,200
2015	1,522,046	1,266,744	9,410,998	512,115	123,518	2,659,579	700,119	619,526	3,713,489	270,133	20,798,267
2016	1,553,687	1,292,079	9,599,218	522,357	125,988	2,712,771	714,121	631,917	3,787,759	275,536	21,215,433
2017	1,585,961	1,317,920	9,791,203	532,805	128,508	2,767,026	728,403	644,555	3,863,514	281,046	21,640,941
2018	1,618,880	1,344,279	9,987,027	543,461	131,078	2,822,367	742,971	657,446	3,940,784	286,667	22,074,960
2019	1,652,458	1,371,164	10,186,767	554,330	133,700	2,878,814	757,831	670,595	4,019,600	292,401	22,517,659
2020	1,686,707	1,398,588	10,390,503	565,416	136,374	2,936,390	772,987	684,007	4,099,992	298,249	22,969,213
2021	1,721,641	1,426,559	10,598,313	576,725	139,101	2,995,118	788,447	697,687	4,181,992	304,214	23,429,797
2022	1,757,274	1,455,091	10,810,279	588,259	141,883	3,055,020	804,216	711,641	4,265,631	310,298	23,899,593
2023	1,793,620	1,484,192	11,026,485	600,024	144,721	3,116,121	820,300	725,874	4,350,944	316,504	24,378,785
2024	1,830,692	1,513,876	11,247,014	612,025	147,615	3,178,443	836,706	740,391	4,437,963	322,834	24,867,560
2025	1,868,506	1,544,154	11,471,955	624,265	150,568	3,242,012	853,441	755,199	4,526,722	329,291	25,366,112
2026	1,907,076	1,575,037	11,701,394	636,751	153,579	3,306,852	870,509	770,303	4,617,257	335,876	25,874,634
2027	1,946,417	1,606,538	11,935,422	649,486	156,651	3,372,989	887,920	785,709	4,709,602	342,594	26,393,326
2028	1,986,546	1,604,530	12,174,130	662,475	159,784	3,440,449	905,678	801,423	4,803,794	349,446	26,888,254
2029	2,027,477	1,602,481	12,417,613	675,725	162,979	3,509,258	923,792	817,452	4,899,870	356,435	27,393,080
2030	2,069,226	1,600,392	12,665,965	689,239	166,239	3,579,443	942,267	833,801	4,997,867	363,563	27,908,003
2031	2,111,811	1,598,261	12,919,284	703,024	169,564	3,651,032	961,113	850,477	5,097,824	370,835	28,433,224
2032	2,155,247	1,596,087	13,177,670	717,085	172,955	3,724,053	980,335	867,486	5,199,781	378,251	28,968,950
2033	0	1,593,870	13,441,223	0	0	3,798,534	999,942	884,836	5,303,776	385,816	26,407,998
2034	0	1,591,609	13,710,048	0	0	3,874,505	1,019,940	902,533	5,409,852	393,533	26,902,019
2035	0	1,589,302	13,984,249	0	0	3,951,995	1,040,339	920,583	5,518,049	401,403	27,405,920
2036	0	1,586,949	14,263,934	0	0	4,031,035	1,061,146	938,995	5,628,410	409,431	27,919,900
2037	0	1,584,549	0	0	0	4,111,655	1,082,369	957,775	5,740,978	417,620	13,894,947
2038	0	1,582,102	0	0	0	4,193,888	1,104,016	976,930	5,855,798	425,972	14,138,707
2039	0	1,579,605	0	0	0	0	1,126,097	996,469	5,972,914	434,492	10,109,576
2040	0	1,577,058	0	0	0	0	1,148,619	1,016,398	6,092,372	443,182	10,277,629
2041	0	1,574,460	0	0	0	0	1,171,591	1,036,726	6,214,219	452,045	10,449,042
Total <sup>(1)</sup>	\$34,262,887	\$42,037,136	\$266,144,885	\$11,467,642	\$2,765,901	\$83,516,786	\$25,431,390	\$22,272,432	\$134,668,005	\$9,547,665	\$632,114,729

<sup>(1)</sup> Total Special Taxes levied less Administrative Expenses as provided by the Dolinka Group, LLC.

Source: Dolinka Group, LLC.

**Table 4B**  
**Poway Unified School District Public Financing Authority**  
**Scheduled Annual Debt Service on Senior CFD Bonds**

Year Ending Sept. 1	CFD No. 2	CFD No. 4	CFD No. 6	CFD No. 8	CFD No. 9	CFD No. 10	CFD No. 12	CFD No. 13	CFD No. 14	CFD No. 15	Aggregate
	Senior Bonds <sup>(1)</sup> Debt Service	Senior Bonds Debt Service	Senior Bonds <sup>(1)</sup> Debt Service	Imp. Area B Senior Bonds Debt Service	Senior Bonds Debt Service	Senior Bonds Debt Service	Senior Bonds Debt Service	Senior Bonds Debt Service	Senior Bonds Debt Service	Senior Bonds Debt Service	Senior CFD Bonds Debt Service
2014	\$839,355	\$1,064,715	\$7,794,286	\$454,200	\$109,648	\$2,119,224	\$623,057	\$274,075	\$3,126,220	\$0	\$16,404,780
2015	854,393	1,082,631	7,919,895	463,432	112,016	2,161,240	635,960	278,475	3,185,460	0	16,693,501
2016	873,505	1,104,535	8,054,248	473,896	114,192	2,204,472	648,895	282,775	3,250,145	0	17,006,662
2017	890,705	1,127,327	8,196,605	483,496	116,176	2,248,728	661,871	291,975	3,314,625	0	17,331,508
2018	910,905	1,149,911	8,341,424	489,232	118,968	2,293,816	671,520	295,975	3,383,465	0	17,655,216
2019	933,805	1,173,039	8,480,479	499,248	120,520	2,339,544	688,162	304,738	3,451,915	0	17,991,449
2020	949,510	1,195,115	8,620,719	510,304	123,880	2,386,720	698,316	307,788	3,518,665	0	18,311,016
2021	973,041	1,221,691	8,774,781	521,304	125,952	2,434,104	711,892	315,688	3,589,415	0	18,667,868
2022	993,566	1,248,419	8,925,994	532,200	128,784	2,483,504	730,244	322,488	3,662,350	0	19,027,548
2023	1,011,136	1,269,455	9,080,463	543,944	131,328	2,532,632	743,856	329,788	3,737,781	0	19,380,383
2024	1,036,218	1,298,875	9,237,388	555,440	133,584	2,583,296	757,066	336,663	3,805,525	0	19,744,054
2025	1,057,913	1,323,292	9,405,744	562,640	136,552	2,635,208	770,796	343,088	3,880,581	0	20,115,813
2026	1,071,788	1,350,691	9,574,156	575,688	139,184	2,688,080	789,129	349,038	3,957,181	0	20,494,935
2027	1,092,613	1,376,822	9,743,588	588,248	141,480	2,741,624	802,345	354,488	4,034,813	0	20,876,019
2028	1,110,350	1,376,550	9,916,050	600,272	144,440	2,796,552	820,081	364,413	4,120,113	0	21,248,820
2029	1,177,786	1,369,728	10,085,431	613,712	148,016	2,853,528	838,273	368,600	4,199,650	0	21,654,724
2030	1,202,635	1,368,120	10,265,575	622,424	150,160	2,910,168	855,662	377,000	4,288,163	0	22,039,906
2031	1,228,060	1,366,912	10,449,156	636,552	153,920	2,968,184	872,062	383,000	4,374,600	0	22,432,447
2032	1,253,139	1,365,994	10,649,756	649,760	157,200	3,028,192	887,717	393,250	4,463,438	0	22,848,445
2033	0	1,363,270	10,839,819	0	0	3,088,760	904,024	397,500	4,548,888	0	21,142,261
2034	0	1,360,740	11,212,838	0	0	3,150,504	924,625	406,000	4,640,425	0	21,695,131
2035	0	1,361,308	11,401,213	0	0	3,213,992	944,251	413,500	4,717,000	0	22,051,264
2036	0	1,356,724	3,689,306	0	0	3,267,744	963,638	425,000	4,783,613	0	14,486,025
2037	0	1,356,142	0	0	0	3,328,808	982,851	435,250	0	0	6,103,051
2038	0	1,354,264	0	0	0	3,371,416	1,001,087	439,250	0	0	6,166,017
2039	0	1,352,042	0	0	0	0	1,019,211	452,250	0	0	2,823,503
2040	0	1,348,370	0	0	0	0	1,042,296	458,750	0	0	2,849,416
2041	0	1,339,210	0	0	0	0	1,059,500	469,000	0	0	2,867,710
Total	\$19,460,421	\$36,025,889	\$210,658,911	\$10,375,992	\$2,506,000	\$67,830,040	\$23,048,388	\$10,169,800	\$90,034,029	\$0	\$470,109,470

<sup>(1)</sup>Includes principal bond calls due to prepayments on March 1, 2014.

Source: Dolinka Group, LLC.

**Table 4C**  
**Poway Unified School District Public Financing Authority**  
**Net Available Special Tax Revenues of Developed Property as of January 1, 2014**

<b>Year Ending Sept. 15</b>	<b>CFD No. 2 Net Available Special Tax Revenues <sup>(1)</sup></b>	<b>CFD No. 4 Net Available Special Tax Revenues <sup>(1)</sup></b>	<b>CFD No. 6 Net Available Special Tax Revenues <sup>(1)</sup></b>	<b>CFD No. 8 Net Available Special Tax Revenues <sup>(1)</sup></b>	<b>CFD No. 9 Net Available Special Tax Revenues <sup>(1)</sup></b>	<b>CFD No. 10 Net Available Special Tax Revenues <sup>(1)</sup></b>	<b>CFD No. 12 Net Available Special Tax Revenues <sup>(1)</sup></b>	<b>CFD No. 13 Net Available Special Tax Revenues <sup>(1)</sup></b>	<b>CFD No. 14 Net Available Special Tax Revenues <sup>(1)</sup></b>	<b>CFD No. 15 Net Available Special Tax Revenues <sup>(1)</sup></b>	<b>Aggregate Net Available Special Tax Revenues <sup>(1)</sup></b>
2014	\$628,260	\$114,944	\$1,439,907	\$47,874	\$11,448	\$488,210	\$63,118	\$101,626	\$291,035	\$0	\$3,186,420
2015	667,654	184,113	1,491,103	48,683	11,502	498,339	64,158	341,051	528,029	270,133	4,104,766
2016	680,182	187,544	1,544,971	48,461	11,796	508,299	65,226	349,142	537,614	275,536	4,208,771
2017	695,256	190,594	1,594,598	49,309	12,332	518,298	66,532	352,580	548,889	281,046	4,309,433
2018	707,975	194,368	1,645,603	54,229	12,110	528,551	71,451	361,471	557,319	286,667	4,419,745
2019	718,653	198,126	1,706,289	55,082	13,180	539,270	69,669	365,857	567,685	292,401	4,526,210
2020	737,197	203,473	1,769,784	55,112	12,494	549,670	74,671	376,219	581,327	298,249	4,658,197
2021	748,600	204,869	1,823,532	55,421	13,149	561,014	76,555	382,000	592,577	304,214	4,761,929
2022	763,708	206,672	1,884,285	56,059	13,099	571,516	73,972	389,153	603,281	310,298	4,872,044
2023	782,483	214,738	1,946,022	56,080	13,393	583,489	76,444	396,086	613,163	316,504	4,998,402
2024	794,474	215,001	2,009,627	56,585	14,031	595,147	79,640	403,729	632,438	322,834	5,123,507
2025	810,593	220,862	2,066,211	61,625	14,016	606,804	82,645	412,111	646,141	329,291	5,250,299
2026	835,288	224,346	2,127,237	61,063	14,395	618,772	81,380	421,265	660,075	335,876	5,379,699
2027	853,805	229,716	2,191,834	61,238	15,171	631,365	85,575	431,221	674,789	342,594	5,517,308
2028	876,196	227,980	2,258,080	62,203	15,344	643,897	85,597	437,011	683,681	349,446	5,639,434
2029	849,691	232,753	2,332,181	62,013	14,963	655,730	85,519	448,852	700,220	356,435	5,738,356
2030	866,592	232,272	2,400,390	66,815	16,079	669,275	86,605	456,801	709,704	363,563	5,868,097
2031	883,751	231,349	2,470,128	66,472	15,644	682,848	89,050	467,477	723,224	370,835	6,000,778
2032	902,108	230,093	2,527,914	67,325	15,755	695,861	92,618	474,236	736,343	378,251	6,120,505
2033	0	230,600	2,601,405	0	0	709,774	95,917	487,336	754,889	385,816	5,265,737
2034	0	230,869	2,497,210	0	0	724,001	95,316	496,533	769,427	393,533	5,206,888
2035	0	227,994	2,583,036	0	0	738,003	96,088	507,083	801,049	401,403	5,354,657
2036	0	230,225	10,574,627	0	0	763,291	97,508	513,995	844,797	409,431	13,433,875
2037	0	228,407	0	0	0	782,847	99,518	522,525	5,740,978	417,620	7,791,896
2038	0	227,838	0	0	0	822,472	102,930	537,680	5,855,798	425,972	7,972,690
2039	0	227,563	0	0	0	0	106,885	544,219	5,972,914	434,492	7,286,072
2040	0	228,688	0	0	0	0	106,323	557,648	6,092,372	443,182	7,428,213
2041	0	235,250	0	0	0	0	112,091	567,726	6,214,219	452,045	7,581,332
<b>Total</b>	<b>\$14,802,467</b>	<b>\$6,011,247</b>	<b>\$55,485,974</b>	<b>\$1,091,650</b>	<b>\$259,901</b>	<b>\$15,686,746</b>	<b>\$2,383,002</b>	<b>\$12,102,632</b>	<b>\$44,633,976</b>	<b>\$9,547,665</b>	<b>\$162,005,259</b>

<sup>(1)</sup> Total Special Tax Revenues levied less Administrative Expenses and less payment of debt service on Senior CFD Bonds as provided by the Dolinka Group, LLC.

Source: Dolinka Group, LLC.

**Table 5A**  
**Poway Unified School District Public Financing Authority**  
**Estimated Debt Service Coverage on Senior CFD Bonds from Net Special Tax Revenues**  
**of Developed Property as of January 1, 2014**

<b>Year Ending October 1</b>	<b>Net Special Tax Revenues</b>	<b>Senior CFD Bonds Debt Service</b>	<b>Remaining Net Special Tax Revenues</b>	<b>Estimated Debt Service Coverage on Senior CFD Bonds</b>
2014	\$19,591,200	\$16,404,780	\$3,186,420	119%
2015	20,798,267	16,693,501	4,104,766	125
2016	21,215,433	17,006,662	4,208,771	125
2017	21,640,941	17,331,508	4,309,433	125
2018	22,074,960	17,655,216	4,419,745	125
2019	22,517,659	17,991,449	4,526,210	125
2020	22,969,213	18,311,016	4,658,197	125
2021	23,429,797	18,667,868	4,761,929	126
2022	23,899,593	19,027,548	4,872,044	126
2023	24,378,785	19,380,383	4,998,402	126
2024	24,867,560	19,744,054	5,123,507	126
2025	25,366,112	20,115,813	5,250,299	126
2026	25,874,634	20,494,935	5,379,699	126
2027	26,393,326	20,876,019	5,517,308	126
2028	26,888,254	21,248,820	5,639,434	127
2029	27,393,080	21,654,724	5,738,356	126
2030	27,908,003	22,039,906	5,868,097	127
2031	28,433,224	22,432,447	6,000,778	127
2032	28,968,950	22,848,445	6,120,505	127
2033	26,407,998	21,142,261	5,265,737	125
2034	26,902,019	21,695,131	5,206,888	124
2035	27,405,920	22,051,264	5,354,657	124
2036	27,919,900	14,486,025	13,433,875	193
2037	13,894,947	6,103,051	7,791,896	228
2038	14,138,707	6,166,017	7,972,690	229
2039	10,109,576	2,823,503	7,286,072	358
2040	10,277,629	2,849,416	7,428,213	361
2041	10,449,042	2,867,710	7,581,332	364
<b>Total</b>	<b>\$632,114,729</b>	<b>\$470,109,470</b>	<b>\$162,005,259</b>	

Source: Dolinka Group, LLC.



**Table 5B**  
**Poway Unified School District Public Financing Authority**  
**Estimated Net Available Special Tax Revenues of Developed Property as of January 1, 2014**

<b>Fiscal Year</b>	<b>Funds Available March 1st<sup>(1)</sup></b>	<b>Funds Available March 16th<sup>(2)</sup></b>	<b>Total Net Available Special Tax Revenues</b>	<b>April 1<sup>st</sup> Payment on the Bonds</b>	<b>Remaining Net Available Special Tax Revenues</b>	<b>Funds Available September 1<sup>st</sup>(1)</b>	<b>Funds Available September 2nd<sup>(3)</sup></b>	<b>Total Net Available Special Tax Revenues</b>	<b>October 1st Payment on the Bonds</b>	<b>Net Available Special Tax Revenues in Excess of Bonds Debt Service</b>
2013-14 <sup>(4)</sup>	\$0	\$0	\$0	\$0	\$0	\$0	\$1,832,567	\$1,832,567	\$0	\$1,832,567
2014-15 <sup>(4)</sup>	135,066	1,353,853	1,488,920	0	1,488,920	135,066	2,360,183	3,984,170	0	3,984,170
2015-16 <sup>(4)</sup>	137,768	1,474,450	1,612,217	0	1,612,217	137,768	2,431,726	4,181,711	0	4,181,711
2016-17	140,523	1,501,509	1,642,032	182,430	1,459,602	140,523	2,496,066	4,096,192	965,806	3,130,386
2017-18	143,334	1,532,321	1,675,654	965,806	709,848	143,334	2,564,393	3,417,575	965,806	2,451,769
2018-19	146,200	1,568,684	1,714,885	965,806	749,078	146,200	2,639,831	3,535,109	1,355,806	2,179,303
2019-20	149,124	1,593,979	1,743,103	959,956	783,147	149,124	2,727,330	3,659,601	1,449,956	2,209,645
2020-21	152,107	1,632,618	1,784,725	950,156	834,568	152,107	2,798,108	3,784,783	1,520,156	2,264,627
2021-22	155,149	1,659,608	1,814,757	938,756	876,000	155,149	2,876,720	3,907,869	1,598,756	2,309,113
2022-23	158,252	1,685,027	1,843,278	925,556	917,722	158,252	2,955,271	4,031,245	1,685,556	2,345,689
2023-24	161,417	1,726,627	1,888,044	910,356	977,688	161,417	3,045,793	4,184,898	1,660,356	2,524,542
2024-25	164,645	1,754,880	1,919,525	895,356	1,024,169	164,645	3,124,463	4,313,277	1,745,356	2,567,921
2025-26	167,938	1,796,545	1,964,483	874,106	1,090,377	167,938	3,208,578	4,466,893	1,874,106	2,592,787
2026-27	171,297	1,835,244	2,006,541	851,606	1,154,935	171,297	3,297,845	4,624,077	1,931,606	2,692,471
2027-28	174,723	1,876,869	2,051,592	824,606	1,226,986	174,723	3,378,772	4,780,481	2,064,606	2,715,874
2028-29	178,217	1,911,217	2,089,434	793,606	1,295,828	178,217	3,481,252	4,955,298	2,153,606	2,801,692
2029-30	181,782	1,900,669	2,082,451	759,606	1,322,845	181,782	3,566,895	5,071,521	2,289,606	2,781,915
2030-31	185,417	1,937,639	2,123,056	721,356	1,401,700	185,417	3,660,829	5,247,946	2,421,356	2,826,589
2031-32	189,126	1,969,114	2,158,240	678,856	1,479,384	189,126	3,738,493	5,407,002	2,528,856	2,878,146
2032-33	192,908	2,003,760	2,196,668	632,606	1,564,062	192,908	3,843,629	5,600,600	1,972,606	3,627,993
2033-34	196,766	1,036,292	1,233,058	599,106	\$633,952	196,766	3,763,170	4,593,888	1,909,106	2,684,781
2034-35	200,702	1,050,185	1,250,887	566,356	\$684,531	200,702	3,891,168	4,776,401	2,036,356	2,740,045
2035-36	204,716	1,062,085	1,266,801	531,050	\$735,751	204,716	11,933,420	12,873,886	3,481,050	9,392,836
2036-37	208,810	1,091,024	1,299,834	460,406	\$839,428	208,810	6,263,503	7,311,740	3,655,406	3,656,334
2037-38	212,986	1,110,773	1,323,759	383,925	\$939,834	212,986	6,393,478	7,546,298	3,833,925	3,712,373
2038-39	217,246	1,153,240	1,370,486	301,375	\$1,069,111	217,246	6,517,133	7,803,489	4,021,375	3,782,114
2039-40	221,591	334,448	556,039	208,375	\$347,664	221,591	6,650,020	7,219,275	4,223,375	2,995,900
2040-41	226,023	335,011	561,033	108,000	453,033	226,023	6,781,946	7,461,946	4,428,000	3,033,002
Total	\$4,773,833	\$39,887,671	\$44,661,504	\$16,989,124	\$27,672,380	\$4,773,833	\$112,222,581	\$144,688,794	\$57,772,500	\$86,896,294

(1) Net Available Special Tax Revenues from CFD No. 15.

(2) Net Available Special Tax Revenues derived from the Surplus Fund established under the 2007 Senior Authority Indenture (derived from CFD Nos. 2, 4, 8 Improvement Area B, 9, 10 and 12).

(3) Net Available Special Tax Revenues derived from CFD Nos. 6, 13 and 14.

(4) Interest Payments paid through capitalized interest.

Source: Dolinka Group, LLC.

**Table 5C**  
**(2) Poway Unified School District Public Financing Authority**  
**(3) Estimated Debt Service Coverage from Net Special Tax Revenues**  
**(4) of Developed Property as of January 1, 2014**

<b>Combined Senior CFD Bonds and 2014 Bonds</b>					
<b>Year Ending October 1</b>	<b>Senior CFD Bonds Debt Service</b>	<b>Bonds Debt Service</b>	<b>Combined Senior CFD Bonds and Bonds Debt Service</b>	<b>Remaining Net Available Special Tax Revenues<sup>(1)</sup></b>	<b>Estimated Combined Debt Service Coverage<sup>(2)(3)(4)</sup></b>
2014	\$16,404,780	-- <sup>(5)</sup>	\$16,404,780	\$1,832,567	119%
2015	16,693,501	-- <sup>(5)</sup>	16,693,501	3,984,170	125
2016	17,006,662	-- <sup>(5)</sup>	17,006,662	4,181,711	125
2017	17,331,508	\$1,148,236	18,479,744	3,130,386	117
2018	17,655,216	1,931,613	19,586,828	2,451,769	113
2019	17,991,449	2,321,613	20,313,062	2,179,303	111
2020	18,311,016	2,409,913	20,720,929	2,209,645	111
2021	18,667,868	2,470,313	21,138,181	2,264,627	111
2022	19,027,548	2,537,513	21,565,061	2,309,113	111
2023	19,380,383	2,611,113	21,991,495	2,345,689	111
2024	19,744,054	2,570,713	22,314,766	2,524,542	111
2025	20,115,813	2,640,713	22,756,525	2,567,921	111
2026	20,494,935	2,748,213	23,243,147	2,592,787	111
2027	20,876,019	2,783,213	23,659,231	2,692,471	112
2028	21,248,820	2,889,213	24,138,032	2,715,874	111
2029	21,654,724	2,947,213	24,601,936	2,801,692	111
2030	22,039,906	3,049,213	25,089,119	2,781,915	111
2031	22,432,447	3,142,713	25,575,159	2,826,589	111
2032	22,848,445	3,207,713	26,056,158	2,878,146	111
2033	21,142,261	2,605,213	23,747,473	3,627,993	111
2034	21,695,131	2,508,213	24,203,344	2,684,781	111
2035	22,051,264	2,602,713	24,653,976	2,740,045	111
2036	14,486,025	4,012,100	18,498,125	9,392,836	151
2037	6,103,051	4,115,813	10,218,863	3,656,334	136
2038	6,166,017	4,217,850	10,383,867	3,712,373	136
2039	2,823,503	4,322,750	7,146,253	3,782,114	141
2040	2,849,416	1,931,613	7,281,166	2,995,900	141
2041	2,867,710	4,536,000	7,403,710	3,033,002	141
<b>Total<sup>(6)</sup></b>	<b>\$470,109,470</b>	<b>\$74,761,624</b>	<b>\$544,871,094</b>	<b>\$86,896,294</b>	

(1) See the column captioned "Net Available Special Tax Revenues in Excess of Bonds Debt Service" in Table 5B above.

(2) Estimated Combined Debt Service Coverage is the amount in the column captioned "Remaining Net Special Tax Revenues" divided by the amount in the column captioned "Combined Senior CFD Bonds and Bonds Debt Service."

(3) On October 2 of each year, commencing October 2, 2023, and continuing so long as any Bonds are Outstanding, the Fiscal Agent will withdraw from the Net Available Special Tax Revenue Fund and pay to the Insurer the Additional Insurance Premium for the Bond Year commencing on such October 2. See "SOURCES OF PAYMENT FOR THE BONDS - Security for Installment Payments; Flow of Funds - *Net Available Special Tax Revenue Fund.*"

(4) In addition to coverage provided by the Net Available Special Tax Revenues, the Community Facilities Districts will establish the Coverage Stabilization Fund with the Fiscal Agent in the amount of \$3,500,000, funded with Net Available Special Tax Revenues received after the Bonds are issued (See Remaining Net Available Special Tax Column for amounts available to fund the Coverage Stabilization Fund), which amounts will be available to pay Installment Payments. The Coverage Stabilization Fund Requirement may be reduced to \$0 when (i) the amount of the Available Special Tax Revenues of all Community Facilities Districts to be transferred to the Fiscal Agent pursuant to the Joint Acquisition Agreement is at least equal to 120% of Annual Debt Service for the Corresponding Bond Year on all Outstanding Bonds and (ii) the aggregate of the assessed and appraised values of Developed Property within all of the Community Facilities Districts is at least 15 times the sum of the aggregate amount of the Bonds, plus the aggregate principal amount of all fixed lien special assessments on parcels of Developed Property, and plus the allocable portion of Other CFD Bonds (as defined below). See, "INTRODUCTION – Coverage Stabilization Fund – *Release of Coverage Stabilization Fund.*"

(5) Debt Service has been reduced by the amount of capitalized interest.

(6) Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

## **Levy of Special Taxes to Applicable Maximum Rates**

The ability of a Community Facilities District to pay the Installment Payments is strengthened by its ability to levy Special Taxes up to its maximum rates in the event of delinquencies in such Community Facilities District. Generally, each Community Facilities District levies Special Taxes at the Assigned Special Tax rate on Developed Property. In the event that delinquencies occur in the receipt of Special Taxes within such Community Facilities District in any fiscal year, a Community Facilities District may increase the Special Tax levy up to the maximum rates as permitted in the applicable Rate and Method in the following fiscal years if determined necessary to cure any delinquencies in the Installment Payments. There may be little or no difference between the Assigned Special Tax rate and the maximum rates where the property within such Community Facilities District is all categorized as Developed Property. 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 such Community Facilities District by more than 10% above the amount that would have been levied had there never been any such delinquencies or defaults. In addition, a portion of the Special Tax Requirement is utilized for acquisition and/or construction of school facilities. In the event a Community Facilities District was 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 such Community Facilities District by more than 10% of such lesser amount. 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.

Each Community Facilities District is obligated to pay the Installment Payments to the extent of the Net Available Special Tax Revenues of such Community Facilities District. Purchasers of the Bonds should not assume that maximum Special Taxes may be levied in all Community Facilities Districts at one time. Although the Special Tax levy may be increased where there is a difference between the Assigned Special Tax and the maximum Special Tax which may be levied, any such increase would not be available to cure any delinquencies for a period of one year or more. In addition, an increase in the Special Tax rates may affect the ability or willingness of property owners to pay their Special Taxes. See “THE COMMUNITY FACILITIES DISTRICTS – Rates and Methods of Apportionment of Special Tax” and Appendix B hereto for a description of each Community Facilities District’s procedures for increasing the amount of Special Tax in such Community Facilities District and “BOND OWNERS’ RISKS – The Installment Payments and Net Available Special Tax Revenues – *Insufficiency of Special Taxes.*” In each Community Facilities District, the Special Taxes are levied at the Assigned Special Tax rate, and there may be little or no increase on Special Tax rates.

Any increase in Special Taxes up to the maximum Special Tax with respect to a Community Facilities District to cure delinquencies with respect to such Community Facilities District is not available to cure delinquencies with respect to the other Community Facilities Districts.

## THE COMMUNITY FACILITIES DISTRICTS

### General

The Act provides an alternative method of financing certain public capital facilities and services within defined boundaries. A community facilities district established pursuant to the Act is a legally constituted governmental entity. Upon approval by a two-thirds vote of qualified voters and compliance with the provisions of the Act, a community facilities district may issue bonds and may levy and collect taxes to repay such bonded indebtedness.

Pursuant to the Act, the Board, acting on behalf of each Community Facilities District, adopted a Resolution stating its intent to establish such Community Facilities District, to authorize the levy of Special Taxes within the boundaries of the Community Facilities District (to pay principal of and interest on bonds or other obligations to repay a sum of money, such as the Installment Payments), to fund some of the facilities directly and to incur bonded indebtedness within the Community Facilities District.

Following public hearings conducted pursuant to the provisions of the Act, the Board adopted a resolution establishing each Community Facilities District and determining the necessity to incur bonded indebtedness to acquire and construct facilities, and a resolution calling a special election to submit the levy of the Special Tax and the incurring of the bonded indebtedness to the qualified voters of each Community Facilities District.

Under the Act, when less than twelve registered voters reside within the proposed boundaries of a community facilities district therein, each landowner of lands located within the boundaries of the proposed community facilities district is qualified to vote on the question of incurring such bonded indebtedness. A two-thirds favorable vote of the qualified voters voting on the question is necessary to authorize issuance of the bonds of a community facilities district for such community facilities district.

**CFD No. 2.** CFD No. 2 was formed and designated by the School District on December 15, 1997, pursuant to the Act, following a public hearing and landowner elections at which the qualified electors of the Community Facilities District authorized the issuance of bonds to finance school facilities in the aggregate principal amount not to exceed \$80,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax levied on property within CFD No. 2 as set forth in Appendix B hereto. See “INTRODUCTION – The Community Facilities Districts,” “THE FINANCING PLAN,” “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt.”

**CFD No. 4.** CFD No. 4 was formed and designated by the School District on December 15, 1997, pursuant to the Act, following a public hearing and landowner elections at which the qualified electors of the Community Facilities District authorized the issuance of bonds to finance school facilities in the aggregate principal amount not to exceed \$32,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax levied on property within CFD No. 4. Subsequently, on November 13, 2000, an election was held in which the eligible voters, which were the owners of land included within the boundaries of CFD No. 4, approved by more than two-thirds vote a proposition amending and restating the Rate and Method to be as set forth in Appendix B hereto. See “INTRODUCTION – The Community Facilities Districts,” “THE FINANCING PLAN,” “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt.”

**CFD No. 6.** CFD No. 6 was formed and designated by the School District on March 24, 1998, pursuant to the Act, following a public hearing and landowner elections at which the qualified electors of

the Community Facilities District authorized the issuance of bonds to finance school facilities in the aggregate principal amount not to exceed \$130,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax levied on property within CFD No. 6 as set forth in Appendix B hereto. See “INTRODUCTION – The Community Facilities Districts,” “THE FINANCING PLAN,” “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt.”

**CFD No. 8.** Improvement Area B of CFD No. 8 was formed and designated by the School District on December 17, 1998, pursuant to the Act, following a public hearing and landowner elections at which the qualified electors of the Community Facilities District authorized the issuance of bonds to finance school facilities in the aggregate principal amount not to exceed \$20,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax levied on property within Improvement Area B of CFD No. 8 as set forth in Appendix B hereto. See “INTRODUCTION – The Community Facilities Districts,” “THE FINANCING PLAN,” “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt.”

**CFD No. 9.** CFD No. 9 was formed and designated by the School District on November 16, 1998, pursuant to the Act, following a public hearing and landowner elections at which the qualified electors of the Community Facilities District authorized the issuance of bonds to finance school facilities in the aggregate principal amount not to exceed \$15,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax levied on property within CFD No. 9 as set forth in Appendix B hereto. See “INTRODUCTION – The Community Facilities Districts,” “THE FINANCING PLAN,” “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt.”

**CFD No. 10.** CFD No. 10 was formed and designated by the School District on August 27, 2001, pursuant to the Act, following a public hearing and landowner elections at which the qualified electors of the Community Facilities District authorized the issuance of bonds to finance school facilities in the aggregate principal amount not to exceed \$45,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax levied on property within CFD No. 10 as set forth in Appendix B hereto. See “INTRODUCTION – The Community Facilities Districts,” “THE FINANCING PLAN,” “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt.”

**CFD No. 12.** CFD No. 12 was formed and designated by the School District on June 24, 2002, pursuant to the Act, following a public hearing and landowner elections at which the qualified electors of the Community Facilities District authorized the issuance of bonds to finance school facilities in the aggregate principal amount not to exceed \$18,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax levied on property within CFD No. 12. See “INTRODUCTION – The Community Facilities Districts,” “THE FINANCING PLAN,” “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt.”

**CFD No. 13.** CFD No. 13 was formed and designated by the School District on March 12, 2007, pursuant to the Act, following a public hearing and landowner elections at which the qualified electors of the Community Facilities District authorized the issuance of bonds to finance school facilities in the aggregate principal amount not to exceed \$20,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax levied on property within

CFD No. 13. See “INTRODUCTION – The Community Facilities Districts,” “THE FINANCING PLAN” and “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt.”

**CFD No. 14.** CFD No. 14 was formed and designated by the School District on January 17, 2006, pursuant to the Act, following a public hearing and landowner elections at which the qualified electors of the Community Facilities District authorized the issuance of bonds to finance school facilities in the aggregate principal amount not to exceed \$75,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax levied on property within CFD No. 14 as set forth in Appendix B hereto. See “INTRODUCTION – The Community Facilities Districts,” “THE FINANCING PLAN” and “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt.”

**CFD No. 15.** CFD No. 15 was formed and designated by the School District on December 17, 2012, pursuant to the Act, following a public hearing and landowner elections at which the qualified electors of the Community Facilities District authorized the issuance of bonds to finance school facilities in the aggregate principal amount not to exceed \$55,000,000, such amount to be payable from special taxes levied pursuant to a separate Rate and Method of Apportionment of Special Tax levied on property within CFD No. 15 as set forth in Appendix B hereto. See “INTRODUCTION – The Community Facilities Districts,” “THE FINANCING PLAN” and “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt.”

### **Location and Description**

**CFD No. 2.** CFD No. 2 was formed December 15, 1997, and includes several non-contiguous areas of land located in that portion of the School District within the boundaries of the City of San Diego. The parcels are within the Torrey Highlands community which is in the southwest quadrant of the School District and west of the community or area known as Rancho Peñasquitos. CFD No. 2 is located along the south section of Camino del Sur and straddles the east-west corridor of State Route 56. CFD No. 2 originally encompassed approximately 1,071 gross acres but owners of approximately 470 gross acres requested creation of CFD No. 10 to finance both school facilities and other public facilities, and the approximately 470 gross acres is no longer subject to the CFD No. 2 Special Tax leaving approximately 601 gross acres (approximately 183.02 taxable acres) encompassing, as of January 1, 2014, approximately 629 residential units which are currently classified as Developed Property. The owner of an approximately 122-unit apartment complex and one homeowner prepaid his Special Taxes and is no longer subject to the levy of Special Taxes. CFD No. 2 is located in the north part of Torrey Highlands – Subarea IV in the northern part of the City of San Diego.

**CFD No. 4.** CFD No. 4 was formed December 15, 1997, and is located in a portion of the School District which is within the City of San Diego and known as Santaluz. It is located north and west of Carmel Valley Road. Camino del Sur runs north and south through the center of CFD No. 4. CFD No. 4 is approximately 2,937 gross acres (approximately 575.17 taxable acres). CFD No. 4 is located approximately 4.5 miles west of Interstate 1515 in the northern portion of the County. As of January 1, 2014, 828 single-family detached homes and 50 attached townhomes were classified as Developed Property. In addition, nine (9) homeowners prepaid their Special Taxes. Total expected build-out of CFD No. 4 is an aggregate of 924 single-family detached and attached homes.

**CFD No. 6.** CFD No. 6 was formed March 24, 1998, and is contiguous and is generally located north and south along Camino del Norte and along both sides of 4S Ranch Parkway in the northern unincorporated portion of the County, just under two miles west of the Interstate 15. CFD No. 6 is part of

the specific plan area known as “4S Ranch.” CFD No. 6 is an extension of the on-going development of the community of Rancho Bernardo. CFD No. 6 is comprised of approximately 2,888 gross acres (approximately 500 net acres). As of January 1, 2014, approximately 3,766 residential units were classified as Developed Property, of which 3,003 are single-family detached units and 763 are single-family attached units. In addition, approximately 120 units are affordable dwelling units in Neighborhood One, which affordable units (“Affordable Units”) are not subject to the levy of CFD No. 6 Special Tax and 65 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 CFD No. 6, 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. CFD No. 6 is built out with the final four (4) permits issued January 2, 2013.

***Improvement Area B of CFD No. 8.*** Improvement Area B of CFD No. 8 was formed December 17, 1998, and includes several non-contiguous areas of land located in a portion of the School District within the City of San Diego. Most of the parcels lie west of Camino del Sur and north of Carmel Valley Road and border the western boundary of the School District. Improvement Area B of CFD No. 8 also contains parcels located south of the Del Norte High School site and parcels located southeast of the Carmel Valley Road extension in the Rancho Peñasquitos area. Improvement Area B of CFD No. 8 is approximately 514 gross acres (approximately 478.37 taxable acres). Improvement Area B of CFD No. 8 is located south of San Dieguito Road and west of Camino del Sur. As of January 1, 2014, 188 residential units are classified as Developed Property, all of which are single-family detached homes. In addition, the owners of two single-family detached units and the owners of 36 affordable units prepaid their Special Taxes and are no longer subject to the levy of Special Taxes. Improvement Area B of CFD No. 8 is built out.

***CFD No. 9.*** CFD No. 9 was formed November 16, 1998, and is a 63-unit single family gated community of estate-sized homes in the unincorporated area of the County, north of Camino del Sur. CFD No. 9 is approximately 60.27 gross acres (approximately 42.12 taxable acres). As of January 1, 2014, 63 single-family detached homes are classified as Developed Property, of which 63 homes were completed. None of the homeowners prepaid their Special Taxes. CFD No. 9 is built out. See “THE COMMUNITY FACILITIES DISTRICTS – General” herein.

***CFD No. 10.*** CFD No. 10 was formed August 27, 2001, and includes several non-contiguous areas of land located in a portion of the School District which is within the City of San Diego. It straddles State Route 56 to the north and south and includes parcels on both the east and west side of Camino del Sur adjacent to Westview High School. CFD No. 10 is approximately 469.16 gross acres (approximately 156.07 taxable acres). CFD No. 10 is located along Camino del Sur, south of Carmel Valley Road, to the west of the community known as the Rancho Peñasquitos area, to the east by Pacific Highlands Ranch and to the south of Black Mountain Ranch. CFD No. 10 is located approximately 4 miles east of Interstate 5 and approximately 3 miles west of Interstate 15. As of January 1, 2014, 1,286 residential units (1,202 single-family detached homes and 84 attached homes) are classified as Developed Property. In addition, 24 homeowners prepaid their Special Taxes. In addition, three (3) owners of affordable units (Vista Terraza), 76 owners of affordable units (Torrey Highlands Apartments) and 26 owners of affordable units (Villa Glen Apartments) prepaid their Special Taxes. CFD No. 10 is built out.

***CFD No. 12.*** CFD No. 12 was formed June 24, 2002, includes several non-contiguous areas of land located in a portion of the School District which is within the City of San Diego. The eastern portion of CFD No. 12 consists of several parcels north and south of the easterly portion of Carmel Valley Road. Additional parcels are in the northwestern portion of the School District west of Camino del Sur and within the Del Sur community. The remaining parcel is within the Santaluz community west of Camino del Sur between Via Azul and Lazanja Drive. CFD No. 12 is approximately 320.63 gross acres (approximately 280.63 taxable acres). CFD No. 12 is located approximately 2 miles west of Interstate 15.

As of January 1, 2014, 307 single-family detached homes are classified as Developed Property. In addition, two homeowners prepaid their Special Taxes. Total expected build-out of CFD No. 12 is an aggregate of approximately 485 single-family detached homes.

**CFD No. 13.** CFD No. 13 was formed on March 12, 2007, and is contiguous and is located in a portion of the School District which is within the County. Parcels are in the most northwestern portion of the School District, west of Interstate 15, north of Camino del Sur and within The Lakes community. CFD No. 13 is approximately 553.68 gross acres (approximately 271.54 taxable acres). CFD No. 13 is located approximately 4 miles west of Interstate 15. As of January 1, 2014, 206 single-family detached homes are classified as Developed Property. In addition, one (1) homeowner prepaid its Special Taxes. Total expected build-out of CFD No. 13 is an aggregate of 382 single-family detached homes.

**CFD No. 14.** CFD No. 14 was formed on January 17, 2006, and is contiguous and is generally located west of Interstate 15 and the 4S Ranch community, north of Carmel Valley Road and east and north of Camino Del Sur. CFD No. 14 lies within the area of the master-planned community known as “Del Sur” and is part of the area known as “Black Mountain Ranch.” CFD No. 14 is comprised of approximately 142.63 net residential acres expected to be developed with approximately 1,148 residential units and a school site in an area of Black Mountain Ranch referred to as the area of the “North Village.” As of January 1, 2014, 1,092 homes were classified as Developed Property. In addition, two homeowners prepaid their Special Taxes.

**CFD No. 15.** CFD No. 15 was formed on December 17, 2012, and is contiguous and is generally located west of Interstate 15 and the 4S Ranch community, north of Carmel Valley Road and east and north of Camino Del Sur. CFD No. 15 is the development referred to as “Del Sur East” which is expected to have approximately 1,166 for-sale residential homes upon build-out out with a mixture of approximately 756 detached units and 410 attached units. (There are also estimated to be 165 affordable units which would not be subject to the levy of the Special Tax.) CFD No. 15 is approximately 362 gross acres (approximately 253 taxable acres). CFD No. 15 is located approximately 2.8 miles west of Interstate 15. As of January 1, 2014, 115 single-family detached homes were classified as Developed Property. In addition, the owners of 165 affordable units (Fairbanks Commons) prepaid their Special Taxes.

### **Estimated Value-to-Lien Ratios**

Tables 6A and 6B and 7A through 7I below set forth Value-to-Lien category ranges for the parcels subject to the levy of Special Taxes in Fiscal Year 2013-14 utilizing the assessed values as of January 1, 2013, which values include the assessed value for the homes under construction and for the lots for which Building Permits had been issued as of January 1, 2013, for CFD Nos. 4, 6, 8 (with respect to Improvement Area B), 9 and 12, March 1, 2013, for CFD No. 2, and May 1, 2013, for CFD Nos. 10, 13 and 14. The amount of the CFD No. 15 levy was only sufficient to pay administrative expenses in Fiscal Year 2013-14. The assessed values provided in Tables 8A through 8I are greater than those reflected in Tables 6A and 6B and 7A through 7I below, because Tables 8A through 8I reflect aggregate assessed values for the Community Facilities Districts, including prepaid, exempt or Undeveloped Property which are not subject to the levy of Special Taxes.



The Fiscal Year 2013-14 assessed values of the property within each Community Facilities District, which is subject to the levy of Special Taxes in Fiscal Year 2013-14 (excluding Exempt Property (as defined in the applicable Rate and Method) and parcels for which Special Taxes have been prepaid), are set forth below. The assessed values, direct and overlapping debt and total tax burden on individual parcels vary between each Community Facilities District and also vary among parcels within each Community Facilities District. The value of individual parcels is significant because in the event of a delinquency in the payment of Special Taxes, a Community Facilities District may foreclose only against delinquent parcels of such Community Facilities District.

The table below sets forth the Fiscal Year 2013-14 assessed property values and the estimated direct and overlapping land secured debt and estimated value-to-lien ratio for each Community Facilities District as a whole. All information in this section is based on the direct and overlapping debt report prepared on October 24, 2013 with respect to the Community Facilities Districts, as set forth in the tables below in the Section captioned "Direct and Overlapping Debt."

**Table 6A**  
**Poway Unified School District Public Financing Authority**  
**Estimated Average Assessed Value-to-Lien of Parcels**  
**Parcels Constituting Developed Property in Fiscal Year 2013-14**

CFD No. <sup>(1)</sup>	Number of Parcels	FY 2013-14 Special Taxes <sup>(2)</sup>	Total Assessed Value <sup>(3)</sup>	2014 Special Tax Revenue Bonds <sup>(1)(4)</sup>	Additional Land Secured Debt <sup>(5)</sup>	Total Lien	Combined Value-to- Lien <sup>(6)</sup>
Community Facilities District No. 2	621	\$1,527,614.70	\$476,383,661.00	\$7,886,714.29	\$14,566,120.65	\$22,452,834.94	21.22:1
Community Facilities District No. 4	828	1,257,275.20	996,330,875.00	1,442,924.94	57,741,741.16	59,184,666.10	16.83:1
Community Facilities District No. 6	3,769	9,283,927.74	2,135,641,515.00	18,075,536.67	178,289,041.13	196,364,577.80	10.88:1
Community Facilities District No. 8 <sup>(7)</sup>	188	542,449.92	188,548,459.00	600,973.66	13,328,748.46	13,929,722.13	13.54:1
Community Facilities District No. 9	63	154,743.00	77,580,831.00	143,713.61	3,607,331.74	3,751,045.35	20.68:1
Community Facilities District No. 10	1,286	2,639,139.84	730,266,560.00	6,128,629.93	65,004,561.84	71,133,191.78	10.27:1
Community Facilities District No. 12	307	730,562.94	270,716,637.00	792,332.46	21,192,452.26	21,984,784.72	12.31:1
Community Facilities District No. 13	135	408,823.26	125,432,242.00	1,275,736.71	11,210,849.18	12,486,585.89	10.05:1
Community Facilities District No. 14	<u>1,045</u>	<u>3,475,837.68</u>	<u>587,652,983.00</u>	<u>3,653,437.72</u>	<u>99,157,805.75</u>	<u>102,811,243.46</u>	<u>5.72:1</u>
<b>Total<sup>(8)</sup></b>	<b>8,242</b>	<b>\$20,020,374.28</b>	<b>\$5,588,553,763.00</b>	<b>\$40,000,000.00</b>	<b>\$464,098,652.17</b>	<b>\$504,098,652.17</b>	<b>11.09:1</b>

<sup>(1)</sup> CFD No. 15 was excluded because the limited amount of Special Taxes collected in CFD No. 15 in Fiscal Year 2013-14 are not available for the Fiscal Year 2013-14 Debt Service. In future years, CFD No. 15 Special Taxes are anticipated to increase as additional homes are constructed. When and if built out, CFD No. 15 will aggregate approximately 1,166 for-sale residential homes.

<sup>(2)</sup> The Special Taxes shown here reflect the Developed Property as of May 1, 2013, as confirmed by Dolinka Group, LLC, with the City of San Diego and the County. Excludes Affordable Units with a \$0.00 Assigned Annual Special Tax, parcels classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(3)</sup> Source: County of San Diego 2013 Assessor's Roll.

<sup>(4)</sup> Amounts have been apportioned based on the percentage of Net Available Special Tax Revenues projected to be contributed by the Community Facilities Districts in Fiscal Year 2013-14.

<sup>(5)</sup> Source: Detailed Direct and Overlapping Debt Report provided by National Tax Data, Inc.; debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 assessment and includes land secured bond indebtedness. See "Direct and Overlapping Debt" below for a description of overlapping liens. Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 Special Tax levy and other debt has been allocated based on the Fiscal Year 2013-14 tax roll allocations and includes land secured bond indebtedness.

<sup>(6)</sup> Average value-to-lien per Lot; actual value-to-lien may vary by Lot.

<sup>(7)</sup> With respect to Improvement Area B.

<sup>(8)</sup> Total may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 6B**  
**Poway Unified School District Public Financing Authority**  
**Estimated Average Combined Fiscal Year 2013-14 Assessed Value and Value-to-Lien Ratio of Parcels**  
**Constituting Developed Property in Fiscal Year 2013-14**

<b>Value-to-Lien Category</b>	<b>Number of Parcels<sup>(1)</sup></b>	<b>2014 Special Tax Revenue Bonds<sup>(2)(3)</sup></b>	<b>Combined Overlapping Liens<sup>(3)</sup></b>	<b>Assessed Value<sup>(4)</sup></b>	<b>Combined Value-to-Lien Ratio</b>	<b>Fiscal Year 2013-14 Special Tax</b>	<b>Percentage Share of Special Tax</b>
15:1 and above	1,788	\$10,151,227.61	\$75,784,883.33	\$1,733,501,560.00	20.17:1	\$3,834,310.72	19.15%
10:1 to 15:1	3,081	13,772,744.37	156,644,068.61	2,047,667,164.00	12.02:1	6,720,993.26	33.57
7:1 to 10:1	2,289	11,815,963.80	131,696,642.71	1,238,735,796.00	8.63:1	5,890,554.92	29.42
5:1 to 7:1	886	3,136,370.05	81,672,577.72	514,496,626.00	6.07:1	2,881,234.78	14.39
3:1 to 5:1	88	627,019.62	7,189,784.90	31,513,053.00	4.03:1	286,756.54	1.43
3:1 and below	<u>110</u>	<u>496,674.55</u>	<u>11,110,694.89</u>	<u>22,639,564.00</u>	<u>1.95:1</u>	<u>406,524.06</u>	<u>2.03</u>
Total <sup>(5)</sup>	8,242	\$40,000,000.00	\$464,098,652.17	\$5,588,553,763.00	11.09:1	\$20,020,374.28	100.00%

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property as of May 1, 2013, as confirmed by Dolinka Group, LLC, with the City of San Diego and the County. Excludes Affordable Units with a \$0.00 Assigned Annual Special Tax, parcels classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(2)</sup> Amounts have been apportioned based on the percentage of Net Available Special Tax Revenues projected to be contributed by the Community Facilities Districts in Fiscal Year 2013-14.

<sup>(3)</sup> See "Direct and Overlapping Debt" below for a description of overlapping liens. Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 Special Tax levy and other debt has been allocated based on the Fiscal Year 2013-14 tax roll allocations and includes land secured bond indebtedness.

<sup>(4)</sup> Source: County of San Diego 2013 Assessor's Roll.

<sup>(5)</sup> Totals may not sum due to rounding.

*Source: Dolinka Group, LLC.*

See "-- Direct and Overlapping Debt," and "BOND OWNERS' RISKS -- The Installment Payments and Net Available Special Tax Revenues -- *Assessed Values*" herein for further information on the assessed values.

**Table 7A**  
**Community Facilities District No. 2**  
**of the Poway Unified School District**  
**Combined Assessed Value and Value-to-Lien Ratio**  
**Based on Fiscal Year 2013-14 Special Tax Levy**

<b>Value-to-Lien Category</b>	<b>Number of Parcels<sup>(1)</sup></b>	<b>2014 Special Tax Revenue Bonds<sup>(2)</sup></b>	<b>Combined Overlapping Liens<sup>(3)</sup></b>	<b>Assessed Value<sup>(4)</sup></b>	<b>Combined Value-to-Lien Ratio</b>	<b>Fiscal Year 2013-14 Special Tax</b>	<b>Percentage Share of Special Tax</b>
15:1 and above	472	\$5,719,330.58	\$8,574,482.10	\$379,440,394.00	26.55:1	\$1,107,803.98	72.52%
10:1 to 15:1	112	1,619,837.05	5,170,750.71	86,923,983.00	12.80:1	313,753.84	20.54
7:1 to 10:1	30	444,079.49	665,768.76	8,781,208.00	7.91:1	86,015.84	5.63
5:1 to 7:1	1	14,537.72	21,795.11	197,676.00	5.44:1	2,815.88	0.18
3:1 to 5:1	6	88,929.44	133,323.97	1,040,400.00	4.68:1	17,225.16	1.13
3:1 and below	0	0.00	0.00	0.00	NA	0.00	0.00
Total <sup>(5)</sup>	621	\$7,886,714.29	\$14,566,120.65	\$476,383,661.00	21.22:1	\$1,527,614.70	100.00%

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property for Fiscal Year 2013-14, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(2)</sup> Amounts have been apportioned based on the percentage of Net Available Special Tax Revenues projected to be contributed by CFD No. 2 in Fiscal Year 2013-14.

<sup>(3)</sup> See "Direct and Overlapping Debt" below for a description of overlapping liens. Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 Special Tax levy and other debt has been allocated based on the Fiscal Year 2013-14 tax roll allocations and includes land secured bond indebtedness.

<sup>(4)</sup> Source: County of San Diego 2013 Assessor's Roll.

<sup>(5)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 7B**  
**Community Facilities District No. 4**  
**of the Poway Unified School District**  
**Combined Assessed Value and Value-to-Lien Ratio**  
**Based on Fiscal Year 2013-14 Special Tax Levy**

<b>Value-to-Lien Category</b>	<b>Number of Parcels<sup>(1)</sup></b>	<b>2014 Special Tax Revenue Bonds<sup>(2)</sup></b>	<b>Combined Overlapping Liens<sup>(3)</sup></b>	<b>Assessed Value<sup>(4)</sup></b>	<b>Combined Value-to-Lien Ratio</b>	<b>Fiscal Year 2013-14 Special Tax</b>	<b>Percentage Share of Special Tax</b>
15:1 and above	538	\$899,448.09	\$36,287,884.79	\$724,564,377.00	19.48:1	\$783,723.22	62.84%
10:1 to 15:1	264	459,804.88	18,564,792.83	250,345,641.00	13.16:1	400,645.42	32.12
7:1 to 10:1	20	60,839.27	2,099,709.12	18,967,110.00	8.78:1	53,011.56	4.25
5:1 to 7:1	0	0.00	0.00	0.00	NA	0.00	0.00
3:1 to 5:1	3	11,321.21	393,390.33	1,365,247.00	3.37:1	9,864.60	0.79
3:1 and below	3	11,511.49	395,964.09	1,088,500.00	2.67:1	0.00	0.00
Total <sup>(5)</sup>	828	\$1,442,924.94	\$57,741,741.16	\$996,330,875.00	16.83:1	\$1,247,244.80	100.00%

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property for Fiscal Year 2013-14, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(2)</sup> Amounts have been apportioned based on the percentage of Net Available Special Tax Revenues projected to be contributed by CFD No. 4 in Fiscal Year 2013-14.

<sup>(3)</sup> See "Direct and Overlapping Debt" below for a description of overlapping liens. Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 Special Tax levy and other debt has been allocated based on the Fiscal Year 2013-14 tax roll allocations and includes land secured bond indebtedness.

<sup>(4)</sup> Source: County of San Diego 2013 Assessor's Roll.

<sup>(5)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 7C**  
**Community Facilities District No. 6**  
**of the Poway Unified School District**  
**Combined Assessed Value and Value-to-Lien Ratio**  
**Based on Fiscal Year 2013-14 Special Tax Levy**

<b>Value-to-Lien Category</b>	<b>Number of Parcels<sup>(1)</sup></b>	<b>2014 Special Tax Revenue Bonds<sup>(2)</sup></b>	<b>Combined Overlapping Liens<sup>(3)</sup></b>	<b>Assessed Value<sup>(4)</sup></b>	<b>Combined Value-to-Lien Ratio</b>	<b>Fiscal Year 2013-14 Special Tax</b>	<b>Percentage Share of Special Tax</b>
15:1 and above	652	\$3,160,685.72	\$23,062,688.98	\$477,444,083.00	18.21:1	\$1,623,386.26	17.49%
10:1 to 15:1	1,472	6,067,091.64	58,383,409.38	756,649,945.00	11.74:1	3,116,169.74	33.57
7:1 to 10:1	1,590	8,541,769.94	93,913,846.74	886,581,117.00	8.65:1	4,387,209.98	47.26
5:1 to 7:1	20	101,070.26	949,168.64	7,016,322.00	6.68:1	51,911.54	0.56
3:1 to 5:1	25	149,840.90	1,499,579.79	6,663,851.00	4.04:1	76,961.04	0.83
3:1 and below	<u>10</u>	<u>55,078.21</u>	<u>480,347.60</u>	<u>1,286,197.00</u>	<u>2.40:1</u>	<u>28,289.18</u>	<u>0.30</u>
Total <sup>(5)</sup>	3,769	\$18,075,536.67	\$178,289,041.13	\$2,135,641,515.00	10.88:1	\$9,283,927.74	100.00%

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property for Fiscal Year 2013-14, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(2)</sup> Amounts have been apportioned based on the percentage of Net Available Special Tax Revenues projected to be contributed by CFD No. 6 in Fiscal Year 2013-14.

<sup>(3)</sup> See "Direct and Overlapping Debt" below for a description of overlapping liens. Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 Special Tax levy and other debt has been allocated based on the Fiscal Year 2013-14 tax roll allocations and includes land secured bond indebtedness.

<sup>(4)</sup> Source: County of San Diego 2013 Assessor's Roll.

<sup>(5)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 7D**  
**Community Facilities District No. 8 Improvement Area B**  
**of the Poway Unified School District**  
**Combined Assessed Value and Value-to-Lien Ratio**  
**Based on Fiscal Year 2013-14 Special Tax Levy**

<b>Value-to-Lien Category</b>	<b>Number of Parcels<sup>(1)</sup></b>	<b>2014 Special Tax Revenue Bonds<sup>(2)</sup></b>	<b>Combined Overlapping Liens<sup>(3)</sup></b>	<b>Assessed Value<sup>(4)</sup></b>	<b>Combined Value-to-Lien Ratio</b>	<b>Fiscal Year 2013-14 Special Tax</b>	<b>Percentage Share of Special Tax</b>
15:1 and above	30	\$95,619.76	\$2,036,174.85	\$35,150,677.00	16.49:1	\$86,308.16	15.91%
10:1 to 15:1	154	492,528.40	10,993,502.69	150,325,782.00	13.09:1	444,565.22	81.96
7:1 to 10:1	4	12,825.51	299,070.92	3,072,000.00	9.85:1	11,576.54	2.13
5:1 to 7:1	0	0.00	0.00	0.00	NA	0.00	0.00
3:1 to 5:1	0	0.00	0.00	0.00	NA	0.00	0.00
3:1 and below	<u>0</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>NA</u>	<u>0.00</u>	<u>0.00</u>
Total <sup>(5)</sup>	188	\$600,973.66	\$13,328,748.46	\$188,548,459.00	13.54:1	\$542,449.92	100.00%

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property for Fiscal Year 2013-14, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(2)</sup> Amounts have been apportioned based on the percentage of Net Available Special Tax Revenues projected to be contributed by CFD No. 8 in Fiscal Year 2013-14.

<sup>(3)</sup> See "Direct and Overlapping Debt" below for a description of overlapping liens; the combined overlapping liens. Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 Special Tax levy and other debt has been allocated based on the Fiscal Year 2013-14 tax roll allocations and includes land secured bond indebtedness.

<sup>(4)</sup> Source: County of San Diego 2013 Assessor's Roll.

<sup>(5)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 7E**  
**Community Facilities District No. 9**  
**of the Poway Unified School District**  
**Combined Assessed Value and Value-to-Lien Ratio**  
**Based on Fiscal Year 2013-14 Special Tax Levy**

<b>Value-to-Lien Category</b>	<b>Number of Parcels<sup>(1)</sup></b>	<b>2014 Special Tax Revenue Bonds<sup>(2)</sup></b>	<b>Combined Overlapping Liens<sup>(3)</sup></b>	<b>Assessed Value<sup>(4)</sup></b>	<b>Combined Value-to-Lien Ratio</b>	<b>Fiscal Year 2013-14 Special Tax</b>	<b>Percentage Share of Special Tax</b>
15:1 and above	63	\$143,713.61	\$3,607,331.74	\$77,580,831.00	20.68:1	\$154,743.00	100.00%
10:1 to 15:1	0	0.00	0.00	0.00	NA	0.00	0.00
7:1 to 10:1	0	0.00	0.00	0.00	NA	0.00	0.00
5:1 to 7:1	0	0.00	0.00	0.00	NA	0.00	0.00
3:1 to 5:1	0	0.00	0.00	0.00	NA	0.00	0.00
3:1 and below	<u>0</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>NA</u>	<u>0.00</u>	<u>0.00</u>
Total <sup>(5)</sup>	63	\$143,713.61	\$3,607,331.74	\$77,580,831.00	20.68:1	\$154,743.00	100.00%

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property for Fiscal Year 2013-14, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(2)</sup> Amounts have been apportioned based on the percentage of Net Available Special Tax Revenues projected to be contributed by CFD No. 9 in Fiscal Year 2013-14.

<sup>(3)</sup> See "Direct and Overlapping Debt" below for a description of overlapping liens; the combined overlapping liens. Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 Special Tax levy and other debt has been allocated based on the Fiscal Year 2013-14 tax roll allocations and includes land secured bond indebtedness.

<sup>(4)</sup> Source: County of San Diego 2013 Assessor's Roll.

<sup>(5)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 7F**  
**Community Facilities District No. 10**  
**of the Poway Unified School District**  
**Combined Assessed Value and Value-to-Lien Ratio**  
**Based on Fiscal Year 2013-14 Special Tax Levy**

<b>Value-to-Lien Category</b>	<b>Number of Parcels<sup>(1)</sup></b>	<b>2014 Special Tax Revenue Bonds<sup>(2)</sup></b>	<b>Combined Overlapping Liens<sup>(3)</sup></b>	<b>Assessed Value<sup>(4)</sup></b>	<b>Combined Value-to-Lien Ratio</b>	<b>Fiscal Year 2013-14 Special Tax</b>	<b>Percentage Share of Special Tax</b>
15:1 and above	1	\$5,353.34	\$63,573.25	\$1,040,517.00	15.10:1	\$2,305.28	0.09%
10:1 to 15:1	740	3,702,049.95	39,277,411.98	484,306,806.00	11.27:1	1,594,194.40	60.41
7:1 to 10:1	517	2,316,965.06	24,548,639.15	237,329,023.00	8.83:1	997,742.54	37.81
5:1 to 7:1	25	90,470.74	948,179.31	6,835,634.00	6.58:1	38,958.94	1.48
3:1 to 5:1	2	10,734.31	131,254.42	644,114.00	4.54:1	4,622.46	0.18
3:1 and below	<u>1</u>	<u>3,056.549</u>	<u>35,503.73</u>	<u>110,466.00</u>	<u>2.86:1</u>	<u>1,316.22</u>	<u>0.05</u>
Total <sup>(5)</sup>	1,286	\$5,128,629.93	\$65,004,561.84	\$730,266,560.00	10.27:1	\$2,639,139.84	100.00%

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property for Fiscal Year 2013-14, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(2)</sup> Amounts have been apportioned based on the percentage of Available Special Taxes Revenues projected to be contributed by CFD No. 10 in Fiscal Year 2013-14.

<sup>(3)</sup> See "Direct and Overlapping Debt" below for a description of overlapping liens. Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 Special Tax levy and other debt has been allocated based on the Fiscal Year 2013-14 tax roll allocations and includes land secured bond indebtedness.

<sup>(4)</sup> Source: County of San Diego 2013 Assessor's Roll.

<sup>(5)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 7G**  
**Community Facilities District No. 12**  
**of the Poway Unified School District**  
**Combined Assessed Value and Value-to-Lien Ratio**  
**Based on Fiscal Year 2013-14 Special Tax Levy**

<b>Value-to-Lien Category</b>	<b>Number of Parcels<sup>(1)</sup></b>	<b>2014 Special Tax Revenue Bonds<sup>(2)</sup></b>	<b>Combined Overlapping Liens<sup>(3)</sup></b>	<b>Assessed Value<sup>(4)</sup></b>	<b>Combined Value-to-Lien Ratio</b>	<b>Fiscal Year 2013-14 Special Tax</b>	<b>Percentage Share of Special Tax</b>
15:1 and above	24	\$58,708.39	\$1,525,792.22	\$26,575,221.00	16.77:1	\$54,131.54	7.41%
10:1 to 15:1	255	653,191.26	17,499,624.33	226,124,521.00	12.46:1	602,269.06	82.44
7:1 to 10:1	21	57,819.41	1,542,473.83	15,029,830.00	9.39:1	53,311.86	7.30
5:1 to 7:1	3	10,096.06	274,344.97	1,776,170.00	6.24:1	9,308.98	1.27
3:1 to 5:1	2	6,680.03	241,605.28	1,038,108.00	4.18:1	6,159.26	0.84
3:1 and below	<u>2</u>	<u>5,837.31</u>	<u>183,282.16</u>	<u>172,787.00</u>	<u>0.91:1</u>	<u>5,382.24</u>	<u>0.74</u>
Total <sup>(5)</sup>	307	\$792,332.46	\$21,267,122.79	\$270,716,637.00	12.31:1	\$730,562.94	100.00%

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property for Fiscal Year 2013-14, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(2)</sup> Amounts have been apportioned based on the percentage of Available Special Tax Revenues projected to be contributed by CFD No. 12 in Fiscal Year 2013-14.

<sup>(3)</sup> See "Direct and Overlapping Debt" below for a description of overlapping liens. Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 Special Tax levy and other debt has been allocated based on the Fiscal Year 2013-14 tax roll allocations and includes land secured bond indebtedness.

<sup>(4)</sup> Source: County of San Diego 2013 Assessor's Roll.

<sup>(5)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 7H**  
**Community Facilities District No. 13**  
**of the Poway Unified School District**  
**Combined Assessed Value and Value-to-Lien Ratio**  
**Based on Fiscal Year 2013-14 Special Tax Levy**

<b>Value-to-Lien Category</b>	<b>Number of Parcels<sup>(1)</sup></b>	<b>2014 Special Tax Revenue Bonds<sup>(2)</sup></b>	<b>Combined Overlapping Liens<sup>(3)</sup></b>	<b>Assessed Value<sup>(4)</sup></b>	<b>Combined Value-to-Lien Ratio</b>	<b>Fiscal Year 2013-14 Special Tax</b>	<b>Percentage Share of Special Tax</b>
15:1 and above	8	\$68,368.11	\$626,955.40	\$11,705,460.00	16.83:1	\$21,909.28	5.36%
10:1 to 15:1	84	778,241.18	6,754,576.68	92,990,486.00	12.34:1	249,395.58	61.00
7:1 to 10:1	11	97,356.83	864,362.70	9,060,870.00	9.42:1	31,199.02	7.63
5:1 to 7:1	0	0.00	0.00	0.00	NA	0.00	0.00
3:1 to 5:1	27	269,623.78	2,343,399.96	9,700,426.00	3.71:1	86,403.78	21.13
3:1 and below	<u>5</u>	<u>62,146.81</u>	<u>621,554.44</u>	<u>1,975,000.00</u>	<u>2.89:1</u>	<u>19,915.60</u>	<u>4.87</u>
Total <sup>(5)</sup>	135	\$1,275,736.71	\$11,210,849.18	\$125,432,242.00	10.06:1	\$408,823.26	100.00%

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property for Fiscal Year 2013-14, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(2)</sup> Amounts have been apportioned based on the percentage of Net Available Special Tax Revenues projected to be contributed by CFD No. 13 in Fiscal Year 2013-14.

<sup>(3)</sup> See "Direct and Overlapping Debt" below for a description of overlapping liens. Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 Special Tax levy and other debt has been allocated based on the Fiscal Year 2013-14 tax roll allocations and includes land secured bond indebtedness.

<sup>(4)</sup> Source: County of San Diego 2013 Assessor's Roll.

<sup>(5)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

**Table 7I**  
**Community Facilities District No. 14**  
**of the Poway Unified School District**  
**Combined Assessed Value and Value-to-Lien Ratio**  
**Based on Fiscal Year 2013-14 Special Tax Levy**

<b>Value-to-Lien Category</b>	<b>Number of Parcels<sup>(1)</sup></b>	<b>2014 Special Tax Revenue Bonds<sup>(2)</sup></b>	<b>Combined Overlapping Liens<sup>(3)</sup></b>	<b>Assessed Value<sup>(4)</sup></b>	<b>Combined Value-to-Lien Ratio</b>	<b>Fiscal Year 2013-14 Special Tax</b>	<b>Percentage Share of Special Tax</b>
15:1 and above	0	\$0.00	\$0.00	\$0.00	NA	\$0.00	0.00%
10:1 to 15:1	0	0.00	0.00	0.00	NA	0.00	0.00
7:1 to 10:1	96	284,308.31	7,762,771.50	59,914,638.00	7.45:1	270,487.58	7.78
5:1 to 7:1	837	2,920,195.27	79,479,089.68	498,670,824.00	6.05:1	2,778,239.44	79.93
3:1 to 5:1	23	89,889.95	2,447,231.15	11,060,907.00	4.36:1	85,520.24	2.46
3:1 and below	<u>89</u>	<u>359,044.19</u>	<u>9,468,713.41</u>	<u>18,006,614.00</u>	<u>1.83:1</u>	<u>341,590.42</u>	<u>9.83</u>
Total <sup>(5)</sup>	1,045	\$3,653,437.72	\$99,157,805.75	\$587,652,983.00	5.72:1	\$3,475,837.68	100.00%

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property for Fiscal Year 2013-14, as confirmed by Dolinka Group, LLC, with the County of San Diego. Excludes Affordable Units, classified as Exempt Property and parcels which have prepaid their Special Tax obligation.

<sup>(2)</sup> Amounts have been apportioned based on the percentage of Net Available Special Tax Revenues projected to be contributed by CFD No. 14 in Fiscal Year 2013-14.

<sup>(3)</sup> See "Direct and Overlapping Debt" below for a description of overlapping liens. Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2013-14 Special Tax levy and other debt has been allocated based on the Fiscal Year 2013-14 tax roll allocations and includes land secured bond indebtedness.

<sup>(4)</sup> Source: County of San Diego 2013 Assessor's Roll.

<sup>(5)</sup> Totals may not sum due to rounding.

Source: Dolinka Group, LLC.



## Direct and Overlapping Debt

Tables 8A through 8I below set forth the existing authorized indebtedness payable from taxes and assessments that may be levied within each Community Facilities District prepared by National Tax Data, Inc. dated October 24, 2013 (each a “Debt Report”). Each Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, and the percentage values may change as assessed values of properties outside each Community Facilities District increase due to development. The Authority and the Community Facilities Districts believe the information is current as of its date, but make no representation as to its completeness or accuracy. Other public agencies, such as the County or the City of San Diego, may issue additional indebtedness at any time without the consent or approval of the Authority, the School District or the Community Facilities Districts.

As indicated above, the assessed values provided in Tables 8A through 8I below are greater than those reflected in Tables 6A and 6B and 7A through 7I above, because Tables 8A through 8I reflect aggregate assessed values for the Community Facilities Districts including prepaid, exempt or Undeveloped Property which are not subject to the levy of Special Taxes. Tables 6A and 6B and 7A through 7I set forth Value-to-Lien category ranges only for the parcels subject to the levy of Special Taxes in Fiscal Year 2013-14 utilizing the assessed values as of January 1, 2013, which values include the assessed value for the homes under construction and for the lots for which Building Permits had been issued as of January 1, 2013, for CFD Nos. 4, 6, 8 (with respect to Improvement Area B), 9 and 12, March 1, 2013, for CFD No. 2, and May 1, 2013, for CFD Nos. 10, 13 and 14.

The Debt Reports generally include long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Community Facilities Districts 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 Districts. 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 Authority, the School District, the City of San Diego or other public agencies at any time.

Property in each Community Facilities District is subject to special assessments, Special Taxes and *ad valorem* property taxes. See “ – Overlapping Assessment and Maintenance Districts” below. Of the lien amounts reflected on the following tables, only the Special Taxes, assessment levies and *ad valorem* property taxes relating to general obligation bonds are associated with any indebtedness.

The *ad valorem* tax rate for each parcel in the Community Facilities Districts varies. Tables 9A through 9L, below, indicate median tax rates for Fiscal Year 2013-14 of 1.59% with respect to CFD No. 2, 1.55% with respect to CFD No. 4, 1.87% (detached homes) and 1.85% (attached homes) with respect to CFD No. 6, 1.63% with respect to CFD No. 8 (with respect to Improvement Area B), 1.51% with respect to CFD No. 9, 1.78% (detached homes) and 2.01% (attached homes) with respect to CFD No. 10, 1.57% with respect to CFD No. 12, 1.74% with respect to CFD No. 13 and 1.99% (detached homes) and 2.18% (attached homes) with respect to CFD No. 14. CFD No. 15 estimated amounts will not be available until Fiscal 2014-15. The tax rate in excess of the standard 1% general purpose *ad valorem* levy is attributable to various public agencies, including, Metropolitan Water District, San Diego County Water Authority and Olivenhain Municipal Water District. The portions of these outstanding general obligation bonds allocable to each Community Facilities District are shown in the tables below.

The Authority and the Community Facilities Districts have not undertaken to commission annual appraisals of the market value of property in such Community Facilities Districts for purposes of the 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 – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto.

The overlapping debt report in Table 8A below includes the assessed value of all parcels within CFD No. 2.

**Table 8A  
Community Facilities District No. 2  
of the Poway Unified School District  
Detailed Direct and Overlapping Debt**

**I. Assessed Value**

**2013-14 Secured Roll Assessed Value** **\$550,888,280**

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcel s	Levy
Basic 1% Levy	PROP13	962,867	\$3,775,811,595.09	0.14361%	660	\$5,422,345.57
Voter Approved Debt	VOTER	962,763	\$461,884,715.79	0.02477%	660	\$114,405.36
City of San Diego Penasquitos East Maintenance District	LMD	10,171	\$234,885.74	1.80132%	48	\$4,231.04
City of San Diego Torrey Highlands Maintenance District	LMD	1,884	\$432,214.04	36.47757%	534	\$157,661.16
County of San Diego Vector Control, Zone A	VECTOR	533,424	\$1,498,024.20	0.13117%	655	\$1,965.00
County of San Diego Vector Control, Zone B	VECTOR	360,965	\$752,852.54	0.00151%	5	\$11.40
County of San Diego Vector Disease Control	VECTOR	948,993	\$5,275,209.40	0.07062%	660	\$3,725.12
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,998	\$4,371,960.40	0.20431%	660	\$8,932.20
Poway Unified School District CFD No. 2	CFD	729	\$1,527,614.70	100.00000%	621	\$1,527,614.70
Poway Unified School District CFD No. 2, Impv Area 1	CFD	108	\$171,034.58	100.00000%	108	\$171,034.58
San Diego County Water Authority Standby Charge	STANDBY	363,873	\$3,830,166.94	0.20276%	660	\$7,766.10
<b>2013-14 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$7,420,777.54</b>
<b>TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2013-14 ASSESSED VALUATION</b>						<b>1.35%</b>

**III. Land Secured Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 2	CFD	\$14,233,847	\$11,823,847	100.00000%	621	\$11,823,847
Poway Unified School District CFD No. 2, Impv Area 1	CFD	\$2,830,000	\$2,770,000	100.00000%	108	\$2,770,000
<b>TOTAL LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$14,593,847</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$14,593,847</b>

**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	\$165,085,000	0.02523%	660	\$41,652
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$315,828,901	0.60874%	660	\$1,922,586
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$1,964,238</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$1,964,238</b>
<b>TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT</b>						<b>\$16,558,085.08</b>

<sup>(1)</sup>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.

The overlapping debt report in Table 8B below includes the assessed value of all parcels within CFD No. 4.

**Table 8B**  
**Community Facilities District No. 4**  
**of the Poway Unified School District**  
**Detailed Direct and Overlapping Debt**

**I. Assessed Value**

**2013-14 Secured Roll Assessed Value** **\$1,118,489,747**

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	961,824	\$3,649,804,545	0.28979%	1,029	\$10,942,058.47
Voter Approved Debt	VOTER	961,631	\$329,159,699	0.04998%	1,029	\$230,868.16
City of San Diego CFD No. 2, Impv Area 1	CFD	996	\$4,082,517	100.00000%	996	\$3,923,879.56
City of San Diego Landscape Maintenance District (Black Mountain Ranch)	LMD	1,458	\$254,934	70.37811%	978	\$179,491.58
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	51,897	\$1,463,357	0.24827%	16	\$3,712.98
County of San Diego Service Area No. 83 (Park Maintenance)	OPENSOURCE	4,942	\$510,272	2.54109%	47	\$13,184.92
County of San Diego Vector Control, Zone A	VECTOR	532,622	\$1,495,640	0.19986%	998	\$2,994.00
County of San Diego Vector Control, Zone B	VECTOR	360,572	\$751,895	0.00969%	32	\$72.96
County of San Diego Vector Disease Control	VECTOR	948,076	\$5,259,845	0.12169%	1,030	\$6,419.62
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,321	\$4,368,410	0.37715%	1,029	\$16,488.64
Olivenhain Municipal Water District Sewer Service Charge	SWR/WTR	47	\$94,071	100.00000%	47	\$94,071.00
Palomar Pomerado Health GOB 2004	GOB	188,965	\$13,889,909	0.36912%	217	\$52,961.81
Poway Unified School District CFD No. 4	CFD	1,285	\$1,196,694	100.00000%	828	\$1,257,275.20
San Diego County Water Authority Standby Charge	STANDBY	363,349	\$3,828,268	0.37451%	1,030	\$14,344.20
<b>2013-14 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$16,737,823.20</b>
<b>TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2013-14 ASSESSED VALUATION</b>						<b>1.50%</b>

**III. Land Secured Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego CFD No. 2, Impv Area 1	CFD	\$61,020,000	\$46,375,000	100.00000%	996	\$46,375,000
Poway Unified School District CFD No. 4	CFD	\$19,979,000	\$19,517,000	100.00000%	828	\$19,517,000
<b>TOTAL LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$65,892,000</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$65,892,000</b>

**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	\$165,085,000	0.05123%	1,029	\$84,569
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$315,828,901	1.23595%	1,029	\$3,903,500
Palomar Pomerado Health GOB 2004	GOB	\$495,999,997	\$471,823,577	0.38668%	217	\$1,824,435
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$5,812,504</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$5,812,504</b>
<b>TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT</b>						<b>\$71,704,503.66</b>

<sup>(1)</sup>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.

The overlapping debt report in Table 8C below includes the assessed value of all parcels within CFD No. 6.

**Table 8C  
Community Facilities District No. 6  
of the Poway Unified School District  
Detailed Direct and Overlapping Debt**

**I. Assessed Value**

**2013-14 Secured Roll Assessed Value**

**\$2,479,971,535**

**II. Secured Property Taxes**

<b>Description on Tax Bill</b>	<b>Type</b>	<b>Total Parcels</b>	<b>Total Levy</b>	<b>% Applicable</b>	<b>Parcels</b>	<b>Levy</b>
Basic 1% Levy	PROP13	962,867	\$3,775,811,595	0.64831%	3,858	\$24,478,886.23
Voter Approved Debt	VOTER	962,763	\$461,884,716	0.08532%	3,858	\$394,071.33
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	52,226	\$1,495,552	7.96843%	3,644	\$119,172.00
County of San Diego Service Area No. 83 (Park Maintenance)	OPENSOURCE	4,946	\$518,869	75.99067%	3,791	\$394,291.84
County of San Diego Street Lighting, Zone A	LLMD	97,061	\$710,750	4.43374%	3,703	\$31,512.78
County of San Diego Vector Control, Zone B	VECTOR	360,965	\$752,853	1.16839%	3,858	\$8,796.24
County of San Diego Vector Disease Control	VECTOR	948,993	\$5,275,209	0.00373%	3,858	\$21,270.22
Metropolitan Water District of Southern California Standby Charge	STANDBY	24,982	\$402,220	12.88646%	3,856	\$51,831.88
Metropolitan Water District of Southern California Standby Charge	STANDBY	19,173	\$308,280	0.00373%	1	\$11.50
Olivenhain Municipal Water District AD No. 96-1	1915	23,038	\$1,406,668	15.69913%	3,831	\$220,834.58
Olivenhain Municipal Water District Sewer Charge	SEWER	4,804	\$3,861,742	73.87584%	3,856	\$2,852,884.16
Palomar Pomerado Health GOB 2004	GOB	189,043	\$14,348,009	4.00934%	3,858	\$575,259.94
Poway Unified School District CFD No. 6	CFD	3,769	\$9,283,928	100.00000%	3,769	\$9,283,927.74
Poway Unified School District CFD No. 6, Impv Area A	CFD	563	\$1,492,839	100.00000%	563	\$1,492,839.08
Poway Unified School District CFD No. 6, Impv Area B	CFD	1,856	\$2,563,427	100.00000%	1,856	\$2,563,427.14
Poway Unified School District CFD No. 6, Impv Area C	CFD	239	\$557,333	100.00000%	239	\$557,333.36
Rancho Santa Fe Fire Protection District Special Tax	FIRE	12,335	\$1,022,330	26.02389%	3,857	\$266,050.00
San Diego County Water Authority Standby Charge	STANDBY	25,006	\$351,127	12.84024%	3,858	\$45,085.50
<b>2013-14 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$43,357,495.42</b>
<b>TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2013-14 ASSESSED VALUATION</b>						<b>1.75%</b>

**III. Land Secured Bond Indebtedness**

<b>Outstanding Direct and Overlapping Bonded Debt</b>	<b>Type</b>	<b>Issued</b>	<b>Outstanding</b>	<b>% Applicable</b>	<b>Parcels</b>	<b>Amount</b>
Olivenhain Municipal Water District AD No. 96-1	1915	\$22,530,000	\$14,090,000	15.69913%	3,831	\$2,212,007
Poway Unified School District CFD No. 6	CFD	\$128,855,000	\$121,145,000	100.00000%	3,769	\$121,145,000
Poway Unified School District CFD No. 6, Impv Area A	CFD	\$18,000,000	\$17,770,000	100.00000%	563	\$17,770,000
Poway Unified School District CFD No. 6, Impv Area B	CFD	\$30,000,000	\$28,490,000	100.00000%	1,856	\$28,490,000
Poway Unified School District CFD No. 6, Impv Area C	CFD	\$9,470,000	\$9,405,000	100.00000%	239	\$9,405,000
<b>TOTAL LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$179,022,007</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$179,022,007</b>

**IV. General Obligation Bond Indebtedness**

<b>Outstanding Direct and Overlapping Bonded Debt</b>	<b>Type</b>	<b>Issued</b>	<b>Outstanding</b>	<b>% Applicable</b>	<b>Parcels</b>	<b>Amount</b>
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$165,085,000	0.11358%	3,858	\$187,510
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$315,828,901	2.74042%	3,858	\$8,655,036
Palomar Pomerado Health GOB 2004	GOB	\$495,999,997	\$471,823,577	4.00080%	3,858	\$18,876,718
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$27,719,264</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$27,719,264</b>

**TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT**

**\$206,741,271.13**

<sup>(1)</sup>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.

The overlapping debt report in Table 8D below includes the assessed value of all parcels within Improvement Area B of CFD No. 8.

**Table 8D  
Community Facilities District No. 8  
Improvement Area B  
of the Poway Unified School District  
Detailed Direct and Overlapping Debt**

**I. Assessed Value**

**2013-14 Secured Roll Assessed Value** **\$205,712,675**

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	962,867	\$3,775,811,595	0.05415%	225	\$2,044,596.75
Voter Approved Debt	VOTER	962,763	\$461,884,716	0.00934%	225	\$43,138.82
City of San Diego CFD No. 2, Impv Area 4	CFD	214	\$609,598	100.00000%	214	\$609,698.36
City of San Diego Landscape Maintenance District (Black Mountain Ranch)	LMD	1,459	\$255,039	12.68124%	219	\$32,342.10
County of San Diego Vector Control, Zone A	VECTOR	532,424	\$1,498,024	0.04506%	225	\$675.00
County of San Diego Vector Disease Control	VECTOR	948,993	\$5,275,209	0.02408%	225	\$1,270.48
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,998	\$4,371,960	0.16509%	225	\$7,217.88
Palomar Pomerado Health GOB 2004	GOB	189,043	\$14,348,009	0.00434%	6	\$622.51
Poway Unified School District CFD No. 8, Impv Area B	CFD	262	\$542,450	100.00000%	188	\$542,449.92
San Diego County Water Authority Standby Charge	STANDBY	363,873	\$3,830,167	0.16378%	225	\$6,272.90
<b>2013-14 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$3,288,455.52</b>
<b>TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2013-14 ASSESSED VALUATION</b>						<b>1.60%</b>

**III. Land Secured Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego CFD No. 2, Impv Area 4	CFD	\$9,965,000	\$6,840,000	100.00000%	214	\$6,840,000
Poway Unified School District CFD No. 8, Impv Area B	CFD	\$7,329,000	\$6,525,000	100.00000%	188	\$6,525,000
<b>TOTAL LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$13,365,000</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$13,365,000</b>

**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	\$165,085,000	0.00942%	225	\$15,554
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$315,828,901	0.22732%	225	\$717,932
Palomar Pomerado Health GOB 2004	GOB	\$495,999,997	\$471,823,577	0.00427%	6	\$20,163
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$753,649</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$753,649</b>
<b>TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT</b>						<b>\$14,118,648.69</b>

<sup>(1)</sup>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.

The overlapping debt report in Table 8E below includes the assessed value of all parcels within CFD No. 9.

**Table 8E**  
**Community Facilities District No. 9**  
**of the Poway Unified School District**  
**Detailed Direct and Overlapping Debt**

**I. Assessed Value**

**2013-14 Secured Roll Assessed Value** **\$77,580,831**

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	962,867	\$3,775,804,545	0.02046%	63	\$772,378.31
Voter Approved Debt	VOTER	962,763	\$461,884,716	0.00269%	63	\$12,434.63
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	52,226	\$1,495,552	0.11669%	63	\$1,745.10
County of San Diego Service Area No. 83 (Park Maintenance)	OPENSOURCE	4,946	\$518,869	1.38611%	63	\$7,192.08
County of San Diego Street Lighting, Zone A	LLMD	97,061	\$710,750	0.05744%	63	\$408.24
County of San Diego Vector Control, Zone B	VECTOR	360,965	\$752,853	0.01908%	63	\$143.64
County of San Diego Vector Disease Control	VECTOR	948,993	\$5,275,209	0.00700%	63	\$369.18
Metropolitan Water District of Southern California Standby Charge	STANDBY	24,982	\$402,220	0.18033%	63	\$725.32
Olivenhain Municipal Water District AD No. 96-1	1915	23,038	\$1,406,668	0.01694%	63	\$238.26
Palomar Pomerado Health GOB 2004	GOB	189,043	\$14,348,009	0.12651%	63	\$18,150.96
Poway Unified School District CFD No. 9	CFD	66	\$154,743	100.00000%	63	\$154,743.00
Rancho Santa Fe Community Services District CFD No. 1	CFD	987	\$3,581,479	4.51479%	63	\$161,696.16
Rancho Santa Fe Community Services District Sewer Service Charge	SEWER	1,009	\$728,502	6.91831%	63	\$50,400.00
Rancho Santa Fe Fire Protection District Special Tax	FIRE	12,335	\$1,022,330	0.31790%	63	\$3,250.00
San Diego County Water Authority Standby Charge	STANDBY	25,006	\$351,127	0.17962%	63	\$630.70

**2013-14 TOTAL PROPERTY TAX LIABILITY** **\$1,184,505.58**

**TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2013-14 ASSESSED VALUATION** **1.53%**

**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	\$14,090,000	0.01694%	63	\$2,387
Poway Unified School District CFD No. 9	CFD	\$1,711,000	\$1,576,000	100.00000%	63	\$1,576,000
Rancho Santa Fe Community Services District CFD No. 1	CFD	\$48,660,000	\$44,940,000	4.51479%	63	\$2,028,947

**TOTAL LAND SECURED BOND INDEBTEDNESS (1)** **\$3,607,333**

**TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)** **\$3,607,333**

**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	\$165,085,000	0.00355%	63	\$5,866
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$315,828,901	0.08573%	63	\$270,755
Palomar Pomerado Health GOB 2004	GOB	\$495,999,997	\$471,823,577	0.12516%	63	\$590,519

**TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)** **\$867,140**

**TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)** **\$867,140**

**TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT** **\$4,474,473.87**

<sup>(1)</sup>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.

The overlapping debt report in Table 8F below includes the assessed value of all parcels within CFD No. 10.

**Table 8F**  
**Community Facilities District No. 10**  
**of the Poway Unified School District**  
**Detailed Direct and Overlapping Debt**

**I. Assessed Value**

2013-14 Secured Roll Assessed Value **\$991,173,757**

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	962,867	\$3,775,811,595	0.25538%	1,324	\$9,642,757.50
Voter Approved Debt	VOTER	962,763	\$461,884,716	0.04405%	1,324	\$203,449.22
City of San Diego Penasquitos East Maintenance District	LMD	10,171	\$234,886	0.00749%	1	\$17.60
City of San Diego Torrey Highlands Maintenance District	LMD	1,884	\$432,214	61.27100%	1,256	\$264,821.88
County of San Diego Vector Control, Zone A	VECTOR	533,424	\$1,498,024	0.26495%	1,323	\$3,969.00
County of San Diego Vector Control, Zone B	VECTOR	360,965	\$752,853	0.00030%	1	\$2.28
County of San Diego Vector Disease Control	VECTOR	948,993	\$5,275,209	0.14455%	1,324	\$7,625.16
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,998	\$4,371,960	0.35423%	1,324	\$15,486.60
Poway Unified School District CFD No. 10	CFD	1,411	\$2,639,140	100.00000%	1,286	\$2,639,139.84
Poway Unified School District CFD No. 10, Impv Area A	CFD	389	\$929,959	100.00000%	389	\$929,958.82
Poway Unified School District CFD No. 10, Impv Area B	CFD	235	\$596,259	100.00000%	235	\$569,259.28
Poway Unified School District CFD No. 10, Impv Area C	CFD	191	\$296,637	100.00000%	191	\$296,636.56
Poway Unified School District CFD No. 10, Impv Area D	CFD	142	\$412,384	100.00000%	142	\$412,384.40
Poway Unified School District CFD No. 10, Impv Area E	CFD	275	\$482,496	100.00000%	275	\$482,496.16
Poway Unified School District CFD No. 10, Impv Area F	CFD	73	\$134,934	100.00000%	73	\$134,934.38
Poway Unified School District CFD No. 10, Impv Area F (Supplemental)	CFD	73	\$58,921	100.00000%	73	\$58,920.68
San Diego County Water Authority Standby Charge	STANDBY	363,873	\$3,830,167	0.35388%	1,325	\$13,554.30

**2013-14 TOTAL PROPERTY TAX LIABILITY** **\$15,675,413.66**

**TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2013-14 ASSESSED VALUATION** **1.58%**

**III. Land Secured Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 10	CFD	\$38,230,000	\$37,213,000	100.00000%	1,286	\$37,213,000
Poway Unified School District CFD No. 10, Impv Area A	CFD	\$9,700,000	\$9,065,000	100.00000%	389	\$9,065,000
Poway Unified School District CFD No. 10, Impv Area B	CFD	\$6,345,000	\$6,005,000	100.00000%	235	\$6,005,000
Poway Unified School District CFD No. 10, Impv Area C	CFD	\$3,000,000	\$2,595,000	100.00000%	191	\$2,595,000
Poway Unified School District CFD No. 10, Impv Area D	CFD	\$5,125,000	\$4,220,000	100.00000%	142	\$4,220,000
Poway Unified School District CFD No. 10, Impv Area E	CFD	\$5,750,000	\$4,735,000	100.00000%	275	\$4,735,000
Poway Unified School District CFD No. 10, Impv Area F	CFD	\$1,695,000	\$1,695,000	100.00000%	73	\$1,695,000

**TOTAL LAND SECURED BOND INDEBTEDNESS (1)** **\$65,528,000**

**TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)** **\$65,528,000**

**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	\$165,085,000	0.04540%	1,324	\$74,942
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$315,828,901	1.09527%	1,324	\$3,459,170

**TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)** **\$3,534,113**

**TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)** **\$3,534,113**

**TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT** **\$69,062,112.65**

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

The overlapping debt report in Table 8G below includes the assessed value of all parcels within CFD No. 12.

**Table 8G  
Community Facilities District No. 12  
of the Poway Unified School District  
Detailed Direct and Overlapping Debt**

**I. Assessed Value**

2013-14 Secured Roll Assessed Value **\$289,867,416**

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	962,867	\$3,775,811,595	0.07624%	393	\$2,878,864.16
Voter Approved Debt	VOTER	962,763	\$461,884,716	0.01315%	393	\$60,740.42
City of San Diego CFD No. 4	CFD	350	\$1,243,924	100.00000%	350	\$1,243,924.14
City of San Diego Landscape Maintenance District (Black Mountain Ranch)	LMD	1,459	\$255,039	16.94065%	262	\$43,205.24
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	52,226	\$1,495,552	0.01667%	9	\$249.30
County of San Diego Vector Control, Zone A	VECTOR	533,424	\$1,498,024	0.05287%	264	\$792.00
County of San Diego Vector Control, Zone B	VECTOR	360,965	\$752,853	0.03907%	129	\$294.12
County of San Diego Vector Disease Control	VECTOR	948,993	\$5,275,209	0.03895%	393	\$2,054.80
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,998	\$4,371,960	0.13797%	393	\$6,031.80
Palomar Pomerado Health GOB 2004	GOB	188,043	\$14,348,009	0.18731%	131	\$26,875.46
Poway Unified School District CFD No. 12	CFD	441	\$703,563	100.00000%	307	\$730,562.94
San Diego County Water Authority Standby Charge	STANDBY	363,873	\$3,830,167	0.13691%	393	\$5,243.90
<b>2013-14 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$4,998,838.28</b>
<b>TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2013-14 ASSESSED VALUATION</b>						<b>1.72%</b>

**III. Land Secured Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego CFD No. 4	CFD	\$12,365,000	\$11,180,000	100.00000%	350	\$11,180,000
Poway Unified School District CFD No. 12	CFD	\$15,679,087	\$10,135,468	100.00000%	307	\$10,135,468
<b>TOTAL LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$21,315,468</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$21,315,468</b>

**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	\$165,085,000	0.01328%	393	\$21,917
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$315,828,901	0.32031%	393	\$1,011,630
Palomar Pomerado Health GOB 2004	GOB	\$495,999,997	\$471,823,577	0.188519%	131	\$873,748
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$1,907,294</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$1,907,294</b>

**TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT **\$23,222,762.05****

<sup>(1)</sup>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.



The overlapping debt report in Table 8H below includes the assessed value of all parcels within CFD No. 13.

**Table 8H**  
**Community Facilities District No. 13**  
**of the Poway Unified School District**  
**Detailed Direct and Overlapping Debt**

**I. Assessed Value**

2013-14 Secured Roll Assessed Value **\$192,738,362**

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	962,867	\$3,775,811,595.09	0.05094%	357	\$1,923,547.62
Voter Approved Debt	VOTER	962,763	\$461,884,715.79	0.00670%	357	\$30,966.85
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	52,226	\$1,495,552.32	0.23708%	127	\$3,545.62
County of San Diego Street Lighting, Zone A	LLMD	97,061	\$710,749.60	0.09482%	104	\$673.92
County of San Diego Vector Control, Zone B	VECTOR	360,965	\$752,852.54	0.10721%	354	\$807.12
County of San Diego Vector Disease Control	VECTOR	948,993	\$5,275,209.40	0.01848%	354	\$974.94
Metropolitan Water District of Southern California Standby Charge	STANDBY	24,982	\$402,219.72	1.14202%	353	\$4,593.42
Olivenhain Municipal Water District AD No. 96-1	1915	23,038	\$1,406,667.72	1.99242%	350	\$28,026.66
Palomar Pomerado Health GOB 2004	GOB	189,043	\$13,348,008.51	0.31505%	357	\$45,203.44
Poway Unified School District CFD No. 13	CFD	389	\$408,823.26	100.00000%	135	\$408,823.26
Poway Unified School District SFID No. 2002-1, 2011 Refunding	GOB	43,437	\$3,541,823.71	0.95422%	357	\$33,796.80
Poway Unified School District SFID No. 2002-1, Series B	GOB	43,437	\$6,593,794.28	0.95422%	357	\$62,919.43
Poway Unified School District SFID No. 2002-1, Series C	GOB	43,437	\$951,475.46	0.95425%	357	\$9,079.44
Rancho Santa Fe Community Services District CFD No. 1	CFD	987	\$3,581,479.42	39.75723%	351	\$1,423,897.18
Rancho Santa Fe Community Services District Sewer Service Charge	SEWER	1,009	\$728,502.00	24.57069%	353	\$178,998.00
Rancho Santa Fe Fire Protection District Special Tax	FIRE	12,335	\$1,022,330.00	1.23835%	356	\$12,660.00
San Diego County Water Authority Standby Charge	STANDBY	25,006	\$351,126.64	1.15952%	357	\$4,071.40
<b>2013-14 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$4,172,585.10</b>
<b>TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2013-14 ASSESSED VALUATION</b>						<b>2.16%</b>

**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	\$14,090,000	1.99242%	350	\$280,732
Poway Unified School District CFD No. 13	CFD	\$5,375,000	\$5,375,000	100.00000%	135	\$5,375,000
Rancho Santa Fe Community Services District CFD No. 1	CFD	\$48,660,000	\$44,940,000	39.75723%	351	\$17,866,899
<b>TOTAL LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$23,522,631</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$23,522,631</b>

**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	\$165,085,000	0.00883%	357	\$14,573
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$315,838,901	0.21298%	357	\$672,652
Palomar Pomerado Health GOB 2004	GOB	\$495,999,997	\$472,823,577	0.30193%	357	\$1,467,060
Poway Unified School District SFID 2002-1	GOB	\$197,999,320	\$165,364,320	0.58744%	357	\$971,411
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$3,125,696</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$3,125,696</b>

**TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT **\$26,648,327.35****

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

The overlapping debt report in Table 8I below includes the assessed value of all parcels within CFD No. 14.

**Table 8I  
Community Facilities District No. 14  
of the Poway Unified School District  
Detailed Direct and Overlapping Debt**

**I. Assessed Value**

2013-14 Secured Roll Assessed Value **\$611,980,886**

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	962,867	\$3,775,811,595.09	0.16074%	1,155	\$6,069,069.58
Voter Approved Debt	VOTER	962,763	\$461,884,715.79	0.02772%	1,155	\$128,046.01
County of San Diego Vector Control, Zone A	VECTOR	533,424	\$1,498,024.20	0.00020%	1	\$3.00
County of San Diego Vector Control, Zone B	VECTOR	360,965	\$752,852.54	0.34949%	1,154	\$2,631.12
County of San Diego Vector Disease Control	VECTOR	948,993	\$5,275,209.40	0.10789%	1,155	\$5,691.60
Metropolitan Water District of Southern California Standby Charge	STANDBY	356,998	\$4,371,960.40	0.32645%	1,151	\$14,272.18
Palomar Pomerado Health GOB 2004	GOB	189,043	\$14,348,008.51	0.99403%	1,155	\$142,624.19
Poway Unified School District CFD No. 14	CFD	1,269	\$3,475,176.48	100.00000%	1,045	\$3,475,176.48
Poway Unified School District CFD No. 14 Impv Area A	CFD	1,269	\$3,210,463.32	100.00000%	1,047	\$3,210,463.32
San Diego County Water Authority Standby Charge	STANDBY	363,873	\$3,830,166.94	0.32559%	1,155	\$12,470.70
<b>2013-14 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$13,060,448.18</b>
<b>TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2013-14 ASSESSED VALUATION</b>						<b>2.13%</b>

**III. Land Secured Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Poway Unified School District CFD No. 14	CFD	\$51,515,000	\$49,555,000	100.00000%	1,045	\$49,555,000
Poway Unified School District CFD No. 14 Impv Area A	CFD	\$51,495,000	\$49,725,000	100.00000%	1,047	\$49,725,000
<b>TOTAL LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$99,280,000</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$99,280,000</b>

**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	\$165,085,000	0.02803%	1,149	\$46,271.63
Palomar Community College District GOB 2006	GOB	\$334,998,901	\$315,828,901	0.67625%	1,149	\$2,135,797.22
Palomar Pomerado Health GOB 2004	GOB	\$495,999,997	\$471,823,577	0.98727%	1,149	\$4,658,194.96
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$6,840,263.82</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$6,840,263.82</b>
<b>TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT</b>						<b>\$106,120,263.82</b>

<sup>(1)</sup>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.

The tables below set forth estimated Fiscal Year 2013-14 overall tax rates projected to be applicable to a Detached Unit and/or Attached Unit of the indicated square footage for the indicated Community Facilities District. For CFD No. 15, estimated amounts are based on an estimated sales value because the assessed values of the 6 units levied in Fiscal Year 2013-14 did not include the full value of the improvements on the lots. 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 9A**  
**Community Facilities District No. 2**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Detached Unit Containing 2,585 Building Square Feet)**

<b>Assessed Valuations and Property Taxes</b>			
Assessed Value <sup>(1)</sup>	\$765,375		
Homeowner's Exemption	0		
<b>Net Assessed Value<sup>(2)</sup></b>	<b>\$765,375</b>		
<b>Ad Valorem Property Taxes</b>		<b>Percent of Total AV</b>	<b>Amount</b>
General Purposes		1.00000%	\$7,653.75
Ad Valorem Tax Overrides			
Palomar Community College Debt Service		0.01260%	\$96.44
Metropolitan Water District Debt Service		0.00350%	26.79
San Diego City Zoological Exhibit Debt Service		0.00500%	38.27
<b>Total Ad Valorem Property Taxes</b>		<b>1.02110%</b>	<b>\$7,815.24</b>
<b>Assessments, Special Taxes and Parcel Charges<sup>(3)</sup></b>			
Poway Unified School District CFD No. 2, IA 1			\$1,422.80
Poway Unified School District CFD No. 2			2,813.24
Torrey Highlands Maintenance Charge			91.30
MWD Water Standby Charge			11.50
San Diego County CWA Water Availability Standby Charge			10.00
County of San Diego Mosquito/Disease Control			5.86
County of San Diego Mosquito/Rat Control			3.00
			<b>\$4,357.70</b>
<b>Total Assessments, Special Taxes and Parcel Charges</b>			<b>\$12,172.94</b>
<b>Total Property Taxes</b>			<b>1.59%</b>

<sup>(1)</sup>FY 2013-14 assessed valuation for a single family detached unit containing 2,585 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 2.

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

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

Source: Dolinka Group, LLC.

**Table 9B**  
**Community Facilities District No. 4**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Detached Unit Containing 4,260 Building Square Feet)**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$968,000
Homeowner's Exemption	(7,000)
Net Assessed Value <sup>(2)</sup>	\$961,000

**Ad Valorem Property Taxes**

	Percent of Total AV	Amount
General Purposes	1.00000%	\$9,610.00
Ad Valorem Tax Overrides		
Palomar Community College Debt Service	0.01260%	\$121.18
Metropolitan Water District Debt Service	0.00350%	33.64
San Diego City Zoological Exhibit Debt Service	0.00500%	48.05
Total Ad Valorem Property Taxes	1.02110%	\$9,812.76

**Assessments, Special Taxes and Parcel Charges <sup>(3)</sup>**

Poway Unified School District CFD No. 4	\$1,168.54
Santa Luz CFD No. 2, Improvement Area 1	3,798.06
Black Mountain Ranch Sewer Maintenance Charge	150.00
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	5.86
County of San Diego Mosquito Surveillance	3.00
	\$5,146.96
Total Assessments, Special Taxes and Parcel Charges	\$14,959.72
<b>Total Property Taxes</b>	<b>1.55%</b>

<sup>(1)</sup>FY 2013-14 assessed valuation for a single family detached unit containing 4,260 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 4.

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

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

Source: Dolinka Group, LLC.

**Table 9C**  
**Community Facilities District No. 6**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Detached Unit Containing 2,559 Building Square Feet)**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$636,180
Homeowner's Exemption	(7,000)
<hr/> Net Assessed Value <sup>(2)</sup>	<hr/> \$629,180

**Ad Valorem Property Taxes**

	Percent of Total AV	Amount
General Purposes	1.00000%	\$6,291.80
Ad Valorem Tax Overrides		
Palomar Pomerado Health Debt Service	0.02350%	\$147.85
Palomar Community College Debt Service	0.01260%	79.27
Metropolitan Water District Debt Service	0.00350%	22.02
<hr/> Total Ad Valorem Property Taxes	<hr/> 1.03960%	<hr/> \$6,540.94

**Assessments, Special Taxes and Parcel Charges <sup>(3)</sup>**

Poway Unified School District CFD No. 6	\$3,031.68
Poway Unified School District CFD No. 6, IA B	1,594.44
Olivehain Municipal Water District Sanitation (4S Ranch)	435.00
County of San Diego CSA 83 Zone A Park Maintenance	114.16
Rancho Santa Fe Fire District Special Tax	50.00
Olivehain Municipal Water District Assessment District No. 96-1	55.32
County of San Diego CSA 17 Emergency Ambulance Service	27.70
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
San Diego County Street Lighting Zone A	6.48
County of San Diego Vector Disease Control	5.86
County of San Diego Mosquito/Rat Control	2.28
	<hr/> \$5,344.42
Total Assessments, Special Taxes and Parcel Charges	<hr/> \$11,885.36
<hr/> <b>Total Property Taxes</b>	<hr/> <b>1.87%</b>

<sup>(1)</sup>FY 2013-14 assessed valuation for a single family detached unit containing 4,260 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 6.

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

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

Source: Dolinka Group, LLC.

**Table 9D**  
**Community Facilities District No. 6**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Attached Unit Containing 1,395 Building Square Feet)**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$320,000
Homeowner's Exemption	(7,000)
Net Assessed Value <sup>(2)</sup>	\$313,000

**Ad Valorem Property Taxes**

	Percent of Total AV	Amount
General Purposes	1.00000%	\$3,130.00
Ad Valorem Tax Overrides		
Palomar Pomerado Health Debt Service	0.02350%	\$73.56
Palomar Community College Debt Service	0.01260%	39.44
Metropolitan Water District Debt Service	0.00350%	10.95
Total Ad Valorem Property Taxes	1.03960%	\$3,253.94

**Assessments, Special Taxes and Parcel Charges <sup>(3)</sup>**

Poway Unified School District CFD No. 6	\$1,336.30
Poway Unified School District CFD No. 6, IA B	652.48
Olivehain Municipal Water District Sanitation (4S Ranch)	433.00
County of San Diego CSA 83 Zone A Park Maintenance	79.90
Rancho Santa Fe Fire District Special Tax	50.00
Olivehain Municipal Water District Assessment District No. 96-1	41.68
County of San Diego CSA 17 Emergency Ambulance Service	27.70
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
San Diego County Street Lighting Zone A	5.18
County of San Diego Vector Disease Control	4.10
County of San Diego Mosquito/Rat Control	2.28
	\$2,654.12
Total Assessments, Special Taxes and Parcel Charges	\$5,908.06
<b>Total Property Taxes</b>	<b>1.85%</b>

<sup>(1)</sup>FY 2013-14 assessed valuation for a single family detached unit containing 1,395 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 6.

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

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

Source: Dolinka Group, LLC.

**Table 9E**  
**Community Facilities District No. 8 Improvement Area B**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Detached Unit Containing 3,977 Building Square Feet)**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$1,020,000
Homeowner's Exemption	(0)
Net Assessed Value <sup>(2)</sup>	\$1, 020,000

**Ad Valorem Property Taxes**

	Percent of Total AV	Amount
General Purposes	1.00000%	\$10,200.00
Ad Valorem Tax Overrides		
Palomar Community College Debt Service	0.01260%	\$128.52
Metropolitan Water District Debt Service	0.00350%	35.70
San Diego City Zoological Exhibit Debt Service	0.00500%	51.00
Total Ad Valorem Property Taxes	1.02110%	\$10,415.22

**Assessments, Special Taxes and Parcel Charges <sup>(3)</sup>**

Poway Unified School District CFD No. 8 Improvement Area B	\$3,011.18
City of San Diego Santa Luz CFD No. 2, Improvement Area 4	2,974.42
Black Mountain Ranch Maintenance Charge	150.00
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	5.86
County of San Diego Mosquito Surveillance	3.00
	\$6,165.96
Total Assessments, Special Taxes and Parcel Charges	\$16,581.18
<b>Total Property Taxes</b>	<b>1.63%</b>

<sup>(1)</sup>FY 2013-14 assessed valuation for a single family detached unit containing 3,977 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 8 Improvement Area B.

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

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

Source: Dolinka Group, LLC.

**Table 9F**  
**Community Facilities District No. 9**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Detached Unit Containing 4,474 Building Square Feet)**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$1,221,000
Homeowner's Exemption	(7,000)
<hr/> Net Assessed Value <sup>(2)</sup>	<hr/> \$1,214,000

**Ad Valorem Property Taxes**

	Percent of Total AV	Amount
General Purposes	1.00000%	\$12,140.00
Ad Valorem Tax Overrides		
Palomar Pomerado Health Debt Service	0.02350%	\$285.29
Palomar Community College Debt Service	0.01260%	152.96
Metropolitan Water District Debt Service	0.00350%	42.49
<hr/> Total Ad Valorem Property Taxes	<hr/> 1.03960%	<hr/> \$12,620.74

**Assessments, Special Taxes and Parcel Charges <sup>(3)</sup>**

Poway Unified School District CFD No. 9	\$2,464.18
Rancho Santa Fe Community CSD CFD No. 1	2,286.64
Olivehain Municipal Water District Sanitation	800.00
County of San Diego CSA 83 Zone A Park Maintenance	114.16
Rancho Santa Fe Fire District Special Tax	50.00
Olivehain Municipal Water District Assessment District No. 96-1	3.78
County of San Diego CSA 17 Emergency Ambulance Service	27.70
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
San Diego County Street Lighting Zone A	6.48
County of San Diego Mosquito/Disease Control	5.86
County of San Diego Mosquito/Rat Control	2.28
	<hr/> \$5,782.58
 Total Assessments, Special Taxes and Parcel Charges	 \$18,403.32
<hr/> <b>Total Property Taxes</b>	<hr/> 1.51%

<sup>(1)</sup>FY 2013-14 assessed valuation for a single family detached unit containing 4,474 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 9.

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

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

Source: Dolinka Group, LLC.



**Table 9G**  
**Community Facilities District No. 10**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Detached Unit Containing 2,858 Building Square Feet)**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$650,000
Homeowner's Exemption	(7,000)
Net Assessed Value <sup>(2)</sup>	\$643,000

**Ad Valorem Property Taxes**

	Percent of Total AV	Amount
General Purposes	1.00000%	\$6,430.00
Ad Valorem Tax Overrides		
Palomar Community College Debt Service	0.01260%	\$81.02
Metropolitan Water District Debt Service	0.00350%	22.50
San Diego City Zoological Exhibit Debt Service	0.00500%	32.15
Total Ad Valorem Property Taxes	1.02110%	\$6,565.66

**Assessments, Special Taxes and Parcel Charges <sup>(3)</sup>**

Poway Unified School District CFD No. 10	\$2,305.28
Poway Unified School District CFD No. 10 Improvement Area A	2,518.86
Torrey Highlands Maintenance Charge	140.04
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	5.86
County of San Diego Mosquito Surveillance	3.00
	\$4,994.54
Total Assessments, Special Taxes and Parcel Charges	\$11,560.20
<b>Total Property Taxes</b>	<b>1.78%</b>

<sup>(1)</sup>FY 2013-14 assessed valuation for a single family detached unit containing 2,858 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 10.

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

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

Source: Dolinka Group, LLC.

**Table 9H**  
**Community Facilities District No. 10**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Attached Unit Containing 1,731 Building Square Feet)**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$322,000
Homeowner's Exemption	(7,000)
Net Assessed Value <sup>(2)</sup>	\$315,000

**Ad Valorem Property Taxes**

	Percent of Total AV	Amount
General Purposes	1.00000%	\$3,150.00
Ad Valorem Tax Overrides		
Palomar Community College Debt Service	0.01260%	\$39.69
Metropolitan Water District Debt Service	0.00350%	11.03
San Diego City Zoological Exhibit Debt Service	0.00500%	15.74
Total Ad Valorem Property Taxes	1.02110%	\$3,216.46

**Assessments, Special Taxes and Parcel Charges <sup>(3)</sup>**

Poway Unified School District CFD No. 10	\$1,316.22
Poway Unified School District CFD No. 10 Improvement Area E	1,812.68
Torrey Highlands Maintenance Charge	98.02
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	4.10
County of San Diego Mosquito Surveillance	3.00
	\$3,255.52
Total Assessments, Special Taxes and Parcel Charges	\$6,471.98
<b>Total Property Taxes</b>	<b>2.01%</b>

<sup>(1)</sup>FY 2013-14 assessed valuation for a single family detached unit containing 1,731 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 10.

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

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

Source: Dolinka Group, LLC.

**Table 9I**  
**Community Facilities District No. 12**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Detached Unit Containing 2,682 Building Square Feet)**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$784,309
Homeowner's Exemption	(7,000)
<hr/> Net Assessed Value <sup>(2)</sup>	<hr/> \$777,309

<b>Ad Valorem Property Taxes</b>	Percent of Total AV	Amount
General Purposes	1.00000%	\$7,773.09
Ad Valorem Tax Overrides		
Palomar Community College Debt Service	0.01260%	\$97.94
Metropolitan Water District Debt Service	0.00350%	27.21
San Diego City Zoological Exhibit Debt Service	0.00500%	38.87
<hr/> Total Ad Valorem Property Taxes	<hr/> 1.02110%	<hr/> \$7,937.10
 <b>Assessments, Special Taxes and Parcel Charges <sup>(3)</sup></b>		
Poway Unified School District CFD No. 12		\$1,707.00
Black Mountain Ranch CFD No. 4		2,500.02
Black Mountain Ranch Sewer Maintenance Charge		150.00
MWD Water Standby Charge		11.50
San Diego County CWA Water Availability Standby Charge		10.00
County of San Diego Vector Disease Control		5.86
County of San Diego Mosquito Surveillance		3.00
		<hr/> \$4,387.38
Total Assessments, Special Taxes and Parcel Charges		\$12,324.48
<hr/> <b>Total Property Taxes</b>		<hr/> 1.57%

<sup>(1)</sup>FY 2013-14 assessed valuation for a single family detached unit containing 2,682 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 12.

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

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

Source: Dolinka Group, LLC.

**Table 9J**  
**Community Facilities District No. 13**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Detached Unit Containing 3,437 Building Square Feet)**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$841,398
Homeowner's Exemption	(7,000)
<b>Net Assessed Value <sup>(2)</sup></b>	<b>\$834,398</b>

<b>Ad Valorem Property Taxes</b>	Percent of Total AV	Amount
General Purposes	1.00000%	\$8,343.98
Ad Valorem Tax Overrides		
Palomar Pomerado Health Debt Service	0.02350%	\$196.08
Palomar Community College Debt Service	0.01260%	105.13
Poway Unified SFID 2002-1 Prop U	0.05500%	458.92
Metropolitan Water District Debt Service	0.00350%	29.20
<b>Total Ad Valorem Property Taxes</b>	<b>1.09460%</b>	<b>\$9,133.32</b>

**Assessments, Special Taxes and Parcel Charges <sup>(3)</sup>**

Poway Unified School District CFD No. 13	\$2,733.50
Rancho Santa Fe Community CSD CFD No. 1	1,776.78
Sewer Service Charge	800.00
Olivenhain Municipal Water District Assessment District No. 96-1	90.80
Fire District Special Tax	50.00
County of San Diego CSA 17 Emergency Ambulance Service	27.70
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
San Diego County Street Lighting Zone A	6.48
County of San Diego Vector Disease Control	5.86
County of San Diego Mosquito Surveillance	2.28

Total Assessments, Special Taxes and Parcel Charges \$5,514.90

\$14,648.22

**Total Property Taxes**

1.74%

<sup>(1)</sup>FY 2013-14 assessed valuation for a single family detached unit containing 3,437 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 13.

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

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

*Source: Dolinka Group, LLC.*

**Table 9K**  
**Community Facilities District No. 14**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Detached Unit Containing 2,000 Building Square Feet)**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$584,369
Homeowner's Exemption	(7,000)
<b>Net Assessed Value <sup>(2)</sup></b>	<b>\$577,369</b>

**Ad Valorem Property Taxes**

	Percent of Total AV	Amount
General Purposes	1.00000%	\$5,773.69
Ad Valorem Tax Overrides		
Palomar Pomerado Health Debt Service	0.02350%	\$135.68
Palomar Community College Debt Service	0.01260%	72.75
San Diego City Zoological Exhibits	0.00500%	28.86
Metropolitan Water District Debt Service	0.00350%	20.20
<b>Total Ad Valorem Property Taxes</b>	<b>1.04460%</b>	<b>\$6,031.18</b>

**Assessments, Special Taxes and Parcel Charges <sup>(3)</sup>**

Poway Unified School District CFD No. 14	\$2,938.76
Poway Unified School District CFD No. 14 Improvement Area A	2,612.22
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	5.86
County of San Diego Mosquito Surveillance	2.28
	<b>\$5,580.62</b>

Total Assessments, Special Taxes and Parcel Charges

\$11,611.80

**Total Property Taxes**

1.99%

<sup>(1)</sup>FY 2013-14 assessed valuation for a single family detached unit containing 2,000 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 14.

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

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

*Source: Dolinka Group, LLC.*

**Table 9L**  
**Community Facilities District No. 14**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Attached Unit Containing 2,302 Building Square Feet)**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$484,000
Homeowner's Exemption	(7,000)
<b>Net Assessed Value <sup>(2)</sup></b>	<b>\$477,000</b>

**Ad Valorem Property Taxes**

	Percent of Total AV	Amount
General Purposes	1.00000%	\$4,770.00
Ad Valorem Tax Overrides		
Palomar Pomerado Health Debt Service	0.02350%	\$112.10
Palomar Community College Debt Service	0.01260%	60.10
San Diego City Zoological Exhibits	0.00500%	23.85
Metropolitan Water District Debt Service	0.00350%	16.70
<b>Total Ad Valorem Property Taxes</b>	<b>1.04460%</b>	<b>\$4,982.74</b>

**Assessments, Special Taxes and Parcel Charges <sup>(3)</sup>**

Poway Unified School District CFD No. 14	\$2,845.40
Poway Unified School District CFD No. 14 Improvement Area A	2,709.96
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	4.10
County of San Diego Mosquito Surveillance	2.28
	<b>\$5,583.24</b>

Total Assessments, Special Taxes and Parcel Charges

\$10,565.98

**Total Property Taxes**

2.18%

<sup>(1)</sup>FY 2013-14 assessed valuation for a single family detached unit containing 2,302 building square feet, selected to represent the median effective tax rate for a residential unit within CFD No. 14.

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

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

*Source: Dolinka Group, LLC.*

**Table 9M**  
**Community Facilities District No. 15**  
**of the Poway Unified School District**  
**Estimated Fiscal Year 2013-14 Tax Rates**  
**(Single Family Attached Unit Containing 2,701 Building Square Feet)**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$797,965
Homeowner's Exemption	(7,000)
Net Assessed Value <sup>(2)</sup>	\$790,965

<b>Ad Valorem Property Taxes</b>	Percent of Total AV	Amount
General Purposes	1.00000%	\$7,909.65
Ad Valorem Tax Overrides		
Palomar Pomerado Health Debt Service	0.02350	\$185.88
Palomar Community College Debt Service	0.01260	99.66
San Diego City Zoological Exhibits	0.00500	39.55
Metropolitan Water District Debt Service	0.00350	27.68
<b>Total Ad Valorem Property Taxes</b>	<b>1.04460%</b>	<b>\$8,262.42</b>

**Assessments, Special Taxes and Parcel Charges <sup>(3)</sup>**

Poway Unified School District CFD No. 15	\$2,677.98
Poway Unified School District CFD No. 15 Improvement Area A	2,871.82
Black Mountain Ranch North Maintenance Assessment District, Zone G	49.62
MWD Water Standby Charge	11.50
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	5.86
County of San Diego Mosquito Surveillance	2.28
	<b>\$5,629.06</b>
<b>Total Assessments, Special Taxes and Parcel Charges</b>	<b>\$13,891.48</b>

**Total Property Taxes** 1.74%

(1) Projected FY 2013-14 assessed valuation based on sales price for a single family attached unit containing 2,701 building square feet, as provided by Standard Pacific.

(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: Dolinka Group, LLC.

## **Overlapping Assessment and Maintenance Districts**

As indicated in the tables above, properties within each Community Facilities District are subject to a variety of standby charges, direct assessments, maintenance assessments, special assessments and service charges.

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

Accordingly, the debt on the property within each 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 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 a 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 “BOND OWNERS’ RISKS – The Installment Payments and Net Available Special Tax Revenues – *Assessed Values*.”

## **Rates and Methods of Apportionment of Special Tax**

The Board and the qualified electors of each Community Facilities District adopted and approved the applicable Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes for such Community Facilities District. Copies are included herein in APPENDIX B.

Pursuant to each Rate and Method, the annual amount of Special Tax to be levied on each lot or parcel of land within such Community Facilities District is generally to be levied as follows: (i) to pay debt service on the indebtedness of the Community Facilities District; (ii) for the direct cost of authorized facilities; (iii) for the administrative expenses with respect to the Community Facilities District incurred in administration of any bonded indebtedness of the Community Facilities District or the levy of the applicable Special Tax; (iv) to establish or replenish any reserve fund; (v) to pay lease payments for existing or future school facilities; and (vi) any other payments permitted by law.

The foregoing Special Taxes with respect to each Community Facilities District were levied on Developed Property as defined in the applicable Rate and Method with respect to such Community Facilities District. The homes have been sold to individual owners and, based on the assessed value, no taxpayer Special Tax levy in any Community Facilities District exceeds 1%. Information regarding the Fiscal Year 2013-14 and Fiscal Year 2014-15 Special Tax levy is set forth above in Tables 2A through 3J in “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes.”



*CFD No. 2 Rate and Method.* The Board and the qualified electors of CFD No. 2 adopted and approved the CFD No. 2 Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. A copy of the CFD No. 2 Rate and Method is included herein in Appendix B.

Special Taxes may be levied for a period of 25 Fiscal Years after the last series of bonds has been issued for CFD No. 2; provided that the Annual Special Taxes will not be levied after Fiscal Year 2045-46 with respect to CFD No. 2. All property within CFD No. 2 which is being taxed is classified as Developed Property.

The amount of Special Taxes estimated to be levied on parcels within CFD No. 2 for Fiscal Year 2013-14 is set forth in Table 2 with average levy rates and the amounts levied subject to escalation at 2% each year. The CFD No. 2 Rate and Method provides that the Special Tax may be levied up to the maximum Special Tax that is applicable to each parcel.

CFD No. 2 Special Taxes may be prepaid by paying the prepayment amount minus an amount based on the amount of the applicable Series of Senior CFD Bonds and Installment Payments which have been retired with respect to such parcel. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the applicable Special Tax Fund to be applied for the purposes and in the priorities set forth in the Senior CFD No. 2 Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Senior CFD No. 2 Bonds and will not be used for prepayments under the Joint Acquisition Agreement unless no Senior CFD No. 2 Bonds are Outstanding and the Senior CFD No. 2 Indenture has been discharged. See “THE BONDS – Redemption – Mandatory Redemption from Special Tax Prepayments” and “SOURCES OF PAYMENT FOR THE BONDS – Redemption Fund.”

*CFD No. 4 Rate and Method.* The Board and the qualified electors of CFD No. 4 adopted and approved the CFD No. 4 Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. A copy of the CFD No. 4 Rate and Method is included herein in Appendix B.

Special Taxes may be levied no later than Fiscal Year 2045-46 with respect to CFD No. 4. All property within CFD No. 4 which is being taxed is classified as Developed Property.

The amount of Special Taxes estimated to be levied on parcels within CFD No. 4 for Fiscal Year 2013-14 is set forth in Table 2 with average levy rates and the amounts levied subject to escalation at 2% each year until Fiscal Year 2030-31. The CFD No. 4 Rate and Method provides that the Special Tax may be levied up to the maximum Special Tax that is applicable to each parcel.

CFD No. 4 Special Taxes may be prepaid by paying the prepayment amount minus an amount based on the amount of the applicable Series of Senior CFD Bonds and Installment Payments which have been retired with respect to such parcel. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the applicable Special Tax Fund to be applied for the purposes and in the priorities set forth in the Senior CFD No. 4 Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Senior CFD No. 4 Bonds and will not be used for prepayments under the Joint Acquisition Agreement unless no Senior CFD No. 4 Bonds are Outstanding and the Senior CFD No. 4 Indenture has been discharged. See “THE BONDS – Redemption – Mandatory Redemption from Special Tax Prepayments” and “SOURCES OF PAYMENT FOR THE BONDS – Redemption Fund.”

*CFD No. 6 Rate and Method.* The Board and the qualified electors of CFD No. 6 adopted and approved the CFD No. 6 Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. A copy of the CFD No. 6 Rate and Method is included herein in Appendix B.

Special Taxes may be levied for a period of 25 Fiscal Years after the last series of bonds has been issued for CFD No. 6; provided that the Annual Special Taxes will not be levied after Fiscal Year 2045-46 with respect to CFD No. 6. All property within CFD No. 6 which is being taxed is classified as Developed Property.

The amount of Special Taxes estimated to be levied on parcels within CFD No. 6 for Fiscal Year 2013-14 is set forth in Table 2 with average levy rates and the amounts levied subject to escalation at 2% each. The CFD No. 6 Rate and Method provides that the Special Tax may be levied up to the maximum Special Tax that is applicable to each parcel.

CFD No. 6 Special Taxes may be prepaid by paying the prepayment amount minus an amount based on the amount of the applicable Series of CFD Bonds and Installment Payments which have been retired with respect to such parcel. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the applicable Special Tax Fund to be applied for the purposes and in the priorities set forth in the Senior CFD No. 6 Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Senior CFD No. 6 Bonds and will not be used for prepayments under the Joint Acquisition Agreement unless no Senior CFD No. 6 Bonds are Outstanding and the Senior CFD No. 6 Indenture has been discharged. See “THE BONDS – Redemption – *Mandatory Redemption from Special Tax Prepayments*” and “SOURCES OF PAYMENT FOR THE BONDS – Redemption Fund.”

*Improvement Area B of CFD No. 8 Rate and Method.* The Board and the qualified electors in Improvement Area B of CFD No. 8 adopted and approved the Improvement Area B of CFD No. 8 Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. A copy of the CFD No. 8 Rate and Method (Improvement Area B) is included herein in Appendix B.

Special Taxes may be levied for a period of 25 Fiscal Years after the date on which all of the permanent facilities become completely funded for Improvement Area B of CFD No. 8; provided that the Annual Special Taxes will not be levied after Fiscal Year 2037-38 with respect to Improvement Area B of CFD No. 8. All property within Improvement Area B of CFD No. 8 which is being taxed is classified as Developed Property.

The amount of Special Taxes estimated to be levied on parcels within Improvement Area B of CFD No. 8 for Fiscal Year 2013-14 is set forth in Table 2 with average levy rates and the amounts levied subject to escalation at 2% each year. The CFD No. 8 Rate and Method (Improvement Area B) provides that the Special Tax may be levied up to the maximum Special Tax that is applicable to each parcel.

CFD No. 8 Special Taxes may be prepaid by paying the prepayment amount minus an amount based on the amount of the applicable Series of CFD Bonds and Installment Payments which have been retired with respect to such parcel. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the applicable Special Tax Fund to be applied for the purposes and in the priorities set forth in the Senior CFD No. 8 Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Senior CFD No. 8 Bonds and will not be used for prepayments under the Joint Acquisition Agreement unless no Senior CFD No. 8 Bonds are Outstanding and the Senior CFD No. 8 Indenture has been discharged. See “THE BONDS – Redemption – *Mandatory Redemption*”

*from Special Tax Prepayments*” and “SOURCES OF PAYMENT FOR THE BONDS – Redemption Fund.”

*CFD No. 9 Rate and Method.* The Board and the qualified electors of CFD No. 9 adopted and approved the Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. A copy of the Rate and Method for Improvement CFD No. 9 is included herein in Appendix B.

The amount of Special Taxes estimated to be levied on parcels within CFD No. 9 for Fiscal Year 2013-14 is set forth in Table 2 with the amounts subject to escalation at 2% each year.

Special Taxes may be levied for a period of 25 Fiscal Years after the last series of bonds has been issued for CFD No. 9; provided that the Annual Special Taxes will not be levied after Fiscal Year 2045-46 with respect to CFD No. 9. All property within CFD No. 9 which is being taxed is classified as Developed Property.

CFD No. 9 Special Taxes may be prepaid by paying the prepayment amount minus an amount based on the amount of the applicable Series of Senior CFD Bonds and Installment Payments which have been retired with respect to such parcel. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the applicable Special Tax Fund to be applied for the purposes and in the priorities set forth in the Senior CFD No. 9 Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Senior CFD No. 9 Bonds and will not be used for prepayments under the Joint Acquisition Agreement unless no Senior CFD No. 9 Bonds are Outstanding and the Senior CFD No. 9 Indenture has been discharged. See “SOURCES OF PAYMENT FOR THE BONDS – Redemption Fund.”

*CFD No. 10 Rate and Method.* The Board and the qualified electors of CFD No. 10 adopted and approved the Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. A copy of the Rate and Method for Improvement CFD No. 10 is included herein in Appendix B.

The amount of Special Taxes estimated to be levied on parcels within CFD No. 10 for Fiscal Year 2013-14 is set forth in Table 2 with the amounts subject to escalation at 2% each year.

Special Taxes may be levied for a period of 31 Fiscal Years after the last series of bonds has been issued for CFD No. 10; provided that the Annual Special Taxes will not be levied after Fiscal Year 2045-46 with respect to CFD No. 10. All property within CFD No. 10 which is being taxed is classified as Developed Property.

CFD No. 10 Special Taxes may be prepaid by paying the prepayment amount minus an amount based on the amount of the applicable Series of Senior CFD Bonds and Installment Payments which have been retired with respect to such parcel. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the applicable Special Tax Fund to be applied for the purposes and in the priorities set forth in the Senior CFD No. 10 Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Senior CFD No. 10 Bonds and will not be used for prepayments under the Joint Acquisition Agreement unless no Senior CFD No. 10 Bonds are Outstanding and the Senior CFD No. 10 Indenture has been discharged. See “THE BONDS – Redemption – *Mandatory Redemption from Special Tax Prepayments*” and “SOURCES OF PAYMENT FOR THE BONDS – Redemption Fund.”

*CFD No. 12 Rate and Method.* The Board and the qualified electors of CFD No. 12 adopted and approved the Rate and Method for determining and apportioning annual amounts of Special Taxes and

maximum annual amounts of Special Taxes, as applicable. A copy of the Rate and Method for Improvement CFD No. 12 is included herein in Appendix B.

The amount of Special Taxes estimated to be levied on parcels within CFD No. 12 for Fiscal Year 2013-14 is set forth in Table 2 with the amounts subject to escalation at 2% each year.

Special Taxes may be levied for a period of 33 Fiscal Years after the last series of bonds has been issued for CFD No. 12; provided that the Annual Special Taxes will not be levied after Fiscal Year 2042-43 with respect to CFD No. 12. All property within CFD No. 12 which is being taxed is classified as Developed Property.

CFD No. 12 Special Taxes may be prepaid by paying the prepayment amount minus an amount based on the amount of the applicable Series of Senior CFD Bonds and Installment Payments which have been retired with respect to such parcel. Funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the applicable Special Tax Fund to be applied for the purposes and in the priorities set forth in the Senior CFD No. 12 Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Senior CFD No. 12 Bonds and will not be used for prepayments under the Joint Acquisition Agreement unless no Senior CFD No. 12 Bonds are Outstanding and the Senior CFD No. 12 Indenture has been discharged. See "SOURCES OF PAYMENT FOR THE BONDS – Redemption Fund."

*CFD No. 13 Rate and Method.* The Board and the qualified electors of CFD No. 13 adopted and approved the Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. A copy of the Rate and Method for CFD No. 13 is included herein in Appendix B.

The amount of Special Taxes estimated to be levied on parcels within CFD No. 13 for Fiscal Year 2013-14 is set forth in Table 2 with average levy amounts and the amount levied subject to escalation at 2% each year.

Special Taxes may be levied for a period of 35 Fiscal Years after the last series of bonds have been issued for CFD No. 13, provided that Annual Special Taxes will not be levied after Fiscal Year 2051-52 with respect to CFD No. 13.

Special Taxes may be prepaid by paying an amount calculated based on the present value of special taxes remaining to be paid, less any applicable reserve fund credit plus administrative fees. The funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the applicable Special Tax Fund to be applied for the purposes and in the priorities set forth in the Senior CFD No. 13 Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Senior CFD No. 13 Bonds and will not be used for prepayments under the Joint Acquisition Agreement unless no Senior CFD No. 13 Bonds are Outstanding and the Senior CFD No. 13 Indenture has been discharged. See "THE BONDS – Redemption – *Mandatory Redemption from Special Tax Prepayments*" and "SOURCES OF PAYMENT FOR THE BONDS – Redemption Fund."

*CFD No. 14 Rate and Method.* The Board and the qualified electors of CFD No. 14 adopted and approved the Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. A copy of the Rate and Method for CFD No. 14 is included herein in APPENDIX B.

The amount of Special Taxes estimated to be levied on parcels within CFD No. 14 for Fiscal Year 2013-14 is set forth in Table 2 with average levy amounts and the amount levied subject to escalation at 2% each year.

Special Taxes may be levied for a period of 35 Fiscal Years after the last series of bonds has been issued for CFD No. 14; provided that the Annual Special Taxes will not be levied after Fiscal Year 2050-51 with respect to CFD No. 14. All property within CFD No. 14 which is being taxed is classified as Developed Property.

Special Taxes may be prepaid by paying an amount calculated based on the present value of special taxes remaining to be paid, less any applicable reserve fund credit plus administrative fees. The funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the applicable Special Tax Fund to be applied for the purposes and in the priorities set forth in the Senior CFD No. 14 Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Senior CFD No. 14 Bonds and will not be used for prepayments under the Joint Acquisition Agreement unless no Senior CFD No. 14 Bonds are Outstanding and the Senior CFD No. 14 Indenture has been discharged. See “THE BONDS – Redemption – *Mandatory Redemption from Special Tax Prepayments*” and “SOURCES OF PAYMENT FOR THE BONDS – Redemption Fund.”

*CFD No. 15 Rate and Method.* The Board and the qualified electors of CFD No. 15 adopted and approved the Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes, as applicable. A copy of the Rate and Method for CFD No. 15 is included herein in APPENDIX B.

The amount of Special Taxes estimated to be levied on parcels within CFD No. 15 for Fiscal Year 2013-14 is set forth in Table 2 with average levy amounts and the amount levied subject to escalation at 2% each year.

Special Taxes may be levied for a period of 33 Fiscal Years after the last series of bonds has been issued for CFD No. 15; provided that the Annual Special Taxes will not be levied after Fiscal Year 2055-56 with respect to CFD No. 15. All property within CFD No. 15 which is being taxed is classified as Developed Property.

Special Taxes may be prepaid by paying an amount calculated based on the present value of special taxes remaining to be paid, less any applicable reserve fund credit plus administrative fees. The funds received from prepayment of Special Taxes will be transferred to the Fiscal Agent for deposit into the applicable Special Tax Fund to be applied for the purposes and in the priorities set forth in the Joint Acquisition Agreement. Such funds may be used at any time for the call and redemption of the Bonds under the terms and conditions set forth in the Joint Acquisition Agreement and Indenture. See “THE BONDS – Redemption – *Mandatory Redemption from Special Tax Prepayments*” and “SOURCES OF PAYMENT FOR THE BONDS – Redemption Fund.”

## Special Tax Delinquency

Under the Joint Acquisition Agreement, each Community Facilities District has the authority and the obligation to increase the levy of Special Taxes against non-delinquent property owners if other owners in the Community Facilities District are delinquent. However, each Community Facilities District's ability to increase Special Tax levies for this purpose is limited by two factors: (a) the maximum Special Tax rates set forth in each respective Rate and Method and (b) the limitations on such increases set forth in the Mello-Roos Act, which provides that under no circumstances may the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by an owner of any other parcel or parcels within the Community Facilities District by more than 10%. Thus a Community Facilities District may not be able to increase Special Tax levies in future fiscal years by enough to make up for delinquencies for prior fiscal years. This could result in defaults in the payment of Installment Payments, which in turn could result in draws on the Reserve Account held by the Trustee for the Bonds.

Although each Community Facilities District has covenanted under the Joint Acquisition Agreement to commence and diligently pursue foreclosure under certain circumstances (see "SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure"), foreclosure delays may occur due to bankruptcy of delinquent property owners and other circumstances (see "BOND OWNERS' RISKS").

Delinquencies in the payment of property taxes and the Special Taxes may result from any of a number of factors, including the state of the local economy and the local real estate market affecting individual property owners, which may or may not apply to the property owners in a given Community Facilities District. See "BOND OWNERS' RISKS" generally, for discussion of certain potential causes of property tax delinquencies.

The following tables illustrate the historical delinquencies for Special Taxes levied for each Community Facilities District from Fiscal Year 2007-08 to and including the first installment of Fiscal Year 2013-14.

**Table 10A**  
**Community Facilities District No. 2**  
**of the Poway Unified School District**  
**Special Tax Collections<sup>(1)</sup>**

Fiscal Year Ending June 30	Subject Fiscal Year					January 23, 2014 <sup>(1)</sup>			
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$894,801.18	\$871,244.61	437	16	\$23,556.57	2.63%	0	\$0.00	0.00%
2009	912,697.24	890,762.88	437	13	21,934.36	2.40	0	0.00	0.00
2010	930,951.64	906,437.86	437	13	24,513.78	2.63	0	0.00	0.00
2011	988,224.06	979,534.86	452	4	8,689.20	0.88	1	2,172.30	0.22
2012	1,132,377.98	1,121,299.18	498	6	11,078.80	0.98	0	0.00	0.00
2013 <sup>(2)</sup>	1,339,993.04	1,325,296.69	565	8	14,696.35	1.10	1	2,260.08	0.17
2014 <sup>(3)</sup>	1,527,614.70	754,172.82	621	16	19,269.07	2.52	16	19,269.07	2.52

<sup>(1)</sup>Delinquency information is provided to the School District by the County as of January 23, 2014.

<sup>(2)</sup>One (1) Assessor's Parcel prepaid the Special Tax obligation.

<sup>(3)</sup>Represents first installment only.

Source: Dolinka Group, LLC.

**Table 10B**  
**Community Facilities District No. 4**  
**of the Poway Unified School District**  
**Special Tax Collections<sup>(1)</sup>**

Fiscal Year Ending June 30	Subject Fiscal Year						January 23, 2014 <sup>(1)</sup>		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$900,247.30	\$830,511.43	756	61	\$69,735.87	7.75%	0	\$0.00	0.00%
2009	981,805.62	913,829.58	778	64	67,976.04	6.92	0	0.00	0.00
2010	1,049,367.44	996,296.02	794	37	53,071.42	5.06	1	435.48	0.04
2011 <sup>(2)</sup>	1,087,080.36	1,072,789.62	800	14	14,290.74	1.31	1	444.19	0.04
2012 <sup>(3)</sup>	1,116,698.34	1,094,135.97	802	23	22,562.37	2.02	1	453.07	0.04
2013 <sup>(4)</sup>	1,196,693.86	1,177,041.29	820	17	19,652.57	1.64	3	4,048.40	0.34
2014 <sup>(5)</sup>	1,257,275.20	620,423.55	828	18	16,428.10	2.61	18	16,428.10	2.61

<sup>(1)</sup>Delinquency information is provided to the School District by the County as of January 23, 2014.

<sup>(2)</sup>One (1) Assessor's Parcel prepaid the Special Tax obligation.

<sup>(3)</sup>Two Assessor's Parcels prepaid the Special Tax obligation.

<sup>(4)</sup>Fiscal Year 2012-13 Special Tax levy includes three (3) Assessor's Parcels that have prepaid the Special Tax levy after the Special Tax levy was enrolled with the County Tax Collector.

<sup>(5)</sup>Represents first installment only.

Source: Dolinka Group, LLC.

**Table 10C**  
**Community Facilities District No. 6**  
**of the Poway Unified School District**  
**Special Tax Collections<sup>(1)</sup>**

Fiscal Year Ending June 30	Subject Fiscal Year						January 23, 2014 <sup>(1)</sup>		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$6,652,933.90	\$6,371,257.89	3,152	172	\$281,676.01	4.23%	0	\$0.00	0.00%
2009	7,412,148.40	7,145,058.61	3,380	155	267,089.79	3.60	1	2,561.84	0.03
2010	7,559,391.32	7,352,168.38	3,380	110	207,222.94	2.74	2	2,495.27	0.03
2011	8,073,732.82	7,993,414.69	3,543	46	80,318.13	0.99	3	6,422.81	0.08
2012 <sup>(2)</sup>	8,543,913.36	8,458,757.35	3,645	58	85,156.01	1.00	0	0.00	0.05
2013 <sup>(3)</sup>	8,940,185.46	8,887,824.27	3,718	31	52,361.19	0.59	7	12,901.03	0.18
2014 <sup>(4)(5)</sup>	9,283,927.74	4,626,689.00	3,769	26	30,549.75	0.66	26	30,549.75	0.66

<sup>(1)</sup>Delinquency information is provided to the School District by the County as of January 23, 2014.

<sup>(2)</sup>Thirty-three (33) Assessor's Parcels prepaid the Special Tax obligation.

<sup>(3)</sup>Twenty-two (22) Assessor's Parcels prepaid the Special Tax obligation.

<sup>(4)</sup>Eight (8) Assessor's Parcels prepaid the Special Tax obligation.

<sup>(5)</sup>Represents first installment only.

Source: Dolinka Group, LLC.

**Table 10D**  
**Community Facilities District No. 8 Improvement Area B**  
**of the Poway Unified School District**  
**Special Tax Collections<sup>(1)</sup>**

Fiscal Year Ending June 30	Subject Fiscal Year						January 23, 2014 <sup>(1)</sup>		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$495,270.50	\$463,427.73	190	14	\$31,842.77	6.43%	0	\$0.00	0.00%
2009	505,175.42	467,190.20	190	17	37,985.22	7.52	0	0.00	0.00
2010	515,279.82	482,118.58	190	15	33,161.24	6.44	0	0.00	0.00
2011 <sup>(2)</sup>	525,585.86	514,603.51	190	5	10,982.35	2.09	0	0.00	0.00
2012	533,202.20	517,863.04	189	6	15,339.16	2.88	0	0.00	0.00
2013 <sup>(3)</sup>	543,868.70	543,868.70	189	0	0.00	0.00	0	0.00	0.00
2014 <sup>(4)</sup>	542,449.92	268,344.92	188	4	5,760.09	2.12	4	5,760.09	2.12

<sup>(1)</sup>Delinquency information is provided to the School District by the County as of January 23, 2014.

<sup>(2)</sup>One (1) Assessor's Parcel prepaid the Special Tax obligation.

<sup>(3)</sup>Fiscal Year 2012-13 Special Tax levy includes one (1) Assessor's Parcel representing a ten (10) Unit Affordable complex that prepaid the Special Tax levy after the Special Tax levy was enrolled with the County Tax Collector.

<sup>(4)</sup>Represents first installment only.

Source: Dolinka Group, LLC.

**Table 10E**  
**Community Facilities District No. 9**  
**of the Poway Unified School District**  
**Special Tax Collections<sup>(1)</sup>**

Fiscal Year Ending June 30	Subject Fiscal Year						January 23, 2014 <sup>(1)</sup>		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$137,407.58	\$135,231.78	63	1	\$2,175.80	1.58%	0	\$0.00	0.00%
2009	140,155.76	134,588.59	63	4	5,567.17	3.97	0	0.00	0.00
2010	142,958.62	140,682.10	63	2	2,276.52	1.59	0	0.00	0.00
2011	145,817.70	145,817.70	63	0	0.00	0.00	0	0.00	0.00
2012	148,734.04	146,365.54	63	1	2,368.50	1.59	0	0.00	0.00
2013	151,708.34	151,708.34	63	0	0.00	0.00	0	0.00	0.00
2014 <sup>(2)</sup>	154,743.00	76,765.46	63	1	1,212.09	1.57	1	1,212.09	1.57

<sup>(1)</sup>Delinquency information is provided to the School District by the County as of January 23, 2014.

<sup>(2)</sup>Represents first installment only.

Source: Dolinka Group, LLC.



**Table 10F**  
**Community Facilities District No. 10**  
**of the Poway Unified School District**  
**Special Tax Collections<sup>(1)</sup>**

Fiscal Year Ending June 30	Subject Fiscal Year						January 23, 2014 <sup>(1)</sup>		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$2,101,425.88	\$2,020,042.85	1,180	62	\$81,383.03	3.87%	0	\$0.00	0.00%
2009	2,210,240.72	2,107,898.02	1,215	71	102,342.70	4.63	0	0.00	0.00
2010	2,254,452.16	2,187,660.73	1,215	43	66,791.43	2.96	0	0.00	0.00
2011	2,363,969.42	2,343,453.13	1,240	16	20,516.29	0.87	1	1,086.15	0.05
2012	2,476,147.08	2,438,192.52	1,264	21	37,954.56	1.53	3	4,437.24	0.18
2013 <sup>(2)</sup>	2,591,927.84	2,563,001.04	1,288	18	28,926.80	1.12	6	10,913.72	0.42
2014 <sup>(3)</sup>	2,639,139.84	1,308,226.02	1,286	22	22,687.81	1.72	22	22,687.81	1.72

<sup>(1)</sup>Delinquency information is provided to the School District by the County as of January 23, 2014.

<sup>(2)</sup>Two (2) Assessor's Parcels prepaid the Special Tax obligation.

<sup>(3)</sup>Represents first installment only.

Source: Dolinka Group, LLC.

**Table 10G**  
**Community Facilities District No. 12**  
**of the Poway Unified School District**  
**Special Tax Collections<sup>(1)</sup>**

Fiscal Year Ending June 30	Subject Fiscal Year						January 23, 2014 <sup>(1)</sup>		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$532,288.86	\$510,622.40	264	12	\$21,666.46	4.07%	0	\$0.00	0.00%
2009	556,449.32	545,927.82	269	6	10,521.50	1.89	0	0.00	0.00
2010	617,723.72	604,417.47	287	9	13,306.25	2.15	1	1,109.70	0.18
2011	647,127.38	638,767.12	293	5	8,360.26	1.29	1	2,263.78	0.35
2012 <sup>(2)</sup>	666,101.34	664,126.46	295	1	1,974.88	0.30	0	0.00	0.00
2013	703,802.64	695,102.91	303	6	8,699.73	1.24	1	2,355.24	0.33
2012 <sup>(3)</sup>	730,562.94	362,474.58	307	5	5,613.79	1.54	5	5,613.79	1.54

<sup>(1)</sup>Delinquency information is provided to the School District by the County as of January 23, 2014.

<sup>(2)</sup>One (1) Assessor's Parcel prepaid the Special Tax obligation.

<sup>(3)</sup>Represents first installment only.

Source: Dolinka Group, LLC.

**Table 10H  
Community Facilities District No. 13  
of the Poway Unified School District  
Special Tax Collections<sup>(1)</sup>**

Fiscal Year Ending June 30	Subject Fiscal Year						January 23, 2014 <sup>(1)</sup>		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$8,382.66	\$8,382.66	3	0	\$0.00	0.00%	0	\$0.00	0.00%
2009	226,037.72	224,336.72	81	1	1,701.00	0.75	0	0.00	0.00
2010 <sup>(2)</sup>	236,301.30	236,301.30	77	0	0.00	0.00	0	0.00	0.00
2011 <sup>(3)</sup>	217,654.42	217,654.42	76	0	0.00	0.00	0	0.00	0.00
2012	243,150.92	243,150.92	84	0	0.00	0.00	0	0.00	0.00
2013	299,812.20	294,291.07	103	2	5,523.63	1.84	0	0.00	0.00
2014 <sup>(4)</sup>	408,823.26	201,227.17	135	4	6,368.93	3.12	4	6,368.93	3.12

<sup>(1)</sup>Delinquency information is provided to the School District by the County as of January 23, 2014.

<sup>(2)</sup>Nine (9) units previously classified as Developed canceled their Building Permits and did not construct the permitted units.

<sup>(3)</sup>One (1) Assessor's Parcel prepaid the Special Tax obligation.

<sup>(4)</sup>Represents first installment only.

Source: Dolinka Group, LLC.

**Table 10I  
Community Facilities District No. 14  
of the Poway Unified School District  
Special Tax Collections<sup>(1)</sup>**

Fiscal Year Ending June 30	Subject Fiscal Year						January 23, 2014 <sup>(1)</sup>		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2008	\$2,399,971.62	\$2,358,019.29	998	19	\$41,952.33	1.75%	0	\$0.00	0.00%
2009	2,843,169.36	2,757,373.60	1,025	38	85,795.76	3.02	0	0.00	0.00
2010	3,059,396.32	3,010,143.85	1,079	19	49,252.47	1.61	0	0.00	0.00
2011	3,101,275.84	3,097,383.03	1,079	2	3,892.81	0.13	0	0.00	0.00
2012 <sup>(2)</sup>	3,152,480.38	3,127,732.44	1,078	13	24,747.94	0.79	0	0.00	0.00
2013	2,971,068.28	2,948,148.66	1,146	11	22,919.62	0.77	2	5,781.16	0.19
2014 <sup>(3)(4)</sup>	3,475,176.48	1,725,769.11	1,045	14	23,638.27	1.36	14	23,638.27	1.36

<sup>(1)</sup>Delinquency information is provided to the School District by the County as of January 23, 2014.

<sup>(2)</sup>Two (2) Assessor's Parcels prepaid the Special Tax obligation.

<sup>(3)</sup>Reduction in parcels levied is due to the levy on Developed Property only.

<sup>(4)</sup>Represents first installment only.

Source: Dolinka Group, LLC.

**Table 10J**  
**Community Facilities District No. 15**  
**of the Poway Unified School District**  
**Special Tax Collections<sup>(1)</sup>**

Fiscal Year Ending June 30	Subject Fiscal Year						January 23, 2014 <sup>(1)</sup>		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent <sup>(1)</sup>	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2014 <sup>(2)</sup>	\$18,463.14	\$9,231.57	6	0	\$0.00	0.00%	0	\$0.00	0.00%

<sup>(1)</sup>Delinquency information is provided to the School District by the County as of January 23, 2014.

<sup>(2)</sup>Represents first installment only.

Source: Dolinka Group, LLC.

### Special Taxes Are Not Within Teeter Plan

The Special Taxes are not encompassed within the alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the California Revenue and Taxation Code (Section 4701 *et seq.*), commonly referred to as the “Teeter Plan.” The County has adopted a Teeter Plan 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 special taxes, assessments or reassessments in its Teeter Plan. The Special Taxes of each Community Facilities District are not included in the County’s Teeter Plan.

### BOND OWNERS’ 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 Bonds. The Authority and the Community Facilities Districts 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 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 Districts to pay their Special Taxes when due. Any such failure to pay Special Taxes could result in the inability of the Community Facilities Districts to make full and punctual payments of Installment Payments which could result in the inability of the Authority 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 Districts.*

### The Bonds

The ability of the Authority to pay the principal of and interest on the Bonds depends upon the receipt by the Trustee of sufficient Installment Payments, amounts on deposit in the Reserve Account and interest earnings on amounts in the funds and accounts for the Bonds established by the Indenture. A number of risks that could prevent the Community Facilities Districts from paying the Installment Payments are outlined below.

*Limited Liability of the Authority.* Except as expressly provided in the Indenture, neither the Authority, nor the School District or CFD No. 1 in their respective capacities as members of the Authority, will have any obligation or liability of the Owners of the Bonds with respect to the payment when due of the Installment Payments by the Community Facilities Districts or with respect to the observance or performance by the Community Facilities Districts of other agreements, conditions, covenants and terms required to be observed or performed by the Community Facilities Districts under the Joint Acquisition Agreement, or with respect to the performance by the Trustee of any obligation required to be performed by it under the Indenture.

*Limited Secondary Market.* There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the Authority has committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bond Owners 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 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.

*Depletion of Reserve Account or Coverage Stabilization Fund.* The Reserve Account is to be maintained at an amount equal to the Reserve Requirement (see “SOURCES OF PAYMENT FOR THE BONDS – Reserve Account” herein) and until released in accordance with the Joint Acquisition Agreement, the Coverage Stabilization Fund is to be maintained at an amount equal to the Coverage Stabilization Requirement. Funds in the Reserve Account may be used to pay principal of and interest on the Bonds in the event the Installment Payments are insufficient due to delinquencies in Special Tax payments. Funds in the Coverage Stabilization Fund may be used to pay Installment Payments in the event Net Available Special Tax Revenues are insufficient due to delinquencies in Special Tax payments. If funds in the Reserve Account or the Coverage Stabilization Fund are depleted, the funds can be replenished from the payments due under the Joint Acquisition Agreement derived from the Net Available Special Tax Revenues. 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 Taxes against property within the applicable 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 Account or the Coverage Stabilization Fund will be depleted and not be replenished by the levy of the applicable Special Tax.

*Loss of Tax Exemption.* As discussed under the caption “CONCLUDING INFORMATION – Tax Matters,” the interest on the Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds as a result of a failure of the Authority or the Community Facilities Districts to comply with certain provisions of the Code. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Authority has covenanted in the Indenture and the Community Facilities Districts have covenanted in the Joint Acquisition Agreement 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 Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the Authority or the Community Facilities Districts in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the Indenture.

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

The School District received a letter from the Internal Revenue Service (“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 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 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 Bonds. In 2011 through 2013, 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 Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

*Limitations on Remedies.* Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds. See “ – *No Acceleration Provisions,*” and “ – *The Installment Payments and Net Available Special Tax Revenues – Billing of Special Taxes*” below.

*No Acceleration Provision.* The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture. Pursuant to the Indenture, any Owner of any of the Bonds is given the right for the equal benefit and protection of all Owners similarly situated to pursue certain remedies. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS.”

## **The Installment Payments and Net Available Special Tax Revenues**

*Risks of Real Estate Secured Investments Generally.* The Bond Owners 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 Districts, the supply of or demand for competitive properties in such area, and the market value of 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, fires and floods), which may result in uninsured losses.

*Risks Related to Current Real Estate Market Conditions.* The housing market in southern California experienced significant price appreciation and accelerating demand from approximately 2002 to 2006 but subsequently the housing market weakened substantially, with changes from the prior pattern of price appreciation and a slowdown in demand for new housing and declining prices.

*Economic Conditions.* The Bonds are being issued at a time of improving economic conditions. Unemployment rates have decreased to approximately 3.7% for the Poway area as of December 31, 2013 (not seasonally adjusted) as compared to 5.3% for calendar year 2012 and approximately 6.4% (not seasonally adjusted) for San Diego County as compared to 8.9% for calendar year 2012. The Authority and the Community Facilities Districts 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 Bonds.

*State Budget.* In recent years as a result of the slow State and United States of America economies, the State experienced serious budgetary shortfalls. The effect of the level of State revenues on the local or State economy or on the demand for, or value of, the property within the Community Facilities Districts cannot be predicted.

*The Installment Payments are Limited Obligations of the Community Facilities Districts.* The Community Facilities Districts have no obligation to pay the Installment Payments in the event Special Tax collections are delinquent, other than from funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Taxes are delinquent, nor are the Community Facilities Districts obligated to advance funds to pay the Installment Payments.

*Special Taxes are Not Personal Obligations.* The current and future owners of land within the Community Facilities Districts are not personally liable for the payment of the Special Taxes. Rather, the Special Tax is an obligation only of the land within each Community Facilities District. If the value of the land within a Community Facilities District is not sufficient to fully secure the Special Tax, then the Community Facilities District has no recourse against the owner under the laws by which the Special Tax has been levied.

*Assessed Values.* Prospective purchasers of the Bonds should not assume that the land within a 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 estimates the fee simple interest assessed value of the property within each 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 in a Community Facilities District should become delinquent in the payment of Special Taxes, and be foreclosed upon, that such property could be sold for the assessed value. See “THE COMMUNITY FACILITIES DISTRICTS –Estimated Value-to-Lien Ratios.”

*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. 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 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. They typically do not coordinate their bond issuances. Debt issuance by another entity can dilute value-to-lien ratios. See “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt.”

*Limited Obligation.* Neither the faith and credit nor the taxing power of the School District, the State or any political subdivision thereof other than each Community Facilities District is pledged to the payment of the Installment Payments. Except for the Net Available Special Tax Revenues, no other taxes are pledged to the payment of the Installment Payments. The Installment Payments are not general or special obligations of the School District, the State or any political subdivision thereof nor general obligations of the Community Facilities Districts, but are special obligations of each Community Facilities District, payable solely from Net Available Special Tax Revenues and the other assets pledged therefor under the Joint Acquisition Agreement.

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

The tables in the section entitled “THE COMMUNITY FACILITIES DISTRICTS – Direct and Overlapping Debt” state the presently outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property and furthermore states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels of Taxable Property. The tables do not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

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

In general, as long as the Special Taxes are collected on the County tax roll, the Special Taxes 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 Taxes 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 Taxes 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 Taxes is a claim with regard to a hazardous substance. See “Hazardous Substances” below.

*Disclosure to Future Purchasers.* Each Community Facilities District recorded a Notice of Special Tax Lien for the territory included in such Community Facilities District in the Office of the County Recorder of the County as described in “THE COMMUNITY FACILITIES DISTRICTS – General.” While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a home or parcel of land 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 Taxes when due.

*Special Tax Delinquencies.* In order to pay the Installment Payments, it is necessary that the Special Taxes within each Community Facilities District be paid in a timely manner. Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of the Installment Payments are derived, are customarily billed to the properties within the applicable Community Facilities District 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.

In the event that sales or foreclosures of property are necessary, there could be a delay in payment of Installment Payments pending such sales or the prosecution of foreclosure proceedings and receipt by the applicable Community Facilities District of the proceeds of sales. Such a delay could adversely affect the Authority’s ability to pay principal of or interest on the Bonds.

See “SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the Community Facilities Districts are obligated to follow under the Joint Acquisition Agreement, in the event of delinquencies in the payment of Special Taxes. See “– *Bankruptcy and Foreclosure Delay*” below, for a discussion of limitations on each Community Facilities District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

*Bankruptcy and Foreclosure Delay.* The payment of Special Taxes and the ability of a Community Facilities District to foreclose the lien of a delinquent Special Taxes as discussed in the section herein entitled “SOURCES OF PAYMENT 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 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.

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 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 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. Bond Owners 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.

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 control of the Community Facilities Districts 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 will 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.

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.

*Payments by FDIC, Fannie Mae, Freddie Mac and Other Federal Agencies.* The ability of a 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 Federal Deposit Insurance Corporation (the “FDIC”), the Federal National Mortgage Association (“Fannie Mae”), the Federal Home Loan Mortgage Corporation (“Freddie Mac”), the Drug Enforcement Agency, the Internal Revenue Service or other similar federal governmental agencies has or obtains an interest.

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

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the

extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. With respect to property in California owned by the FDIC on January 9, 1997, and that was owned by the Resolution Trust Corporation ("RTC") on December 31, 1995, or that became the property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes may be challenged by the FDIC.

The Authority and the Community Facilities Districts are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency on a parcel within a 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 reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that a Community Facilities District will be unable to collect Special Taxes or to foreclose on any parcel owned by the FDIC. Such an outcome could cause a default in payment on the Bonds. Based upon the secured tax roll as of January 1, 2013, the FDIC did not own any of the property in any Community Facilities District. The Authority and the Community Facilities Districts express no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

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 a 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*" and "*Insufficiency of Special Taxes*" and below.

*Exempt Properties.* Certain parcels (primarily park sites and open space areas) are exempt from the Special Tax in accordance with each Rate and Method and applicable provisions of the Act. 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 Districts acquired by a public entity through negotiated transactions, or by gift or devise, which is not otherwise exempt from the Special Tax will continue to be subject to the Special Tax. In addition, 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 and be paid from the eminent domain award. The constitutionality and operation of these

provisions of the Act have not been tested. If for any reason property subject to the Special Tax becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, or another public agency, subject to the limitation of the maximum authorized rate of levy, the Special Tax may be reallocated to the remaining taxable properties within the Community Facilities Districts. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax; however, the amount of Special Tax to be levied and collected from the property owner is subject to the Maximum Special Tax as set forth in each Rate and Method. If a substantial portion of land within the Community Facilities Districts became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay the Installment Payments when due and a default will occur with respect to the Installment Payments.

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. The Act would prohibit the Board from adopting a resolution to reduce the rate of the Special Tax or terminate the levy of the Special Tax unless the Board determined that the reduction or termination of the Special Tax “would not interfere with the timely retirement” of the obligation to pay the Installment Payments. See “ – *Right to Vote on Taxes Act*” below.

*Maximum Rates.* Within the limits of the applicable Rate and Method, each Community Facilities District may adjust the Special Tax levied on all property within such Community Facilities District to provide an amount required to pay the Installment Payments and other obligations of the Community Facilities District, to pay all of its annual Administrative Expenses and make its rebate payments to the United States government. However, the amount of the Special Tax that may be levied against particular categories of property within a Community Facilities District is subject to the maximum rates provided in the applicable Rate and Method. There is no assurance that the maximum rates will at all times be sufficient to pay the amounts required to be paid by the Joint Acquisition Agreement. See “SOURCES OF PAYMENT FOR THE BONDS – Redemption Fund” and “THE COMMUNITY FACILITIES DISTRICTS – Rates and Methods of Apportionment of Special Tax.”

*Insufficiency of Special Taxes.* Under the applicable Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in the Community Facilities District will be based primarily on whether such parcel is developed or not and, for Developed Property, on the type of structure and square footage of buildings constructed. See APPENDIX B – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX.”

*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 pursuant to the Act, more than two-thirds of the qualified electors within each Community Facilities District, consisting of the landowners within the boundaries of the applicable Community Facilities District, authorized such Community Facilities District to incur bonded indebtedness to finance the applicable project and approved the applicable Rate and Method. The Supreme Court of the State of California 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 each 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 "SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure," for a discussion of the provisions which apply, and procedures which each Community Facilities District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

*Collection of Special Tax.* In order to pay debt service on the Bonds, it is necessary that the Special Tax levied against land within each Community Facilities District be paid in a timely manner so that Installment Payments are paid in a timely manner. Each Community Facilities District has covenanted in the Joint Acquisition Agreement under certain conditions to institute foreclosure proceedings against property with delinquent Special Taxes in order to obtain funds to pay Installment Payments. 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 payment of Installment Payments 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 Installment Payment. Although the Act authorizes the Board to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the Board 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 "SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure."

*Seismic Conditions.* The Community Facilities Districts are located in a seismically active region in Southern California. Active faults which could cause significant ground shaking over the Community Facilities Districts 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 Districts. As a result, the property owners may be unable or unwilling to pay the Special Taxes when due, and the Reserve Account may eventually become depleted. In addition, the value of land in the Community Facilities Districts 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 Districts 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 Districts.

*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) is 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, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the land within the Community Facilities Districts 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.

*Right to Vote on Taxes Act.* An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C (“Article XIII C”) and Article XIII D 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 XIII C states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act 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 signed into law by the Governor of the State enacting Government Code Section 5854, states that:

“Section 3 of Article XIII C 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 payment of the Installment Payments.

It may be possible, however, for voters or the Community Facilities Districts to reduce the Special Taxes in a manner which does not interfere with the timely payment of the Installment Payments 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 payment of the Installment Payments.

Like its antecedents, the Initiative is likely to undergo both judicial and legislative scrutiny before its impact on the Community Facilities Districts 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 Districts are not able to predict the outcome of any such examination. The Community Facilities Districts have covenanted in the Joint Acquisition Agreement not to initiate proceedings under the Act to modify the Rate and Method of such Community Facilities District if such modification would adversely affect the security for the Installment Payments or other payments required to be made by the Community Facilities Districts under the Joint Acquisition Agreement. In addition, the Community Facilities Districts have covenanted that if an initiative is adopted that purports to modify such Rate and Method in a manner that would adversely affect the security for the Installment Payments or such other payments, such Community Facilities District will, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of such Rate and Method in a manner that would adversely affect the security for the Installment Payments or such other payments.

The foregoing discussion of the Initiative should not be considered an exhaustive or authoritative treatment of the issues. The Community Facilities Districts do 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 Installment Payments as well as the market for the 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 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.

## **THE AUTHORITY**

The Authority is a joint powers authority established by the School District and CFD No. 1 and constitutes a public instrumentality of the State. The Authority was formed for the public purpose of assisting in financing public capital improvements of the School District. The debts of the Authority are not an obligation of either the School District or CFD No. 1. The Authority was formed pursuant to a joint powers agreement approved and executed by the School District and CFD No. 1, dated as of October 21, 2002. The Authority is governed by a five-member Board of Directors which consists of all members of the Board. The President of the Board has been appointed the Chairperson of the Authority. The School District Superintendent acts as the Secretary of the Authority.

The Joint Powers Act provides for the issuance of revenue bonds of joint powers authorities, such as the Authority, to be repaid solely from the revenues of certain public obligations, such as the Installment Payments. The Authority has no taxing power. Pursuant the Joint Powers Act, the Authority is authorized to issue its revenue bonds for the purpose of financing, among other things, public capital improvement projects or to refund outstanding obligations of local entities.

The Bonds are being sold to provide money to enable the acquisition and construction of the Project. On January 21, 2014, by the adoption of a resolution, the Authority authorized the execution of the Indenture, the Continuing Disclosure Agreement and the Joint Acquisition Agreement.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE SCHOOL DISTRICT, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT NOR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM INSTALLMENT PAYMENTS BY THE COMMUNITY FACILITIES DISTRICTS AND CERTAIN AMOUNTS DEPOSITED BY THE AUTHORITY IN THE BOND FUND, REDEMPTION FUND AND RESERVE ACCOUNT AS MORE FULLY DESCRIBED HEREIN.

The Authority may issue obligations other than the Bonds, which other obligations are and will be secured by instruments and revenues separate and apart from the Indenture and the Bonds. The holders of such obligations of the Authority have no claim on the security of the Bonds and the owners of the Bonds will have no claim on the security of such other obligations issued by the Authority.

## **BOND INSURANCE**

*Set forth below is a brief summary of certain information concerning BAM and the terms of the Insurance Policy. The information relating to BAM and the Insurance Policy contained below has been supplied to the School District by BAM. No representation is made by the School District as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in the condition of BAM subsequent to the date of this Official Statement.*

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, BAM will issue the Policy for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the 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: 1 World Financial Center, 27<sup>th</sup> Floor, 200 Liberty Street, New York, New York 10281; its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com). BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://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, 2013, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$482.7 million, \$12.1 million and \$470.6 million, respectively.

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

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

BAM makes no representation regarding the 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/creditsights/](http://buildamerica.com/creditsights/). (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.)

**Obligor Disclosure Briefs.** Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM’s website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/). (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.)

**Disclaimers.** The Obligor Disclosure Briefs 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 Obligor Disclosure Briefs 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 Obligor Disclosure Briefs 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.

## CONCLUDING INFORMATION

### Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 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 Bonds is the first price at which a substantial amount of such maturity of the 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 Bonds accrues daily over the term to maturity of such 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 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher 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, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

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

tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

#### **Absence of Litigation**

No litigation is pending or threatened concerning the validity of the Bonds, the Indenture or the Joint Acquisition Agreement. There is no action, suit or proceeding known by the Authority or the Community Facilities Districts to be pending at the present time restraining or enjoining the delivery of the Bonds or the execution of the Indenture or the Joint Acquisition Agreement, or in any way contesting or affecting the validity of the Bonds or the Installment Payments or any proceedings of the Authority or the Community Facilities Districts taken with respect to thereto. No litigation certificates executed by the Authority and the Community Facilities Districts will be delivered to the Underwriter simultaneously with the delivery of the Bonds.

#### **No General Obligation of Authority, School District or Community Facilities Districts**

The Bonds are not general obligations of the Authority, School District or the Community Facilities Districts, but are limited obligations of the Authority payable from Installment Payments derived from the Net Available Special Tax Revenues. The Installment Payments are not general obligations of the Community Facilities Districts, but are limited obligations of the Community Facilities Districts, payable solely from proceeds of the Net Available Special Tax Revenues, including amounts in the Available Special Tax Revenue Fund, the Net Available Special Tax Revenue Fund and the Coverage Stabilization Fund and investment income on funds held pursuant to the Joint Acquisition Agreement (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 Installment Payments will be limited to the Special Taxes to be collected within the applicable Community Facilities District.

#### **Legal Opinions**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Authority. A

complete copy of the proposed form of Bond Counsel's opinion is attached hereto as Appendix E. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will also be passed upon by McFarlin & Anderson LLP, Laguna Hills, California, as Disclosure Counsel. Best Best & Krieger LLP will also pass upon certain legal matters for the Authority, the School District and the Community Facilities Districts as special counsel to these entities. Certain legal matters will be passed on for the Insurer by its legal counsel. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

## **Ratings**

The Bonds have been assigned a rating of "AA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") with the understanding that, upon delivery of the Bonds, the Policy will be issued by the Insurer. The Bonds have been assigned an underlying rating of "BBB-" by S&P. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency through its website. See "BOND INSURANCE" herein for a discussion of the rating assigned to the Insurer. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. Some information provided to the rating agency by the School District may not appear in this Official Statement. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

The Authority makes no representation as to the Insurer's creditworthiness and no representation that the Insurer's credit rating will be maintained in the future. S&P has previously taken action to downgrade the ratings of certain municipal bond insurers and has published various releases outlining the processes that S&P intends to follow in evaluating the ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade or a downgrade. Potential investors are directed to S&P for additional information on S&P's evaluations of the financial guaranty industry and individual financial guarantors, including the Insurer. See the caption "BOND INSURANCE" for further information relating to the Insurer.

## **Underwriting**

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, Los Angeles, California, (the "Underwriter") at a purchase price of \$40,481,638.80 (which represents the principal amount of the Bonds of \$40,000,000.00, plus the net premium of \$802,458.80 and less the Underwriter's discount of \$320,820.00). The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Bond Purchase Agreement.

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

## **Professional Fees**

Fees payable to certain professionals, including Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, Best Best & Krieger LLP, as Special Counsel, McFarlin & Anderson LLP, as Disclosure Counsel, the Underwriter, Nossaman LLP, as Underwriter's Counsel, and Zions First National Bank, as the Trustee and as the Fiscal Agent, are contingent upon the issuance of the Bonds. The fees of Dolinka Group, LLC, as Special Tax Consultant, are, in part, contingent upon the issuance of the Bonds and the fees of Dolinka Group, LLC, as Financial Advisor, are contingent upon the issuance of the Bonds. The fees of California Financial Services, Mission Viejo, California, are contingent upon the issuance of the Bonds.

## **Additional Information**

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 statements 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 representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority, the Community Facilities Districts or the School District and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

POWAY UNIFIED SCHOOL DISTRICT PUBLIC  
FINANCING AUTHORITY

By: /s/ John P. Collins, Ed.D.  
John P. Collins, Ed.D., Executive Director of the  
Poway Unified School District Public Financing  
Authority

## 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: Planning Director. There may be a charge for copying, mailing and handling.

#### **General Information**

The Poway Unified School District (the "School District") is a school district organized under the laws of the State of California (the "State"). The School District was established in 1962. The School District provides education instruction for grades K-12 within an approximately 100 square mile area in the central portion of the County of San Diego (the "County") and includes the City of Poway and portions of the City of San Diego and the County, including the communities of 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz, StoneBridge Estates and Torrey Highlands. The School District currently operates 25 elementary schools (K-5), six middle schools (6-8), five high schools (9-12), one virtual high school 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 2011-12 academic year was 33,545.42 and for the 2012-13 academic year was 34,055.11. The estimated population within the School District's boundaries was approximately 192,290 as of January 1, 2012. The School District reported 34,569 students enrolled at the California Basic Educational Data System ("CBEDS") for Fiscal Year 2011-12 and 35,196 students enrolled at the CBEDS during Fiscal Year 2012-13. The School District reports 35,407 students enrolled at the CBEDS during Fiscal Year 2013-14.

#### **Administration and Enrollment**

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

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

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

Commencing with the Fiscal Year 2013-14, the State budget restructures the manner in which the State allocates funding for K-12 education. In Fiscal Year 2013-14, State legislation replaces 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 provides 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 2013-14 the School District’s enrollment has been stable. The demographics of the School District reflect an increasing trend in elementary school population, stable trend in middle school population and slight decrease in high school population. Experience shows that the east side of the School District is nearly built out and west and 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**

<b>Fiscal Year</b>	<b>CBEDS Enrollment</b>	<b>District Average Daily Attendance</b>	<b>District Base Revenue Limit</b>
2006-07	32,873	31,817	5,527
2007-08	33,283	32,075	5,780
2008-09	33,305	32,366	6,110
2009-10	33,797	32,646	5,202
2010-11	34,135	33,054	5,207
2011-12	34,569	33,453	5,170
2012-13	35,196	34,059	5,227
2013-14	35,407	34,239	N/A

*Source: California Department of Education and the School District.*

**Labor Relations**

As of October 18, 2013, the School District employed approximately 1,807 certificated professionals and approximately 1,923 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**

<b>Labor Organization</b>	<b>Approximate Number of Employees In Organization<sup>1</sup></b>	<b>Contract Expiration Date</b>
Poway Federation of Teachers (PFT), Local 2357	1,561	6/30/15
Service Employees International Union	453	6/30/15
Poway Schools Employees Association	1,375	6/30/16

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

*Source: The School District.*

**Retirement Programs**

The School District participates in the State of California Teachers' Retirement System ("STRS"). This plan covers certificated employees. The School District's contribution to STRS for Fiscal Year 2008-09 was \$11,570,502, in Fiscal Year 2009-10 was \$10,272,133, in Fiscal Year 2010-11 was \$9,706,048, in Fiscal Year 2011-12 was \$9,946,792 and in Fiscal Year 2012-13 was \$10,601,369. The School District's contribution to STRS for Fiscal Year 2013-14 is estimated to be \$10,422,028. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The School District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers certificated employees who elect and all classified personnel who are employed 1,000 or more hours per fiscal year. The School District's contribution to PERS for Fiscal Year 2008-09 was \$6,244,809, in Fiscal Year 2009-10 was \$5,929,446, in Fiscal Year 2010-11 was \$6,380,309, in Fiscal Year 2011-12 was \$6,432,393 and in Fiscal Year 2012-13 was \$7,272,505. The School District's contribution to PERS for Fiscal Year 2013-14 is estimated to be \$5,382,609.

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, 2011, was \$2,256,489, for the Fiscal Year ending June 30, 2012, was \$1,986,310 and for the Fiscal Year ending June 30, 2013, was \$1,763,725. The School District's contribution for these benefits is estimated to be \$1,950,286 for Fiscal Year 2013-14. The program is operated on a pay-as-you go basis and budgets the current costs each year with an increase based on actual health and welfare increases.

**Insurance**

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

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

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

**APPENDIX B**

**RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX**

Community Facilities District No. 2..... B-CFD2-1  
Community Facilities District No. 4..... B-CFD4-1  
Community Facilities District No. 6..... B-CFD6-1  
Community Facilities District No. 8 (Improvement Area B) ..... B-CFD8-1  
Community Facilities District No. 9..... B-CFD9-1  
Community Facilities District No. 10..... B-CFD10-1  
Community Facilities District No. 12..... B-CFD12-1  
Community Facilities District No. 13..... B-CFD13-1  
Community Facilities District No. 14..... B-CFD14-1  
Community Facilities District No. 15..... B-CFD15-1

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## **RATE AND METHOD OF APPORTIONMENT FOR COMMUNITIES FACILITIES DISTRICT NO. 2 OF THE POWAY UNIFIED SCHOOL DISTRICT**

An Annual Special Tax and a One-Time Special Tax shall be levied on and collected in Community Facilities District No. 2 ("CFD No. 2") of the Poway Unified School District (the "School District") in each Fiscal Year, in an amount determined through the application of the rate and method of apportionment described below. All of the real property in CFD No. 2, 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:

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

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

**"Administrative Expenses"** means any ordinary and necessary expenses of the School District to carry out its duties as the legislative body of CFD No. 2.

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

**"Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay: (1) the debt service on all Bonds or other indebtedness or other periodic costs on the Bonds or other indebtedness of CFD No. 2, (2) the cost of acquisition or construction of future Facilities, (3) Administrative Expenses of CFD No. 2, (4) the costs associated with the release of funds from an escrow account, (5) any amount required to establish or replenish any reserve funds established in association with the Bonds or other indebtedness of CFD No. 2, (6) lease payments for existing or future Facilities, and (7) any other payments permitted by law.

**"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 the Annual Special Tax on an Assessor's Parcel of Developed Property determined pursuant to Section C.1.a.i. below.

**"Assistant Superintendent of Business"** means the Assistant Superintendent of Business of the School District or his/her designee.

**"Attached Unit"** means an Assessor's Parcel of Residential Property that consists of or shall consist of a building or buildings in which each of the individual Units have at least one common wall with another 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, which obligation may be incurred by CFD No. 2.

**"Building Square Footage" or "BSF"** for any Residential Property means the square footage of internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor's Parcel.

**"CFD No. 2"** means Community Facilities District No. 2 established by the School District under the Act.

**"County"** means the County of San Diego.

**"Detached Unit"** means an Assessor's Parcel of Residential Property which is not an Attached Unit.

**"Developed Property"** means all Assessor's Parcels in CFD No. 2 for which building permits for new construction were issued on or before March 1 of the prior Fiscal Year.

**"Exempt Property"** means the property designated as being exempt from Special Taxes in Section H.

**"Facilities"** means those school facilities (including land for school sites and required environmental mitigation) 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. 2.

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

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

**"Gross Prepayment Amount"** for any Assessor's Parcel of Developed Property means that gross prepayment amount calculated as provided in Section E.1.

**"Index"** means the Lee Saylor Class D Construction Index published by the State Allocation Board. In the event the Lee Saylor Class D Construction Index ceases to be published, the index used by the State Allocation Board in place of the school construction cost index, currently found in the monthly meeting agenda of the Lee Saylor Class D Construction Index shall be applied.

**"Initial Assigned Annual Special Tax"** means the Assigned Annual Special Tax for an Assessor's Parcel which has been designated as Developed Property for the first time in that Fiscal Year.

**"Land Use Class"** means any of the classes of Developed Property listed in Table 1.

**"Maximum Special Tax"** means the maximum Special Tax, determined in accordance with Section C, that can be levied by CFD No. 2 in any Fiscal Year on Taxable Property.

**"One-Time Special Tax"** means the single payment Special Tax to be levied in any Fiscal Year on each Assessor's Parcel of Undeveloped Property.

**"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 F.

**"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 E.

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

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

**"Senior Citizen Housing Unit"** means an Assessor's Parcel of Residential Property within CFD No. 2 designated as senior citizen housing, residential care facilities for the elderly, or multi-level care facilities for the elderly as referred to in California Government Code Section 65995.1. For purposes hereof, it shall be sufficient to designate units as Senior Citizen Housing if Senior Citizen Restrictions have been effected.

**"Senior Citizen Restriction"** means (i) a restriction limiting the use of Units to senior citizen housing under the Subarea Plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

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

**"Subarea Plan"** means the Torrey Highlands Subarea Plan, draft dated June 10, 1996, and any amendments or implementing resolutions with respect hereto that do not increase the number of Units or other development affecting the need for Facilities.

**"Taxable Property"** means all Assessor's Parcels within the boundaries of CFD No. 2 which are not exempt from the Special Tax pursuant to law or Section H below.

**"Undeveloped Property"** means all Assessor's Parcels in CFD No. 2 for which no building permit was issued on or before March 1 of the prior Fiscal Year.

**"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 either a Detached Unit or an Attached Unit.

## **SECTION B ASSIGNMENT TO LAND USE CLASSES**

For each Fiscal Year, beginning with Fiscal Year 1996-97, all Taxable Property within CFD No. 2 shall be classified as Developed Property, Undeveloped Property or Exempt Property, and each Assessor's Parcel of Developed Property shall be assigned to a Land Use Class by reference to Table 1.

**TABLE 1**

<i><b>DEVELOPED PROPERTY LAND USE CLASSES FOR CFD NO. 2</b></i>	
<b>Land Use Class</b>	<b>Land Use</b>
1	Detached Unit
2	Attached Unit
3	Senior Citizen Housing Unit

## **SECTION C MAXIMUM SPECIAL TAX**

### **1. Developed Property**

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property in any Fiscal Year shall be the amount derived by the application of the Assigned Annual Special Tax, plus (ii) the amount of any portion of the One-Time Special Tax that is not collected at building permit with respect to an Assessor's Parcel of Undeveloped Property which may be levied on such Assessor's Parcel when classified as Developed Property in the following Fiscal Year. The Initial Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 1996-97 shall be the amount determined by reference to Table 2.



**TABLE 2**

<b><i>INITIAL ASSIGNED ANNUAL SPECIAL TAXES FOR DEVELOPED PROPERTY</i></b>		
<b>Land Use Class</b>	<b>Land Use</b>	<b>Initial Assigned Annual Special Tax 1996-97</b>
1	Detached Unit	\$1,565 per Unit
2	Attached Unit	\$645 per Unit
3	Senior Citizen Housing Unit	\$0.00 per Unit

Each July 1, commencing July 1, 1997, the Initial Maximum Annual Special Tax on each Assessor's Parcel of 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 December 31 of the prior Fiscal Year. For Fiscal Years following the Fiscal Year in which the Initial Maximum Annual Special Tax was applied, the Assigned Annual Special Tax shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**2. Undeveloped Property Maximum Special Tax**

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

**a. Annual Special Tax**

The Annual Special Tax per acre of an Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall not exceed \$0.00 per arce.

**b. One-Time Special Tax**

The One-Time Special Tax shall be levied and collected for each Assessor's Parcel of Undeveloped Property on or before the date a building permit for Residential Property is issued for such Assessor's Parcel. The One-Time Special Tax shall be in an amount equal to \$1.84 per square foot of Building Square Footage for Land Use Classes 1 and 2 and \$0.30 per square foot of Building Square Footage for Land Use Class 3. On each March 1, commencing March 1, 1997, 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 Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending December 31 of the prior Fiscal Year.

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

Commencing Fiscal Year 1996-97 and for each subsequent Fiscal Year, the Assistant Superintendent of Business shall determine the Annual Special Tax Requirement to be collected from Taxable Property in CFD No. 2 in such Fiscal Year. The Special Tax shall be levied as follows until the amount of the levy equals the Annual Special Tax Requirement:

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

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

**SECTION E**  
**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. 2 with written notice of intent to prepay. Within 30 days of receipt of such written notice, CFD No. 2 shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

**1. Prior to Issuance of Bonds**

Prior to the issuance of any Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property shall be the amount equal to the Gross Prepayment Amount minus the amount of One-Time Special Tax paid with respect to such Assessor's Parcel. The Gross Prepayment Amount for Fiscal Year 1996-97 is (i) \$16,247 for each Detached Unit and (ii) \$6,940 for each Attached Unit. On each July 1, commencing July 1, 1997, the Gross Prepayment Amounts 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 December 31 of the Fiscal Year.

**2. Subsequent to Issuance of Bonds**

After the issuance of any Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property shall be the amount equal to the Gross Prepayment Amount (as calculated in Section E.1) minus (i) the amount of One-Time Special Tax paid and (ii) the percentage of principal retired in CFD No. 2 with respect to such Assessor's Parcel. The percentage shall be determined by multiplying (a) the amount of regularly scheduled principal that has been retired on such Bonds, times (b) the percentage determined by reference to Table 3.

**TABLE 3**

<b><i>PRINCIPAL RETIREMENT PERCENTAGE FOR DEVELOPED PROPERTY</i></b>		
<b>Land Use Class</b>	<b>Land Use</b>	<b>Principal Retirement Percentage</b>
1	Detached Unit	0.0430% per Unit
2	Attached Unit	0.0184% per Unit

**SECTION F  
PARTIAL PREPAYMENT OF SPECIAL TAX**

At the time a residential Final Subdivision Map is recorded for any Taxable Property within CFD No. 2, the property owner filing said Final Subdivision Map for recordation concurrently may elect for all of the Assessor's Parcel created by said Final Subdivision Map to prepay all or any portion of the applicable future Maximum Special Taxes. In order to prepay all or any portion of the applicable future Maximum Special Taxes, the residential Final Subdivision Map must contain at least 25 Detached Units or 50 Attached Units. The partial prepayment of the Annual Special Tax shall be collected at the time of the issuance of a building permit. The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meanings:

- PP = the Partial Prepayment Amount
- P<sub>E</sub> = the Prepayment Amount calculated according to Section E
- 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 Board 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 Board shall 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 ten (10) working days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 2 that there has been a partial prepayment of the Annual Special Tax and shall cause a suitable notice to be recorded in compliance with the Act within 30 days of receipt of such partial prepayment of Annual Special Taxes, to indicate 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. The

portion of the Annual Special Tax with respect to any Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Annual Special Tax, shall continue to be levied on such Assessor's Parcel.

The amount of the Partial Prepayment Amount deposited in the applicable redemption fund may be in an amount able to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the applicable redemption fund to be used with the next prepayment of Bonds.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of Maximum Annual Special Taxes that may be levied on Taxable Property within CFD No. 2 both prior to and after the proposed partial prepayment is at least 1.1 times annual debt service on all Outstanding Bonds.

## **SECTION G TERMINATION OF 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 for CFD No. 2, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.

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**FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR  
COMMUNITY FACILITIES DISTRICT NO. 4  
OF THE POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the First Amended Rate and Method of Apportionment for the levy and collection of Special Taxes of Poway Unified School District ("District") Community Facilities District No. 4 ("CFD No. 4"). Special Taxes as herein provided will be levied on and collected in CFD No. 4 each Fiscal Year, in an amount determined through the application of the First Amended Rate and Method of Apportionment described below. All the real property in CFD No. 4, unless exempted by law or by the provisions hereof, will be taxed for the purposes, to the extent, and in the manner herein provided.

**A. DEFINITIONS**

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

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

"**Actual EDU Deficit**" means, for each Final Map Area, the difference between (i) the Actual Final Map Area Quotient and (ii) the Average EDU times the number of Planned Units, provided such result is negative.

"**Actual EDU Surplus**" means, for each Final Map Area, the difference between (i) the Actual Final Map Area Quotient and (ii) the Average EDU times the number of Planned Units, provided such result is positive.

"**Actual Final Map Area Quotient**" means the sum of the Projected Development Block Quotients within a Final Map Area.

"**Administrative Expenses**" means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 4 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of CFD No. 4 including the Bonds, the payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 4, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 4.

"**Affordable Unit**" means any Unit subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City or County providing for affordable housing.

**"Annual Special Tax"** means the Special Tax levied in any Fiscal Year on any Assessor's Parcel pursuant to Section K below.

**"Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay: (i) the debt service on all outstanding Bonds and other periodic costs on all outstanding Bonds or other obligations of CFD No. 4, (ii) Administrative Expenses of CFD No. 4, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds or other obligations of CFD No. 4, (v) lease payments for existing or future Facilities, and (vi) the accumulation of funds reasonably required for future debt service or for the construction, expansion, or rehabilitation of existing or future Facilities, less (vi) any amounts available to pay for debt service and Administrative Expenses pursuant to any bond indenture, fiscal agent, or trust agreement.

**"Assessor's Parcel"** means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 4.

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

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

**"Assigned Annual Special Tax"** means the Special Tax of that name described in Section I below.

**"Assigned Unit"** means any of up to 119 Units assigned to this Special Tax Class in writing to the Assistant Superintendent at the Developer's election at the time the applicable Building Permit is issued, provided that each such Unit is an Affordable Unit and/or a Companion Unit. Under no circumstances may the Developer assign more than 119 Units to this Special Tax Class.

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

**"Average EDU"** means 1.057.

**"Board"** means the Governing Board of Poway Unified School District or its designee as the legislative body of CFD No. 4.

**"Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds; notes; loans from government agencies, banks, other financial institutions, private businesses, or individuals; long-term contracts; or any other obligations, including any refunding thereof, which may be incurred by CFD No. 4 or the School District and to which Special Taxes are pledged.

**"Building Permit"** means a permit for the construction of one or more Units. For purposes of this definition, "Building Permit" will not include permits for construction or installation of commercial/industrial structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation.

**"Building Square Feet" or "BSF"** means the square footage of assessable internal living space of a Unit, exclusive of garages or other structures not used as living space, as determined by reference to the Building Permit for such Unit.

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

**"Certificate of Improved Status"** means a written certificate provided to the Assistant Superintendent by the Developer attesting to the completion and acceptance of all necessary infrastructure with respect to an Assessor's Parcel on which a Custom Unit is expected to be constructed.

**"CFD No. 4"** means Community Facilities District No. 4 established by the School District under the Act.

**"City"** means the City of San Diego.

**"Companion Unit"** means a Unit that is not a Senior Unit and which is (i) the second Unit for which a Building Permit is issued on an Assessor's Parcel if the Building Permits for the first two (2) Units are issued sequentially, or (ii) the smaller Unit, measured in terms of Building Square Feet, if the Building Permits are issued simultaneously for the first two (2) Units on an Assessor's Parcel. Additional Units after the second Unit on an Assessor's Parcel will not be classified as a Companion Unit, nor will any Unit on an Assessor's Parcel be classified as a Companion Unit if Building Permits are initially issued for more than two (2) Units on such Assessor's Parcel. In either such case described in the immediately preceding sentence, the Units that may not be classified as Companion Units will be classified as Production Units, provided that such Units are not classifiable as Affordable Units, Custom Units, or Senior Units.

**"County"** means the County of San Diego.

**"Custom Unit"** means a Unit identified in writing by the Developer to the Assistant Superintendent at the time a Final Map is recorded as a Unit which is owned or expected to be owned by a party not in the regular course of business of constructing Units or developing property.

**"Developed Property"** means all Assessor's Parcels for which a Building Permit was issued on or before January 1 of the prior Fiscal Year.

**"Developer"** means Santaluz, LLC.

**"Developer's Account"** means the account of that name established and maintained by the Assistant Superintendent which will be credited and debited as described in Section D below.

**"Development Block"** means any geographical region within a Final Map Area identified by the Developer no later than the time of the recordation of the first Final Map within a Final Map Area as sold or intended to be sold to a single purchaser.

**"Development Block Special Tax"** means the Special Tax of that name as described and calculated in Section G.

**"Equivalent Dwelling Unit" or "EDU"** means that number assigned to each Special Tax Class in accordance with Table 1.

**"Excess Affordable Unit"** means any Affordable Unit which is not an Assigned Unit.

**"Excess Companion Unit"** means any Companion Unit which is not an Assigned Unit.

**"Exempt Property"** means all Assessor's Parcels designated as being exempt from Special Taxes in Section O.

**"Facilities"** means those school facilities (including land, equipment, furniture and technology) and other facilities which the School District is authorized by law to construct, own or operate.

**"Final Map"** means (i) that portion of a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates individual lots for which Building Permits could be issued or (ii) a condominium plan recorded pursuant to California Civil Code Section 1352 that creates individual lots for which Building Permits could be issued. The term "Final Map" will not include any parcel map or subdivision map or a portion thereof that does not create individual lots for which a Building Permit may be issued. The term "Final Map" will not include an interim final map or parcel map approved pursuant to provisions of law authorizing or permitting subdivision of land subject to restrictions requiring further subdivision before Building Permits may be issued.

**"Final Map Area"** means any of the geographical regions within CFD No. 4 which are shown as Final Map Areas in Exhibit A.

**"Final Map Area Special Tax"** means the Special Tax of that name as described and calculated in Section F.

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



**"Golf Course Property"** means any Assessor's Parcel utilized or expected to be utilized, as determined by the Assistant Superintendent, for golf course purposes, including fairways, greens, driving ranges, tennis facilities, club houses, locker rooms, maintenance facilities, garages, pro shops, restaurants, or banquet facilities.

**"Gross Floor Area" or "GFA"** means the covered and enclosed space determined to be within the perimeter of a commercial/industrial structure, not including any storage areas incidental to the principal use of the development, garage, parking structure, enclosed walkway, or utility or disposal area, as determined by reference to the building permit application for such Assessor's Parcel.

**"Gross Prepayment Amount"** means any of the amounts of that name shown in Table 5 below.

**"Improved Property"** means all Assessor's Parcels for which a Final Map has been recorded and on which one or more Custom Units will be built and for which the Developer has completed a Certificate of Improved Status, attesting to the completion and acceptance of all necessary infrastructure.

**"Index"** means the Marshall & Swift Western Region Class D Wood Frame Index, or if the Marshall & Swift Western Region Class D Wood Frame Index ceases to be published, a reasonably comparable index determined by the Board to estimate changes in school construction costs, or in the absence of such an index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc.

**"Inflator"** means the greater of (i) two percent (2.00%) or (ii) the percentage generated from the following equation:

$$(4.00\% \text{ H } 14.13\%) + (\Delta \text{Index} \times 85.87\%)$$

For purposes of this calculation, the change in the Index will be measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

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

**"Maximum Annual Special Tax"** means the maximum Special Tax that can be levied by CFD No. 4 in any Fiscal Year on any Assessor's Parcel as defined in Section E.

**"Minimum Gross Prepayment Amount" or "MGPA"** means \$15,100.46 per EDU in Calendar Year 2000. In each Calendar Year thereafter, the MGPA will be increased by the Inflator.

**"Net Prepayment Amount"** means any of the amounts of that name shown in Table 5 below.

**"One-Time Special Tax"** means the single payment Special Tax which will be paid with respect to an Assessor's Parcel prior to a Building Permit being issued by the City or County for such Assessor's Parcel as shown in Table 3 below.

**"Planned Unit"** means any of the Units listed on the development plan from which the Assistant Superintendent calculated the Projected Development Block Quotient for a Development Block.

**"Prepayment Amount"** means the amount required to prepay the Annual Special Tax obligation in full for an Assessor's Parcel, as described in Section L.

**"Production Unit"** means a Unit which is not an Affordable Unit, a Companion Unit, a Custom Unit, or a Senior Unit.

**"Projected Development Block Quotient"** means the sum of the EDUs of the Planned Units within a Development Block.

**"Projected EDU Deficit"** means any of those amounts of that name listed in Table 2 below.

**"Projected EDU Surplus"** means any of those amounts of that name listed in Table 2 below.

**"Projected Final Map Area Quotient"** means any of those amounts of that name listed in Table 2 below.

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

**"Running EDU Total"** means, for each Development Block, that number calculated and updated by the Assistant Superintendent pursuant to Section G.

**"Running EDU Total Account"** means the account of that name established and maintained by the Assistant Superintendent which will be credited and debited as described in Section G below.

**"Senior Unit"** means a Unit designated as senior citizen housing, residential care facilities for the elderly, or multi-level care facilities for the elderly as referred to in California Government Code Section 65995.1. For purposes hereof, it will be sufficient to designate units as Senior Citizen Housing if Senior Citizen Restrictions have been effected.

**"Senior Citizen Restriction"** means (i) a restriction limiting the use of Units to senior citizen housing under the Subarea Plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

**"Special Tax"** means any of the special taxes authorized to be levied by CFD No. 4 pursuant to the Act.

**"Special Tax Class"** means any of the special tax classes listed in Table 1 below.

**"Taxable Property"** means all Assessor's Parcels within the boundaries of CFD No. 4 which are not exempt from the Special Tax pursuant to law or Section O below.

**"Undeveloped Property"** means all Taxable Property which is not Developed Property, Improved Property, or Golf Course Property.

**"Unit"** means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

## **B. CLASSIFICATION OF PROPERTY**

### **1. Classification of Assessor's Parcels by Land Use**

Each Fiscal Year, each Assessor's Parcel will be classified as Exempt Property (as described in Section O) or Taxable Property. All Taxable Property will be further classified as Developed Property (i.e., Assessor's Parcels for which a Building Permit was issued on or before January 1 of the prior Fiscal Year); Improved Property (see definition of Improved Property in Section A); Golf Course Property (see definition of Golf Course Property in Section A); or Undeveloped Property (i.e., all other Assessor's Parcels of Taxable Property).

### **2. Classification of Units by Special Tax Class**

Each Unit will be assigned to a Special Tax Class in accordance with Table 1 below. The EDUs for each Unit is also provided in Table 1 below.

**Table 1**

**Special Tax Classes**

<b>Special Tax Class</b>	<b>Description</b>	<b>EDU</b>
1	Production Unit (< 1,500 BSF)	0.25
2	Production Unit (1,500 – 2,249 BSF)	0.50
3	Production Unit (2,250 – 2,749 BSF)	0.75
4	Production Unit (2,750 – 3,149 BSF)	0.75
5	Production Unit (3,150 – 3,749 BSF)	0.75
6	Production Unit (3,750 – 4,049 BSF)	0.75
7	Production Unit (4,050 – 4,499 BSF)	0.85
8	Production Unit (4,500 – 4,999 BSF)	1.10
9	Production Unit (5,000 – 5,499 BSF)	1.40
10	Production Unit (5,500 – 5,999 BSF)	1.50
11	Production Unit (6,000 – 6,499 BSF)	1.60
12	Production Unit (6,500 + BSF)	1.80
13	Custom Unit	2.20
14	Assigned Unit	0.00
15	Excess Companion Unit	0.25
16	Excess Affordable Unit	0.00
17	Senior Unit	0.00

**3. Classification of Assessor's Parcels by Final Map Area**

Each Assessor's Parcel will be assigned to a Final Map Area in accordance with Exhibit A.

The Projected Final Map Area Quotient for each Final Map Area, as shown in Table 2 below, reflects the sum of the EDUs projected to be constructed within such Final Map Area. The Projected EDU Surplus or Projected EDU Deficit, as applicable, for each Final Map Area, as shown in Table 2 below, reflects the extent to which such Final Map Area is expected to subsidize or be subsidized by other Final Map Areas. A Projected EDU Surplus indicates that the Final Map Area is expected to generate more Special Taxes than needed to mitigate its school facilities impact. Conversely, a Projected EDU Deficit indicates that the Final Map Area is expected to generate insufficient Special Taxes to mitigate its school facilities impact. Therefore, a Projected EDU Surplus indicates that the Final Map Area is subsidizing other Final Map Areas while a Projected EDU Deficit indicates that the Final Map Area is being subsidized by other Final Map Areas. For the entire CFD No. 4, the sum of all the Projected EDU Surpluses and Projected EDU Deficits is approximately zero (0). Therefore, as a whole, CFD No. 4 is expected to produce exactly the amount of Special Taxes needed to mitigate its school facilities impact.

**Table 2**

**Projected Final Map Area Quotients  
and Projected EDU Surpluses/(Deficits)**

<b>Final Map Area</b>	<b>Projected Final Map Area Quotient</b>	<b>Projected EDU Surplus/(Deficit)<sup>1</sup></b>
1	162.30	(56.42)
2	104.85	(16.66)
3	104.25	3.87
4	134.10	24.21
5	41.70	5.77
6	63.80	33.16
7	61.60	32.01
8	55.00	28.58
9	30.80	16.01
10	0.00	0.00
11	48.00	(19.62)
12	47.25	(19.32)
13	55.65	(19.37)
14	56.45	(12.23)

1. These amounts do not sum exactly to zero (0) because of rounding.

**4. Classification of Assessor's Parcels by Development Block**

At the recordation of the first Final Map in a Final Map Area, each Assessor's Parcel within such Final Map Area will be assigned to a Development Block (i.e., a geographical region within a Final Map Area that has been sold or is intended to be sold by the Developer to a single purchaser). In most cases, there will be several Development Blocks within a Final Map Area. In all cases, the Development Blocks within a Final Map Area, taken together, will make up the entire Final Map Area.

**C. DEVELOPMENT PLAN CALCULATIONS**

At or before the recordation of the first Final Map in a Final Map Area, the Developer must provide the Assistant Superintendent with a development plan for each Development Block within such Final Map Area. The development plan must be in a form satisfactory to the Assistant Superintendent and must identify the expected EDUs of each Planned Unit (i.e., each Unit expected to be constructed) in such Development Block. Based upon this information (or, if the Developer fails to provide the required information in a form satisfactory to the Assistant Superintendent, then at his own reasonable discretion), the Assistant Superintendent will calculate for each such Development Block (i) a Projected Development Block Quotient (i.e., the sum of the EDUs of the Planned Units within a Development Block), (ii) an Actual EDU Surplus or Actual EDU Deficit, as applicable (see definitions of Actual EDU Surplus and Actual

EDU Deficit in Section A), and (iii) an Actual Final Map Area Quotient (i.e., the sum of the Projected Development Block Quotients).

For each Development Block, the Projected Development Block Quotient will be used in calculating the Development Block Special Taxes, if any, that will be due, as described in Section G. Prior to the issuance of all Bonds, the Actual EDU Surplus or Actual EDU Deficit, as applicable, will be used in calculating the Final Map Area Special Taxes, if any, that will be due for such Final Map Area, as described in Section F. After the issuance of all Bonds, the Actual Final Map Area Quotient will be used in calculating the Final Map Area Special Taxes, if any, that will be due for such Final Map Area, as described in Section F. In addition, prior to the issuance of all Bonds, the Actual EDU Surplus or Actual EDU Deficit, as applicable, will be used in determining the amount, if any, which the Developer's Account must be credited, as described in Section D.

#### **D. DEVELOPER'S ACCOUNT**

Prior to the recordation of the first Final Map in CFD No. 4, a Developer's Account will be established, and thereafter will be maintained by the Assistant Superintendent. The Developer's Account will be credited and debited as described below.

##### **1. Credits to Developer's Account**

###### **a. Prior to Issuance of All Bonds**

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, CFD No. 4 will credit the Developer's Account at the recordation of the first Final Map within a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is greater (i.e., more positive) than a Projected EDU Surplus or Projected EDU Deficit. The amount of the credit will be equal to the dollar equivalent of such excess (i.e., unexpectedly positive) EDUs and will be calculated as described below:

Step One: Subtract the Projected EDU Surplus or Projected EDU Deficit, as applicable, from the Actual EDU Surplus or Actual EDU Deficit, as applicable.

Step Two: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the credit to the Developer's Account.

For convenience, an example of a Developer's Account credit calculation is provided below:

Actual EDU Surplus	4.0
Projected EDU Surplus	2.5
Minimum GPA	\$15,100.46

$$\begin{aligned} \text{Credit} &= (4.0 - 2.5) \times \$15,100.46 \\ &= \$22,650.69 \end{aligned}$$

**b. After Issuance of All Bonds**

After the issuance of all Bonds, as determined by the Assistant Superintendent, the Developer's Account will not be credited.

**2. Debits to the Developer's Account**

**a. Debits for Final Map Area Special Taxes**

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is less than (i.e., more negative) than a Projected EDU Surplus or Projected EDU Deficit. Similarly, after the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual Final Map Area Quotient is less than a Projected Final Map Area Quotient. Whenever a Final Map Area Special Tax is due, the Developer may debit the Developer's Account to pay for some or all of such Final Map Area Special Tax, provided that the Developer's Account contains sufficient credits to cover such debits. If the balance of the Developer's Account is insufficient to cover such debits at such time, the unsatisfied portion of such Final Map Area Special Tax must be paid in cash.

**b. Debits After Final Map Recordations**

If credits remain in the Developer's Account after at least one Final Map has been recorded in every Final Map Area, the entire balance of the Developer's Account will be debited, the Developer's Account will be closed, and such balance will be reimbursed to the Developer in cash from the next available Bond proceeds after all other obligations have been satisfied.

**c. Debits After Issuance of All Bonds**

If credits remain in the Developer's Account after the issuance of all Bonds, as determined by the Assistant Superintendent, the entire balance of the Developer's Account will be debited, the Developer's Account will be closed, and such balance will be reimbursed to the Developer in cash from the next available Bond proceeds after all other obligations have been satisfied.

## **E. MAXIMUM ANNUAL SPECIAL TAX**

### **1. Developed Property**

The Maximum Annual Special Tax for each Assessor's Parcel of Developed Property in each Fiscal Year will be the sum of (i) the Assigned Annual Special Tax and (ii) the amount of any portion of any Special Tax previously levied and not collected with respect to the Assessor's Parcel.

### **2. Improved Property**

The Maximum Annual Special Tax for each Assessor's Parcel of Improved Property in each Fiscal Year will be the sum of (i) the Final Map Area Special Tax, (ii) the Development Block Special Tax, (iii) the One-Time Special Tax, and (iv) the greater of (a) the Assigned Annual Special Tax or (b) the Back-Up Annual Special Tax.

### **3. Golf Course Property**

The Maximum Annual Special Tax for each Assessor's Parcel of Golf Course Property in each Fiscal Year will be the One-Time Special Tax.

### **4. Undeveloped Property**

The Maximum Annual Special Tax for each Assessor's Parcel of Undeveloped Property in each Fiscal Year will be the sum of (i) the Final Map Area Special Tax, (ii) the Development Block Special Tax, (iii) the One-Time Special Tax, and (iv) the Assigned Annual Special Tax.

## **F. FINAL MAP AREA SPECIAL TAX**

At the recordation of the first Final Map in a Final Map Area, a Final Map Area Special Tax for the Assessor's Parcels within that Final Map Area will be calculated as described below.

### **1. Prior to Issuance of All Bonds**

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is less than (i.e., more negative) than a Projected EDU Surplus or Projected EDU Deficit. The amount of the Final Map Area Special Tax will be equal to the dollar equivalent of such deficit (i.e., unexpectedly negative) EDUs and will be calculated as described below:

Step One: Subtract the Actual EDU Surplus or Actual EDU Deficit, as applicable, from the Projected EDU Surplus or Projected EDU Deficit, as applicable.



Step Two: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the Final Map Area Special Tax.

For convenience, an example of a Final Map Area Special Tax calculation prior to the issuance of all Bonds is provided below:

Projected EDU Deficit	(1.5)	
Actual EDU Deficit	(3.0)	
MGPA	\$15,100.46	
Final Map Area Special Taxes	=	$((-1.5) - (-3.0)) \times \$15,100.46$
	=	\$22,650.69

It should be noted that neither locating a Custom Unit on more than one (1) Lot nor combining Lots for the placement of a Custom Unit will necessarily trigger the levy of a Final Map Area Special Tax prior to the issuance of all Bonds. Such occurrences will trigger the levy a Final Map Area Special Tax prior to the issuance of all Bonds only to the extent that they cause the Actual EDU Surplus or Actual EDU Deficit for the applicable Final Map Area to be less than (i.e., more negative) than the Projected EDU Surplus or Projected EDU Deficit for such Final Map Area.

## 2. After Issuance of All Bonds

After the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual Final Map Area Quotient is less than a Projected Final Map Area Quotient. The amount of the Final Map Area Special Tax will be equal to the dollar equivalent of such deficit (i.e., unexpectedly negative) EDUs and will be calculated as described below:

Step One: Subtract the Actual Final Map Area Quotient from the Projected Final Map Area Quotient.

Step Two: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the Final Map Area Special Tax.

For convenience, an example of a Final Map Area Special Tax calculation after the issuance of all Bonds is provided below:

Projected Final Map Area Quotient	32.0
Actual Final Map Area Quotient	25.5
MGPA	\$15,100.46

Final Map Area Special Taxes	=	(32.0 – 25.5) x \$15,100.46
	=	\$98,152.99

It should be noted that neither locating a Custom Unit located on more than one (1) Lot nor combining Lots for the placement of a Custom Unit will necessarily trigger the levy of a Final Map Area Special Tax after the issuance of all Bonds. Such occurrences will trigger the levy a Final Map Area Special Tax after the issuance of all Bonds to the extent that it causes the Actual Final Map Area Quotient for the applicable Final Map Area to be less than the Projected Final Map Area Quotient for such Final Map Area.

**G. DEVELOPMENT BLOCK SPECIAL TAX**

Prior to the issuance of a Building Permit for the construction of a Unit on an Assessor's Parcel, the Development Block Special Tax for such Assessor's Parcel will be calculated as described below.

**1. Assignment of Units to Planned Units**

Each time a Building Permit is issued for the construction of a Unit, the Assistant Superintendent will assign such Unit to a Planned Unit in such Development Block, provided that no more than one (1) Unit may be assigned to any Planned Unit. In addition, each time a Building Permit is issued for the construction of a Unit, the Assistant Superintendent will update the Running EDU Total for such Development Block. The Assistant Superintendent will perform such assignment and such update as described below.

**a. Assignment of Units to Planned Units**

The Assistant Superintendent will assign each Unit to a Planned Unit in the following order of priority:

- i. The Assistant Superintendent shall assign the Unit to a Planned Unit with the same number of EDUs as the Unit.
- ii. The Assistant Superintendent shall assign the Unit to a Planned Unit with a lower number of EDUs than the Unit.
- iii. The Assistant Superintendent shall assign the Unit to a Planned Unit with a greater number of EDUs than the Unit.

**b. Update of Running EDU Total**

The Assistant Superintendent will update the Running EDU Total for each Development Block as follows:

- i. If the Unit is assigned pursuant to Section G.1.a.i. above, then no adjustment shall be made to the Running EDU Total.

- ii. If the Unit is assigned pursuant to Section G.1.a.ii. above, then the Running EDU Total shall be increased by the difference between the EDUs of the Unit and the EDUs of the Planned Unit.
- iii. If the Unit is assigned pursuant to Section G.1.a.iii. above, then the Running EDU Total shall be decreased by the difference between the EDUs of the Planned Unit and the EDUs of the Unit, provided that if such decrease would otherwise reduce the Running EDU Total below zero (0), then the Running EDU Total will be reduced to zero and Development Block Special Tax will be due. In this event, the amount of the Development Block Special Tax will be calculated pursuant to Section G.2 below, and will be paid first by credits in the Running EDU Total Account (see Section G.3. below) to the extent such credits are available, and then, when such credits are not available, in cash, as described in Section G.3.b. below.

It should be noted that a Custom Lot located on more than one (1) Lot will not necessarily trigger the levy a Development Block Special Tax. Such a Custom Unit will only trigger the levy of a Development Block Special Tax to the extent that it reduces the Running EDU Total below zero (0).

## **2. Calculation of Development Block Special Tax**

Subject to the foregoing, the Development Block Special Tax with respect to each Building Permit will be equal to the dollar equivalent of the EDU deficit described in Section G.1.B.iii. above and will be calculated as described below:

- Step One: Add the EDUs of the Unit and the Running EDU Total.
- Step Two: Subtract the result of Step One from the EDUs of the Planned Unit.
- Step Three: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the Development Block Special Tax.

For convenience, an example of a Development Block Special Tax calculation is provided below:

EDUs of Planned Unit:	4.0
EDUs of Unit:	2.0
Running EDU Total	1.0
MGPA	\$15,100.46

$$\begin{aligned} \text{Development Block Special Taxes} &= (4.0 - (2.0 + 1.0)) \times \$15,100.46 \\ &= \$15,100.46 \end{aligned}$$

### **3. Running EDU Total Account**

The Assistant Superintendent will establish and maintain a Running EDU Total Account as follows:

#### **a. Credits to Running EDU Total Account**

After all the Building Permits expected to be issued within a Development Block have been issued, as determined by the Assistant Superintendent, the Assistant Superintendent will credit Running EDU Total Account in an amount equal to (i) the full amount of the Running EDU Total applicable to such Development Block at such time times (ii) the Minimum Gross Payment Amount in effect at such time.

#### **b. Debits to Running EDU Total Account**

Whenever a Development Block Special Tax is due, the Assistant Superintendent shall debit the Running EDU Total Account to pay for such Development Block Special Tax, provided that the Running EDU Total Account contains sufficient credits to cover such debits. If the balance of the Running EDU Total Account is insufficient to cover such debits at such time, the unsatisfied portion of such Development Block Special Tax must be paid in cash.

## **H. ONE-TIME SPECIAL TAX**

Prior to the issuance of a Building Permit for any Assessor's Parcel of Undeveloped Property or Improved Property, a One-Time Special Tax will be due. The One-Time Special Tax in each Calendar Year will be calculated in accordance with Table 3 below, subject to adjustment as described below.

**Table 3**

**Calendar Year 2000 One-Time Special Tax**

<b>Special Tax Class</b>	<b>Description</b>	<b>CY 2000 One-Time Special Tax</b>
1	Production Unit (< 1,500 BSF)	\$2,000.00 per Unit
2	Production Unit (1,500 – 2,249 BSF)	\$3,444.52 per Unit
3	Production Unit (2,250 – 2,749 BSF)	\$3,927.27 per Unit
4	Production Unit (2,750 – 3,149 BSF)	\$4,768.05 per Unit
5	Production Unit (3,150 – 3,749 BSF)	\$5,445.09 per Unit
6	Production Unit (3,750 – 4,049 BSF)	\$6,242.07 per Unit
7	Production Unit (4,050 – 4,499 BSF)	\$6,857.54 per Unit
8	Production Unit (4,500 – 4,999 BSF)	\$7,674.37 per Unit
9	Production Unit (5,000 – 5,499 BSF)	\$8,320.00 per Unit
10	Production Unit (5,500 – 5,999 BSF)	\$9,198.40 per Unit
11	Production Unit (6,000 – 6,499 BSF)	\$9,998.40 per Unit
12	Production Unit (6,500 + BSF)	\$10,398.40 per Unit
13	Custom Unit	\$13,325.00 per Unit
14	Assigned Unit	\$1,000.00 per Unit
15	Excess Companion Unit	\$2,000.00 per Unit
16	Excess Affordable Unit	\$7,057.21 per Unit
17	Senior Unit	\$0.3314. per BSF
NA	NA	\$0.3314 per GFA

For each Calendar Year after Calendar Year 2000, the One-Time Special Tax will be increased by the Inflation.

**I. ASSIGNED ANNUAL SPECIAL TAX**

**1. Developed Property**

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property will be calculated in accordance with Table 4 below, subject to adjustment as described below.

**Table 4**

**Fiscal Year 2000-01 Assigned Annual Special Tax**

<b>Special Tax Class</b>	<b>Description</b>	<b>FY 2000-01 Assigned Annual Special Tax</b>
1	Production Unit (< 1,500 BSF)	\$239.75 per Unit
2	Production Unit (1,500 – 2,249 BSF)	\$479.50 per Unit
3	Production Unit (2,250 – 2,749 BSF)	\$719.25 per Unit
4	Production Unit (2,750 – 3,149 BSF)	\$719.25 per Unit
5	Production Unit (3,150 – 3,749 BSF)	\$719.25 per Unit
6	Production Unit (3,750 – 4,049 BSF)	\$719.25 per Unit
7	Production Unit (4,050 – 4,499 BSF)	\$815.15 per Unit
8	Production Unit (4,500 – 4,999 BSF)	\$1,054.90 per Unit
9	Production Unit (5,000 – 5,499 BSF)	\$1,342.60 per Unit
10	Production Unit (5,500 – 5,999 BSF)	\$1,438.50 per Unit
11	Production Unit (6,000 – 6,499 BSF)	\$1,534.40 per Unit
12	Production Unit (6,500 + BSF)	\$1,726.20 per Unit
13	Custom Unit	\$2,109.80 per Unit
14	Assigned Unit	\$0.00 per Unit
15	Excess Companion Unit	\$239.75 per Unit
16	Excess Affordable Unit	\$0.00 per Unit
17	Senior Unit	\$0.00 per BSF
NA	NA	\$0.00 per GFA

For Custom Units which are located on more than one (1) Assessor's Parcel, the Assigned Annual Special Tax shall be allocated to each Assessor's Parcel prorata based upon the Acreage of each applicable Assessor's Parcel.

For each Fiscal Year after Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property will be increased by the Inflatior. For each Fiscal Year after the first Fiscal Year in which each Assessor's Parcel was classified as Developed Property, the Assigned Annual Special Tax for such Assessor's Parcel in such Fiscal Year will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

**2. Improved Property**

For Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Improved Property will be \$719.25 per Assessor's Parcel. For each Fiscal Year thereafter, the Assigned Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the

prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

### **3. Undeveloped Property**

For Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Undeveloped Property will be \$2,660.00 per acre of Acreage. For each Fiscal Year thereafter, the Assigned Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

## **J. BACK-UP ANNUAL SPECIAL TAX FOR IMPROVED PROPERTY**

Backup-Annual Special Taxes are required in order to ensure that CFD No. 4 will be able to levy a sufficient amount of Annual Special Taxes to satisfy the Annual Special Tax Requirement in the event that development plans change significantly after the issuance of Bonds. Annual Special Taxes will be levied pursuant to the third step of Section K only to the extent necessary to satisfy the Annual Special Tax Requirement.

For Fiscal Year 2000-01, the Back-Up Annual Special Tax for each Assessor's Parcel of Improved Property will be \$2,660.00 per acre of Acreage, provided that no Back-Up Annual Special Tax shall be in effect (i) prior to the issuance of Bonds or (ii) after the issuance of all Bonds. Subject to the foregoing, for each Fiscal Year after Fiscal Year 2000-01, the Back-Up Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

## **K. METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX**

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Assistant Superintendent will determine the Annual Special Tax Requirement to be collected from Taxable Property in such Fiscal Year. The Special Tax will be levied as follows until the amount of the levy equals the Annual Special Tax Requirement:

**First:** The Annual Special Tax will be levied on each Assessor's Parcel of Developed Property and Improved Property at the Assigned Annual Special Tax.

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

**Third:** If the sum of the amounts levied on Assessor's Parcels in the first and second step is less than the Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Improved Property shall be increased Proportionately up to the Back-Up Annual Special Tax to satisfy the Annual Special Tax Requirement.

## **L. PREPAYMENT OF ANNUAL SPECIAL TAX OBLIGATION**

If there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to an Assessor's Parcel, the Annual Special Tax obligation of an Assessor's Parcel for which a Building Permit has been issued may be prepaid in full in the manner described below. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 4 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Assistant Superintendent shall determine the Prepayment Amount of such Assessor's Parcel as described below and shall notify such owner of such Prepayment Amount.

### **1. Prior to Issuance of All Bonds**

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, the Prepayment Amount for an eligible Assessor's Parcel shall be the applicable Net Prepayment Amount less any Partial Prepayment Amounts actually made with respect to such Assessor's Parcel. Table 5 below shows the Net Prepayment Amounts applicable in Calendar Year 2000. For convenience, Table 5 below also shows the derivation of each Net Prepayment Amount, which was determined by subtracting the applicable One-Time Special Tax from the applicable Gross Prepayment Amount.



**TABLE 5**

**Calendar Year 2000 Net Prepayment Amounts**

<b>Special Tax Class</b>	<b>CY 2000 Gross Prepayment Amount</b>	<b>CY 2000 One-Time Special Tax</b>	<b>CY 200 Net Prepayment Amount</b>
1	\$15,955.43 per Unit	\$2,000.00 per Unit	\$13,955.43 per Unit
2	\$15,955.43 per Unit	\$3,444.52 per Unit	\$12,501.91 per Unit
3	\$15,955.43 per Unit	\$3,927.27 per Unit	\$12,028.16 per Unit
4	\$15,955.43 per Unit	\$4,768.05 per Unit	\$11,187.38 per Unit
5	\$15,955.43 per Unit	\$5,445.09 per Unit	\$10,510.34 per Unit
6	\$15,955.43 per Unit	\$6,242.07 per Unit	\$9,713.37 per Unit
7	\$15,955.43 per Unit	\$6,857.54 per Unit	\$9,097.89 per Unit
8	\$16,945.50 per Unit	\$7,674.37 per Unit	\$9,271.13 per Unit
9	\$20,119.62 per Unit	\$8,320.00 per Unit	\$11,799.62 per Unit
10	\$21,840.85 per Unit	\$9,198.40 per Unit	\$12,642.45 per Unit
11	\$23,483.68 per Unit	\$9,998.40 per Unit	\$13,485.28 per Unit
12	\$25,569.34 per Unit	\$10,398.40 per Unit	\$15,179.94 per Unit
13	\$31,867.26 per Unit	\$13,325.00 per Unit	\$18,542.26 per Unit
14	\$1,000.00 per Unit	\$1,000.00 per Unit	\$0.00 per Unit
15	\$15,955.43 per Unit	\$2,000.00 per Unit	\$13,955.43 per Unit
16	\$7,057.21 per Unit	\$7,057.21 per Unit	\$0.00 per Unit
17	\$0.3314 per BSF	\$0.3314 per BSF	\$0.00 per Unit

For each Calendar Year after Calendar Year 2000, the Net Prepayment Amounts will be increased by the Inflator.

**2. After Issuance of All Bonds**

After the issuance of all Bonds, as determined by the Assistant Superintendent, the Prepayment Amount for each eligible Assessor's Parcel shall be the amount calculated as shown below.

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
less	Reserve Fund Credit
equals	Prepayment Amount

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

1. Divide the Assigned Annual Special Tax for the Assessor's Parcel by the estimated Assigned Annual Special Taxes applicable to all Assessor's

Parcels of Developed Property at build-out, as reasonably determined by the Assistant Superintendent.

2. Multiply the result of paragraph 1 above by the principal amount of Bonds outstanding. The result is the "Bond Redemption Amount."
3. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
4. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 8) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
5. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
6. Subtract the amount computed pursuant to paragraph 5 from the amount computed pursuant to paragraph 4. This difference is the "Defeasance."
7. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
8. Determine the lesser of: (a) the expected reduction in the applicable reserve requirement, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve fund on the prepayment date. If the result is greater than zero, then the result is the "Reserve Fund Credit." If the result is less than zero, then no Reserve Fund Credit shall be given.
9. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

Notwithstanding any of the foregoing, no prepayment will be allowed unless the sum of the Assigned Annual Special Taxes applicable to Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

**M. PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX OBLIGATION**

Prior to the issuance of the first Building Permit in a Development Block, the owner of all the Assessor's Parcels in the Development Block may elect to prepay a portion of the applicable Annual Special Tax obligation for all the Assessor's Parcels in such Development Block. The owner desiring such a 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 partial prepayment of the Annual Special Tax obligation for each such Assessor's Parcel shall be collected prior to the issuance of a Building Permit.

The Partial Prepayment Amount shall be calculated as follows:

$$PP = P_L \times F$$

These terms have the following meanings:

PP = the Partial Prepayment Amount

PL = the Prepayment Amount calculated according to Section L

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation

With respect to an Annual Special Tax obligation that is partially prepaid, the Assistant Superintendent shall indicate in the records of CFD No. 4 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Annual Special Tax obligation to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax obligation shall cease.

Notwithstanding any of the foregoing, no prepayment will be allowed unless the sum of the Assigned Annual Special Taxes applicable to Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

**N. TERMINATION OF ANNUAL SPECIAL TAX**

The Annual Special Tax will be levied no later than Fiscal Year 2045-46, provided that the Annual Special Tax will cease to be levied in an earlier Fiscal Year if the Assistant Superintendent has determined that (i) all required interest and principal payments on all issued Bonds have been paid and (ii) CFD No. 4 will issue no additional Bonds.

## **O. EXEMPTIONS**

The Assistant Superintendent will classify as Exempt Property (i) properties 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, (ii) properties used as places of worship and which are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) properties owned or designated for use by a homeowners' association, (iv) properties encumbered with public or utility or access easements making impractical their utilization for purposes other than those set forth in the easement, or (v) other properties not used or expected not to be used for commercial/industrial or residential use, as determined at the reasonable discretion of the Assistant Superintendent, provided that no such classification would reduce the Acreage of Taxable Property to less than 522.44 acres.

## **P. APPEALS**

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

## **Q. MANNER OF COLLECTION**

### **1. Final Map Area Special Taxes**

The Final Map Area Special Tax applicable to a Final Map Area, if any, will be due prior to the issuance of the first Building Permit in such Final Map Area, and shall be levied *pro rata* on each Assessor's Parcel of Taxable Property within such Final Map Area based upon the Acreage of such Assessor's Parcels. Notwithstanding the foregoing, the Assistant Superintendent shall give the Developer written notice of the amount of the Final Map Area Special Tax due at least fifteen (15) days prior to enrolling such Final Map Area Special Tax with the County, provided that the first Building Permit is issued in such Final Map Area at least thirty (30) days prior to the due date for enrolling Special Taxes with the County, and if such written notice is given, then the Developer shall have ten (10) days to pay the Final Map Area Special Taxes before the Assistant Superintendent may enroll the Final Map Area Special Taxes with the County. Moreover, notwithstanding the foregoing, no Building Permits will be issued in such Final Map Area until all Final Map Area Special Taxes which are due for such Final Map Area are paid.

**2. Development Block Special Taxes**

Development Block Special Taxes due for any Assessor's Parcel in a Final Map Area will be due prior to the issuance of the first Building Permit for such Assessor's Parcel. No Building Permits will be issued for any Assessor's Parcels in such Final Map Area until such Development Block Special Taxes are paid.

**3. One-Time Special Taxes**

One-Time Special Taxes due for any Assessor's Parcel will be due prior to the issuance of the applicable Building Permit for such Assessor's Parcel.

**4. Annual Special Taxes**

The Annual Special Taxes will be collected in the same manner and at the same time as regular *ad valorem* property taxes, provided, however, that Annual Special Taxes may be collected at a different time or in a different manner if necessary to meet its financial obligations.

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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<sub>G</sub> = the Prepayment Amount calculated according to Section G

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation.

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 B-CFD6-12**

## **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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**RATE AND METHOD OF APPORTIONMENT  
OF THE SPECIAL TAX  
FOR COMMUNITIES FACILITIES DISTRICT NO. 8  
OF THE POWAY UNIFIED SCHOOL DISTRICT  
(IMPROVEMENT AREA B)**

Special taxes shall be levied on and collected in Improvement Area B ("IA B") of Community Facilities District No. 8 ("CFD No. 8") 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. 8, 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:

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

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

**"Administrative Expenses"** means any ordinary and necessary expense incurred by the School District on behalf of IA B related to the determination of the amount of the levy of special taxes, 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, the costs of the appropriate allocable share of salaries and benefits of any School District employee whose duties are directly related to the administration of IA B, and costs otherwise incurred in order to carry out the authorized purposes of IA B.

**"Affordable Unit"** means a Unit that (i) is either (a) 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 or (b) is a Companion Unit and (ii) is subject to affordable housing restrictions under any applicable law.

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

**"Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay: (i) the debt service on all Bonds or other indebtedness or other periodic costs on the Bonds or other indebtedness of LA B, (ii) the cost of acquisition, construction, financing or equipping of future Facilities, (iii) Administrative Expenses, (iv) the costs associated with the release of funds from an escrow account, (v) any amount required to establish or replenish any reserve funds established in association with the Bonds or other indebtedness of LA B, (vi) lease payments for existing or future Facilities, (vii) the accumulation of funds reasonably required for future debt service of Bonds and (viii) any other payments required by law.

**"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 the special tax applicable to an Assessor's Parcel of Developed Property or Undeveloped Property determined pursuant to Section E 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 or a Senior Citizen 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, which obligation may be incurred by LA B.

**"Building Permit"** means a permit for construction of a residential or non-residential 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.

**"Building Square Footage" or "BSF"** means, for an Assessor's Parcel of Residential Property, the square footage of internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor's Parcel.

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

**"CFD No. 8"** means Community Facilities District No. 8 established by the School District under the Act.

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

**"Companion Unit"** means a Unit of the type defined at page 5 of Exhibit "F" to the Phase I Development Agreement.

**"County"** means the County of San Diego.

**"Detached Unit"** means a Unit which is not an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

**"Developed Property"** means all Assessor's Parcels of Taxable Property for which Building Permits were issued as of January 1 of the prior Fiscal Year.

**"Escalation Termination Date"** means the date on which all of the Permanent Facilities become completely funded.

**"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. 8.

**"Final Map"** means (i) that portion of a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates individual lots for which Building

Permits could be issued or (ii) for condominiums, a Final Map and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual lots. The term "Final Map" shall not include any parcel map or subdivision map or a portion thereof that does not create individual lots for which a Building Permit may be issued. The term "Final Map" shall not include an interim final map or parcel map approved pursuant to provisions of law authorizing or permitting subdivision of land subject to restrictions requiring further subdivision before Building Permits may be issued.

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

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

**"Gross Prepayment Amount"** for any Assessor's Parcel means that gross prepayment amount determined by reference to Table 3 and adjusted as set forth in Section G.

**"Improvement Area B" or "IA B"** means the area identified as Improvement Area B on the Community Facilities District Map, attached hereto as Exhibit A.

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

**"Inflator"** means the greater of (i) 2.00% or (ii) the percentage generated from the following equation:  $4.00\% \times 17.45\% + \Delta\text{Index} \times 82.55\%$ , where  $\Delta\text{Index}$  is the change in the Index as measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

**"Maximum Special Tax"** means the maximum special tax, determined in accordance with Section C, that can be levied on any Assessor's Parcel in IA B in any Fiscal Year.

**"One-Time Special Tax"** means the single payment special tax which shall be paid to IA B for each Assessor's Parcel of Undeveloped Property, determined pursuant to Section D.



**"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.

**"Permanent Facilities"** means all Facilities except interim relocatable classroom facilities and central administrative facilities.

**"Phase I Development Agreement"** means the "Second Amended and Restated Development Agreement between the City of San Diego and Black Mountain Ranch Limited Partnership Negotiated and Entered into Pursuant to City Council Policy 600-37 Adopted by the City Council on August 9, 1988 and as Amended on September 13, 1988," which agreement was approved by the City Council, by adoption of Ordinance No. 0-97-83, which ordinance became effective April 16, 1997, and which agreement was recorded in the official records of the County, June 30, 1997, as Document No. 1997-0307774.

**"Planning Area"** means any of the areas designated as a Planning Area on the Community Facilities District Map, attached hereto as Exhibit A.

**"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.

**"Proportionately"** means that the ratio of the Annual Special Tax to the applicable special tax is the same for all applicable Assessor's Parcels.

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

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

**"Senior Citizen Restriction"** means (i) a restriction limiting the use of Units to senior citizen housing under specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

**"Taxable Property"** means all Assessor's Parcels within the boundaries of IA B which are not exempt from the special tax pursuant to law or Section J below.

**"Undeveloped Property"** means all Assessor's Parcels of Taxable Property for which no Building Permit was issued as of January 1 of the prior Fiscal Year.

**"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 a Detached Unit, an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

## **SECTION B PROPERTY CLASSIFICATION**

For each Fiscal Year, beginning Fiscal Year 1998-99, each Assessor's Parcel in IA B shall be classified as an Assessor's Parcel of Taxable Property or Exempt Property. Each Assessor's Parcel of Taxable Property shall be further classified as Developed Property or Undeveloped Property. Each Assessor's Parcel of Developed Property shall be further classified as Residential Property or Commercial/Industrial Property. In addition, each Unit shall be classified as a Detached Unit, an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

## **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 sum of (i) any portion of the One-Time Special Tax 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 and (ii) the Assigned Annual Special Tax.

**2. Undeveloped Property**

In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Undeveloped Property shall be the sum of (i) the One-Time Special Tax and (ii) the Assigned Annual Special Tax.

**SECTION D  
ONE-TIME SPECIAL TAXES**

A One-Time Special Tax shall be collected for each Assessor's Parcel of Undeveloped Property prior to the time a Building Permit is issued for such Assessor's Parcel. The One-Time Special Tax shall be determined by reference to Table 1 below, subject to increase as described below.

**TABLE 1  
ONE-TIME SPECIAL TAX**

<b>Property Type</b>	<b>Unit Type</b>	<b>One-Time Special Tax Calendar Year 1998</b>
Residential	Detached	\$0.00 per Unit
Residential	Attached	\$0.00 per Unit
Residential	Affordable	\$0.00 per Unit
Residential	Senior Citizen	\$0.31 per BSF
Commercial/Industrial	NA	\$0.31 GFA

On each January 1 until the Escalation Termination Date, commencing January 1, 1999, the amount of the One-Time Special Tax shall be increased by the Inflator.

**SECTION E  
ASSIGNED ANNUAL SPECIAL TAX**

**1. Developed Property**

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

The Assigned Annual Special Tax for an Assessor's Parcel of Developed Property in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be determined by reference to Table 2 below, subject to increase as described below.

**TABLE 2  
ASSIGNED ANNUAL SPECIAL TAX**

Property Type	Unit Type	Assigned Annual Special Tax Fiscal Year 1998-99
Residential	Detached	\$1,989.00 per Unit
Residential	Attached	\$856.57 per Unit
Residential	Affordable	\$856.57 per Unit
Residential	Senior Citizen	\$0.00 per BSF
Commercial/Industrial	NA	\$0.00 GFA

On each July 1 until the Escalation Termination Date, commencing July 1, 1999, the amount of the Assigned Annual Special Tax shall be increased by the Inflator.

**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%).

2. **Undeveloped Property**

The Assigned Annual Special Tax for Undeveloped Property shall be \$1,000 per acre of Acreage in Fiscal Year 1998-99. On each July 1, commencing July 1, 1999, the Assigned Annual Special Tax shall be increased by two percent (2.00%).

**SECTION F  
APPORTIONMENT OF ANNUAL SPECIAL TAXES**

Commencing Fiscal Year 1998-99 and for each subsequent Fiscal Year, the Assistant Superintendent shall determine the Annual Special Tax Requirement. Annual Special Taxes shall be levied as follows:

**First:** An Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement.

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

**SECTION G  
PREPAYMENT OF ANNUAL SPECIAL TAXES**

If there are no delinquent special taxes, penalties, or interest charges outstanding with respect to an Assessor's Parcel, the Annual Special Tax obligation for such Assessor's Parcel may be prepaid in full at the issuance of a Building Permit for such Assessor's Parcel. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 8 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Assistant Superintendent shall determine the Prepayment Amount of such Assessor's Parcel as described below 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 by the Assistant Superintendent 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. 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 is less than the sum of the Gross Prepayment Amounts applicable to such Assessor's Parcel less the sum of all Partial Prepayment Amounts actually paid with respect to such Assessor's Parcel, 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 Less Partial 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 the sum of the Gross Prepayment Amounts applicable to such Assessor's Parcel, determined by reference to Table 3, subject to adjustment as described below, less the sum of all Partial Prepayment Amounts actually paid with respect to such Assessor's Parcel.

**TABLE 3  
GROSS PREPAYMENT AMOUNT  
CALENDAR YEAR 1998**

<b>Property Type</b>	<b>Unit Type</b>	<b>Gross Prepayment Amount Calendar Year 1998</b>
Residential	Detached	\$16,044.33 per Unit
Residential	Attached	\$6,918.03 per Unit
Residential	Affordable	\$6,918.03 per Unit
Residential	Senior Citizen	\$0.00 per Unit
Commercial/Industrial	NA	\$0.00 per GFA

On each January 1 until the Escalation Termination Date, commencing January 1, 1999, the Gross Prepayment Amounts shall be increased by the Inflation.

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

**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 Board.

**D. Reserve Fund Credit**

The Reserve Fund credit, if any, shall be calculated as the reduction in the applicable reserve fund requirements resulting from the redemption of Bonds with the Prepayment Amount.

**E. Regularly Retired Principal Credit**

The Regularly Retired Principal Credit is the total regularly scheduled retirement of principal that has occurred with respect to the Assessor's Parcel. For purposes of this calculation, it shall be assumed that the Annual Special Taxes actually collected from each Assessor's Parcel in any Fiscal Year are applied *prorata* to the regularly scheduled principal payment on the outstanding Bonds in the immediately following Fiscal Year based on each Assessor's Parcel's share of the total Annual Special Taxes which are actually collected from all Taxable Property in the current Fiscal Year and are applied to such regularly scheduled principal payment in the immediately following Fiscal Year. In no event shall any amount of Annual Special Taxes determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any index or other basis subsequent to the date of the applicable principal payment.

**F. Partial Prepayment Credit**

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.



Notwithstanding any of the foregoing, no prepayment will be allowed unless the amount of Assigned Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

## SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX

At the time a Final Map is recorded for any portion of any Planning Area, the owner filing said Final Map for recordation may concurrently elect to prepay a portion of the applicable Annual Special Tax obligation for all the Assessor's Parcels in such Planning Area. 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 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. The partial prepayment of the Annual Special Tax obligation for each such Assessor's Parcel shall be collected prior to the issuance of a Building Permit.

The Partial Prepayment Amount shall be calculated as follows:

$$PP = P_G \times F$$

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

With respect to an Annual Special Tax obligation that is partially prepaid, the Assistant Superintendent shall indicate in the records of CFD No. 8 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Annual Special Tax obligation to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax obligation shall cease.

Notwithstanding any of the foregoing, no prepayment will be allowed unless the amount of Assigned Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

### **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 Escalation Termination Date, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2037-38.

### **SECTION J EXEMPTIONS**

The Assistant Superintendent shall not levy a special tax on Assessor's Parcels (i) 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, (ii) used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) designated entirely for use by a homeowners' association, (iv) encumbered with public or utility or access easements making impractical their use for purposes other than those set forth in the easements, (v) designated entirely as open space on a Final Map, or (vi) located in a Planning Area in which no Final Map has been recorded.

### **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 promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the special tax, and rule on the appeal. If the Assistant Superintendent's decision requires that the special tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last Fiscal 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**

One-Time Special Taxes shall be collected on or before the date a Building Permit is issued, provided that any portion of a One-Time Special Tax that is not collected at the issuance of a Building Permit may be levied on the applicable Assessor's Parcel in any following Fiscal Year. Annual Special Taxes shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided that CFD No. 8 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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**RATE AND METHOD OF APPORTIONMENT FOR  
COMMUNITY FACILITIES DISTRICT NO. 9  
OF THE POWAY UNIFIED SCHOOL DISTRICT**

An Annual Special Tax shall be levied on and collected in Community Facilities District No. 9 (the "CFD") of the Poway Unified School District (the "School District") in each Fiscal Year, in an amount determined through the application of the rate and method of apportionment described below. All of the real property in the CFD, 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:

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

**"Annual Special Tax"** means the Special Tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed 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 the Annual Special Tax on an Assessor's Parcel of Developed Property determined pursuant to Section C below.

**"Assistant Superintendent"** means the Assistant Superintendent of Business of the School District or his/her 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, which obligation may be incurred by the CFD or the School District.

**"CFD"** means Community Facilities District No. 9 established by the School District under the Act.

**"County"** means the County of San Diego.

**"Detached Unit"** means an Assessor's Parcel of Residential Property.

**"Developed Property"** means an Assessor's Parcel in the CFD for which a building permit for new construction of a Residential Unit was issued on or before January 1 of the prior Fiscal Year.

**"Exempt Property"** means each Assessor's Parcel that is not Developed Property and the property designated as being exempt from Special Taxes in Section H.

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

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

**"Gross Prepayment Amount"** for any Assessor's Parcel of Developed Property means that gross prepayment amount calculated as provided in Section E.1.

**"Index"** means the Marshall & Swift Construction Cost Index for Class D Construction or such other index as is used from time to time by the State Allocation Board to estimate school construction costs (collectively, the "SAB Index"), or in the absence of the SAB Index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc. ("ENR Index"), or in the absence of such ENR Index, an index which reasonably approximates increases in costs of school construction.

**"Initial Assigned Annual Special Tax"** means the Assigned Annual Special Tax for an Assessor's Parcel which has been designated as Developed Property for the first time in that Fiscal Year.

**"Maximum Special Tax"** means the maximum Special Tax, determined in accordance with Section C, that can be levied by the CFD in any Fiscal Year on an Assessor's Parcel of Developed Property.

**"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 F.

**"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 E.

**"Residential Unit"** means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

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

Developed Property.

**SECTION B  
ASSIGNMENT TO LAND USE CLASS**

For each Fiscal Year, beginning with Fiscal Year 1998-99, each Assessor's Parcel within the CFD shall be classified as Developed Property or as Exempt Property.

**SECTION C  
MAXIMUM SPECIAL TAX**

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property in any Fiscal Year shall be the amount derived by the application of the Assigned Annual Special Tax.

The Initial Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 1998-99 shall be \$1,753.67 per Residential Unit.

Each July 1, commencing July 1, 1999, the amount of the Initial Assigned Annual 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 Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Fiscal Year.

For Fiscal Years following the Fiscal Year in which the Initial Assigned Annual Special Tax was applied, the Assigned Annual Special Tax shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

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

Commencing Fiscal Year 1998-99 and for each subsequent Fiscal Year, the Assistant Superintendent shall levy the Maximum Special Tax on each Assessor's Parcel of Developed Property.

**SECTION E  
PREPAYMENT OF ANNUAL SPECIAL TAX**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of property for which a building permit has been issued may be prepaid in full.

An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide the CFD with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

**1. Prior to Issuance of Bonds**

Prior to the issuance of any Bonds, the prepayment Amount for each Assessor's Parcel of Developed

Property shall be the amount equal to the Gross Prepayment Amount in the Fiscal Year in which prepayment is made. The Gross Prepayment Amount for the Fiscal Year 1998-99 is \$17,060.02 per Residential Unit.

On each July 1, commencing July 1, 1999, the Gross Prepayment Amount shall be increased by the greater of the annual percentage change in the Index or two (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 Fiscal Year.

## **2. Subsequent to Issuance of Bonds**

After the issuance of any Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property shall be the amount equal to (i) the Gross Prepayment Amount (as calculated in Section E.1) minus (ii) the amount of regularly scheduled principal of such Bonds retired in the CFD with respect to such Assessor's Parcel, which amount shall be determined by multiplying (a) the amount of regularly scheduled principal that has been retired on such Bonds, times (b) 0.0158730 (1/63).

### **SECTION F PARTIAL PREPAYMENT OF SPECIAL TAX**

At the time a residential Final Subdivision Map is recorded within CFD No. 9, the property owner filing said Final Subdivision Map for recordation concurrently may elect for all of the Assessor's Parcels created by said Final Subdivision Map to prepay a portion of the applicable future Annual Special Taxes. In order to prepay a portion of the applicable future Annual Special Taxes, the residential Final Subdivision Map must contain at least nine (9) Residential Units. The partial prepayment of the Annual Special Tax shall be collected at the time of the issuance of a building permit. The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_E \times F$$

These terms have the following meanings:

PP = the Partial Prepayment Amount

P<sub>E</sub> = the Prepayment Amount calculated according to Section E

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 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 ten (10) working days of the request and may charge a reasonable fee for providing this service.



With respect to any Assessor's Parcel that is partially prepaid, the Assistant Superintendent shall indicate in the records of the CFD that there has been a partial prepayment of the Annual Special Tax and shall cause a suitable notice to be recorded in compliance with the Act within 30 days of receipt of such partial prepayment of Annual Special Taxes, to indicate 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. The portion of the Annual Special Tax with respect to any Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Annual Special Tax, shall continue to be levied on such Assessor's Parcel.

The amount of the Partial Prepayment Amount deposited in the applicable redemption fund may be in an amount able to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the applicable redemption fund to be used with the next prepayment of Bonds.

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

## **SECTION G TERMINATION OF SPECIAL TAX**

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

## **SECTION H EXEMPTIONS**

The Assistant Superintendent shall not levy a Special Tax on (i) properties owned by the State of California, Federal or other local Government Code, (ii) properties within the boundaries of the CFD which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) properties owned by a homeowners' association (iv) properties with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, or (v) properties that are not Developed Property. Only Developed Property shall be subject to Special Tax.

## **SECTION I APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent no later than one (1) calendar year after having paid the first installment of the Special Tax, that is disputed. The Assistant

Superintendent shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Assistant Superintendents decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

**SECTION J**  
**MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that the CFD 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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**RATE AND METHOD OF APPORTIONMENT FOR  
COMMUNITY FACILITIES DISTRICT NO. 10  
OF THE POWAY UNIFIED SCHOOL DISTRICT**

An Annual Special Tax and a One-Time Special Tax shall be levied on and collected in Community Facilities District No. 10 ("CFD No. 10") of the Poway Unified School District ("School District") in each Fiscal Year, in an amount determined through the application of the rate and method of apportionment described below. All of the real property in CFD No. 10, 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:

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

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

**"Administrative Expenses"** means any ordinary and necessary expenses of the School District to carry out its duties as the legislative body of CFD No. 10.

**"Annual Special Tax"** means the Special Tax levied in each Fiscal Year on an Assessor's Parcel as set forth in Section F.

**"Assessor's Parcel"** means a lot or parcel of land in CFD No. 10 which is designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

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

**"Assistant Superintendent"** means the Assistant Superintendent of Business of the School District or his/her designee.

**"Attached Unit"** means a Unit that (i) consists or shall consist of a building or buildings in which each of the individual Units has at least one common wall with another Unit and (ii) is not a Senior Citizen 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, to the repayment of which Special Taxes of CFD No. 10 are pledged.

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

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

**"City"** means the City of San Diego.

**"County"** means the County of San Diego.

**"Detached Unit"** means a Unit which is not an Attached Unit or a Senior Citizen Unit.

**"Developed Property"** means all Assessor's Parcels for which building permits were issued for the construction of Units on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels were created on or before January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot, as determined reasonably by the Assistant Superintendent.

**"Exempt Property"** means the property designated as Exempt Property in Section I.

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

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

**"Gross Floor Area" or "GFA"** means the covered and enclosed space within the perimeters of a commercial or industrial structure, not including any storage area incidental to the principal use of the development, garage, parking structure, unenclosed walkway, or utility or disposable area, as used in Section 65995 of the Government Code.

**"Gross Prepayment Amount"** means any 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, or if the Marshall & Swift Western Region Class D Wood Frame Index ceases to be used by the State Allocation Board, a reasonably comparable index used by the State Allocation Board to estimate

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changes in school construction costs, or in the absence of such an index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc.

**"Inflator"** means the greater of (i) the annual percentage change in the Index, as calculated for the twelve (12) months ending December 31 of the prior Calendar Year or (ii) two percent (2.0%).

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

**"One-Time Special Tax"** means the single payment Special Tax to be levied as set forth in Section D.

**"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.

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

**"Senior Citizen Restriction"** means (i) a restriction limiting the use of Units to senior citizen housing under a specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

**"Special Tax"** means any of the special taxes authorized to be levied by CFD No. 10 under the Act.

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

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

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

**"Zone"** means either of the areas identified as a Zone in Exhibit A to this Rate and Method of Apportionment.

**"Zone 1"** means all property located within the area identified as Zone 1 in Exhibit A to this Rate and Method of Apportionment.

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"**Zone 2**" means all property located within the area identified as Zone 2 in Exhibit A to this Rate and Method of Apportionment.

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

For each Fiscal Year, beginning with Fiscal Year 2001-02, (i) each Assessor's Parcel shall be classified as Exempt Property or Taxable Property; (ii) each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property; and (iii) each Assessor's Parcel shall be assigned to a Zone in accordance with Exhibit A.

## **SECTION C MAXIMUM SPECIAL TAX**

### **1. Developed Property**

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

### **2. Undeveloped Property**

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

## **SECTION D ONE-TIME SPECIAL TAX**

The One-Time Special Tax shall be collected for each Assessor's Parcel on or before the date a building permit is issued for such Assessor's Parcel in the amounts described below.

### **1. Zone 1**

From May 1, 2001 to April 30, 2002, the One-Time Special Tax amounts in Zone 1 shall be (i) \$2.14 per square foot of BSF for Detached Units, (ii) \$2.14 per square foot of BSF for Attached Units, (iii) \$0.36 per square foot of BSF for Senior Citizen Units, and (iv) \$0.36 per GFA. On each May 1, commencing May 1, 2002, the One-Time Special Tax amounts in Zone 1 shall be increased by the Inflater.

### **2. Zone 2**

From May 1, 2001 to April 30, 2002, the One-Time Special Tax amounts in Zone 2 shall be (i) \$2.14 per square foot of BSF for Detached Units, (ii) \$0.00 per square foot of BSF for Attached Units, (iii) \$0.36 per square foot of BSF for Senior Citizen Units, and (iv) \$0.36 per GFA. On each May 1, commencing May 1, 2002, the One-Time Special Tax amounts in Zone 2 shall be increased by the Inflater.

**SECTION E  
ASSIGNED ANNUAL SPECIAL TAX**

**1. 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. No Assigned Annual Special Tax shall apply to Senior Citizen Units.

**TABLE 1**

<i><b>ASSIGNED ANNUAL SPECIAL TAX FOR NEW DEVELOPED PROPERTY FOR FISCAL YEAR 2001-02</b></i>		
<b>Unit Type</b>	<b>Assigned Annual Special Tax in Zone 1<sup>1</sup></b>	<b>Assigned Annual Special Tax in Zone 2<sup>1</sup></b>
Detached Unit	\$1,817.70 per Unit	\$1,817.70 per Unit
Attached Unit	\$749.15 per Unit	\$1,012.00 per Unit
1. No Assigned Annual Special Tax shall apply to Senior Citizen Units.		

Each July 1, commencing July 1, 2002, 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 Inflater.

**2. 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.

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

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Assistant Superintendent shall levy the Annual Special Tax on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to 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 in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

**1. Prior to Issuance of Bonds**

Prior to the issuance of Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property and each Assessor's Parcel of Undeveloped Property for which a building permit has been issued shall be the amount equal to the Gross Prepayment Amount. The Gross Prepayment Amount for the period May 1, 2001 to April 30, 2002 shall be the amount determined by reference to Table 2.

**TABLE 2**

<b><i>GROSS PREPAYMENT AMOUNT FOR MAY 1, 2001 TO APRIL 30, 2002</i></b>		
<b>Unit Type</b>	<b>Gross Prepayment Amount in Zone 1</b>	<b>Gross Prepayment Amount in Zone 2</b>
Detached Unit	\$18,870.40 per Unit	\$18,870.40 per Unit
Attached Unit	\$8,083.83 per Unit	\$10,920.16 per Unit

On each May 1, commencing May 1, 2002, the Gross Prepayment Amount for each Unit shall be increased by the Inflatior, provided that the Gross Prepayment Amount applicable to a Unit shall not increase after the issuance of the building permit for such Unit.



**2. Subsequent to Issuance of Bonds**

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

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

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

1. For each Assessor's Parcel of Developed Property, compute the Assigned Annual Special Tax. For each Assessor's Parcel of Undeveloped Property, compute the Assigned Annual Special Tax as though it was already designated as Developed Property, based upon the building permit issued for that Assessor's Parcel.
2. For each Annual Special Tax obligation to be prepaid, divide the Assigned Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Assigned Annual Special Tax applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Assistant Superintendent.
3. The amount determined pursuant to Section G.1. shall be (a) increased by the portion of the Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal of the Bonds which is allocable to the applicable Assessor's Parcel, as determined by the Assistant Superintendent. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Tax determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the applicable payment.
4. Multiply the quotient computed pursuant to paragraph 2 by the face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."
5. Multiply the Bond Redemption Amount by the applicable redemption

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premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."

6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."
9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Assistant Superintendent shall indicate in the records of CFD No. 10 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Tax that may be levied in CFD No. 10, net of an allocable portion of Administrative Expenses, shall

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be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year, as reasonably determined by the Assistant Superintendent.

## **SECTION H TERMINATION OF ANNUAL SPECIAL TAX**

The Annual Special Tax shall be levied for a term of thirty-one (31) Fiscal Years after the last series of Bonds is issued, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.

## **SECTION I EXEMPTIONS**

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

## **SECTION J APPEALS**

Any property owner claiming that the amount or application of any Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent not later than twelve (12) months after having paid the Special Tax that is disputed. The Assistant Superintendent shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Assistant Superintendent's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy or in other special cases, as determined by the Assistant Superintendent), but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

## **SECTION K MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 10 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations. The One-Time Special Tax shall be collected prior to the issuance of a building permit.

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PROPOSED BOUNDARIES  
OF POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 10  
SAN DIEGO COUNTY  
STATE OF CALIFORNIA

(1) Filed in the office of the Secretary to the Board of Education this 16<sup>th</sup> day of April, 2001.

*John J. Call*  
Secretary of the Board of Education

(2) I hereby certify that the within map showing the proposed boundaries of Community Facilities District No. 10, San Diego County, State of California, was approved by the Board of Education at a regular meeting thereof, held on this 16<sup>th</sup> day of April, 2001, by its Resolution No. 42-2001.

*John J. Call*  
Secretary of the Board of Education

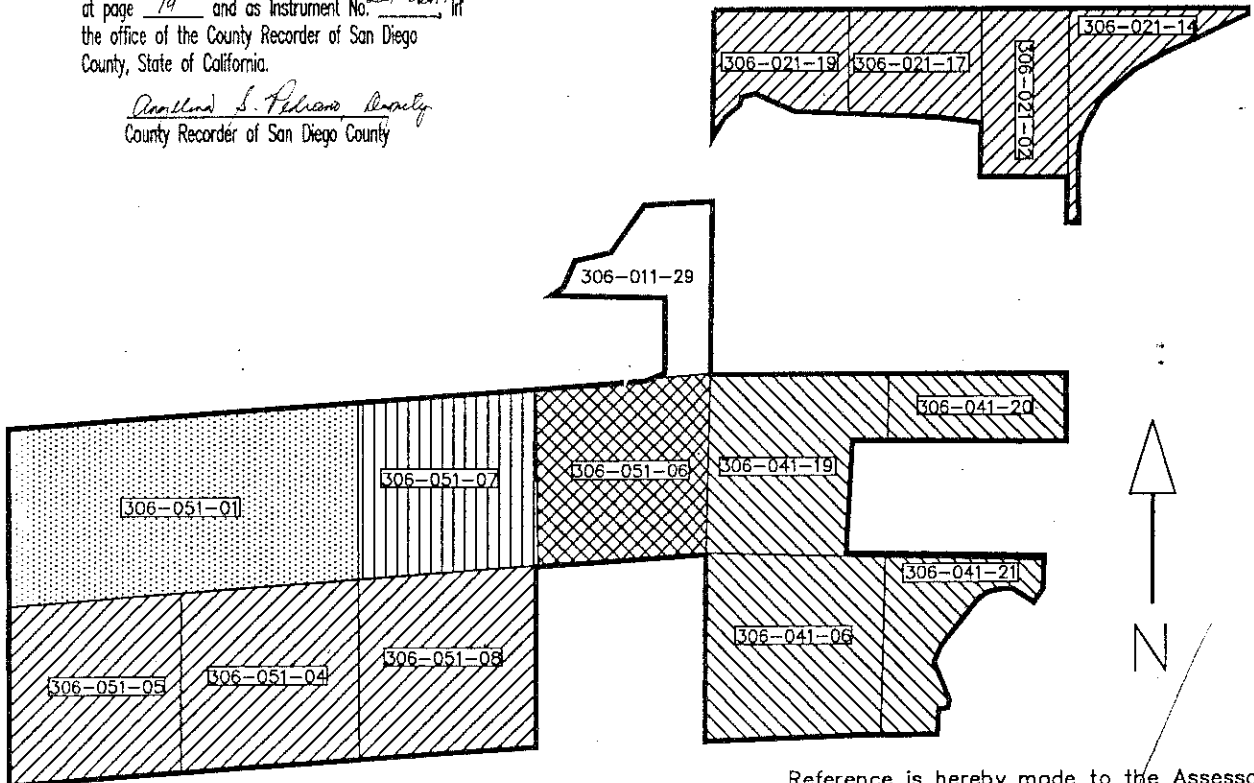
(3) Filed this 19<sup>th</sup> day of APRIL, 2001, at the hour of 10:25 o'clock A.M., in Book 35 of Maps of Assessment and Community Facilities Districts at page 19 and as Instrument No. 2001-024148 in the office of the County Recorder of San Diego County, State of California.

*Donald S. Filmore*  
County Recorder of San Diego County

LEGEND

	CFD Boundary
	Assessor Parcel Boundary
	Assessor Parcel Number
	Improvement Area A
	Improvement Area B
	Improvement Area C
	Improvement Area D
	Improvement Area E
	Improvement Area F

unperfected Copy



Reference is hereby made to the Assessor maps of the County of San Diego for an exact description of the lines and dimensions of each lot and parcel.

PREPARED BY  
DAVD TAUSSIG & ASSOCIATES, INC.

**FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR  
COMMUNITY FACILITIES DISTRICT NO. 12  
OF POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the First Amended Rate and Method of Apportionment for the levy and collection of Special Taxes of Poway Unified School District ("School District") Community Facilities District No. 12 ("CFD No. 12"). An Annual Special Tax shall be levied on and collected in CFD No. 12 each Fiscal Year, in an amount determined through the application of the First Amended Rate and Method of Apportionment described below. All of the real property in CFD No. 12, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A  
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**"Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map or as calculated from the applicable Assessor's Parcel Map by the Board.

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

**"Administrative Expenses"** means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 12 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 12, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 12.

**"Affordable Unit"** means any of up to 42 Units in CFD No. 12 designated as Affordable Units in writing to the Deputy Superintendent at the Developer's election at the time the applicable Building Permit is issued, provided that each such Unit is (i) subject to affordable housing restrictions under any applicable law and (ii) not a Senior Citizen Unit. Under no circumstances may the Developer designate more than 42 Units as Affordable Units in CFD No. 12.

**"Annual Special Tax"** means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

**"Assessor's Parcel"** means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 12.

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

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

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

**"Attached Unit"** means a Unit that (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 or a Senior Citizen Unit.

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

**"Board"** means the Board of Education of Poway Unified School District, or its designee, acting as the Legislative Body of CFD No. 12.

**"Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Taxes have been pledged by CFD No. 12 or the School District.

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

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

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

**"CFD No. 12"** means Community Facilities District No. 12 established by the School District under the Act.

**Commercial/Industrial Building"** means all Assessor's Parcels in CFD No. 12 for which a building permit was issued on or before January 1 of the prior Fiscal Year for the construction of a commercial/industrial structure, excluding utility improvements, retaining walls, parking structures or other such improvements not intended for commercial/industrial use.

**"County"** means the County of San Diego.

**"Deputy Superintendent"** means the Deputy Superintendent of the School District or his/her designee.

**"Detached Unit"** means a Unit that is not an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

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

**"Developer"** means Shea Homes, a California limited partnership and its successors and assigns, as applicable.

**"Exempt Property"** means all Assessor's Parcels designated as being exempt from Special Taxes in Section J.

**"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.

**"Golf Course Property"** means any Assessor's Parcel utilized or expected to be utilized, as determined by the Deputy Superintendent, for golf course purposes, including fairways, greens, driving ranges, tennis facilities, club houses, locker rooms, maintenance facilities, garages, pro shops, restaurants, or banquet facilities.

**"Gross Floor Area" or "GFA"** means, for an Assessor's Parcel of Commercial/Industrial Property, the covered and enclosed space determined to be within the perimeter of a commercial or industrial structure, not including any storage areas incidental to the principal use of the development, garage, parking structure, unenclosed walkway, or utility or disposal area, as used in Section 65995 of the Government Code. The determination of Gross Floor Area shall be made by the Deputy Superintendent in accordance with the standard practice of the building department of the City.

**"Gross Prepayment Amount"** means the Prepayment Amount for an Assessor's Parcel prior to Bonds being issued by CFD No. 12, as determined in accordance with Section G.

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

**"Inflator"** means the greater of (i) 2.00% or (ii) the percentage generated from the following equation:  $4.00\% \times 17.45\% + \Delta \text{ Index} \times 82.55\%$ , where  $\Delta \text{ Index}$  is the change in the Index as measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

**"Lot"** means an individual legal lot created by a Final Map for which a Building Permit could be issued.

**"Maximum Special Tax"** means the Maximum Special Tax, determined in accordance with Section C, that can be levied by CFD No. 12 in any Fiscal Year on any Assessor's Parcel.

**"Minimum Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses of CFD No. 12, (iii) the costs associated with the release of funds from an escrow account, and (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, less (v) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, or trust agreement.

**"Minimum Taxable Acreage"** means, for either Zone, the applicable Acreage listed in Table 4.

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

**"Prepayment Amount"** means the amount required to prepay the Annual Special Tax obligation in full for an Assessor's Parcel, as described in Section G.

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

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

**"School District"** means Poway Unified School District.

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

**"Senior Citizen Restriction"** means (i) a restriction limiting the use of Units to senior citizen housing under specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

**"Special Tax"** means any of the special taxes authorized to be levied by CFD No. 12 pursuant to the Act.

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

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

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

**"Zone"** means the areas identified as a Zone in Exhibit A to this Rate and Method of Apportionment.

**"Zone 1"** means all property located within the area identified as Zone 1 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

**"Zone 2"** means all property located within the area identified as Zone 2 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.



"**Zone 3**" means all property located within the area identified as Zone 3 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

"**Zone 4**" means all property located within the area identified as Zone 4 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

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

Each Fiscal Year, beginning with Fiscal Year 2001-02, each Assessor's Parcel shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property or Undeveloped Property. Finally, in the event that CFD No. 12 is required to levy the Backup Annual Special Tax in a given Fiscal Year, each Assessor's Parcel of Developed Property shall be assigned to a Zone in accordance with Exhibit A at the reasonable discretion of the Board.

## **SECTION C MAXIMUM SPECIAL TAXES**

### **1. Developed Property**

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

### **2. Undeveloped Property**

The Maximum Special Tax for each Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the amount determined by the application of the Assigned Annual Special Tax.

## **SECTION D ASSIGNED ANNUAL SPECIAL TAXES**

### **1. Developed Property**

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to an Assigned Annual Special Tax. The Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property for Fiscal Year 2001-02 shall be determined pursuant to Table 1.

**TABLE 1**

**ASSIGNED ANNUAL SPECIAL TAX FOR  
DEVELOPED PROPERTY  
FISCAL YEAR 2001-02**

<b>Unit Type</b>	<b>Building Square Feet</b>	<b>Rate</b>
Detached	> 3,750 BSF	\$2,012.48 per Unit
Detached	3,501 – 3,750 BSF	\$1,876.68 per Unit
Detached	3,251 – 3,500 BSF	\$1,740.88 per Unit
Detached	3,001 – 3,250 BSF	\$1,605.09 per Unit
Detached	2,751 – 3,000 BSF	\$1,469.29 per Unit
Detached	2,501 – 2,750 BSF	\$1,333.49 per Unit
Detached	2,251 – 2,500 BSF	\$1,116.21 per Unit
Detached	2,001 – 2,250 BSF	\$989.46 per Unit
Detached	1,751 – 2,000 BSF	\$862.72 per Unit
Detached	1,501 – 1,750 BSF	\$735.97 per Unit
Detached	≤ 1,500 BSF	\$609.23 per Unit
Attached	NA	\$609.23 per Unit
Affordable	NA	\$0.00 per Unit
Senior Citizen	NA	\$0.00 per Unit

For each Fiscal Year after Fiscal Year 2001-02, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property will be increased by the Inflater. For each Fiscal Year after the first Fiscal Year in which each Assessor's Parcel was classified as Developed Property, the Assigned Annual Special Tax for such Assessor's Parcel in such Fiscal Year will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**2. Undeveloped Property**

Each Fiscal Year, each Assessor's Parcel of Undeveloped Property shall be subject to an Assigned Annual Special Tax. The Assigned Annual Special Tax rate for an Assessor's Parcel of Undeveloped Property for Fiscal Year 2001-02 shall be \$8,238.00 per acre of Acreage. For each Fiscal Year thereafter, the Special Tax rate for Undeveloped property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**SECTION E  
BACKUP ANNUAL SPECIAL TAXES**

The Backup Annual Special Tax for an Assessor's Parcel of Developed Property for each Zone in Fiscal Year 2001-02 shall be determined pursuant to Table 2. For each Fiscal Year after Fiscal Year 2001-02, the Backup Annual Special Tax for each Assessor's Parcel of Developed Property shall increase by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**TABLE 2**

**BACKUP ANNUAL SPECIAL TAX**

<b>Zone</b>	<b>Backup Annual Special Tax</b>
Zone 1	\$2,227.58 per acre of Acreage
Zone 2	\$5,732.71 per acre of Acreage
Zone 3	\$9,533.35 per acre of Acreage
Zone 4	\$11,705.42 per acre of Acreage

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

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes as follows:

- Step One: The Board shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.
  
- Step Two: If the sum of the amounts collected in step one is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Undeveloped Property, up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel, to satisfy the Minimum Annual Special Tax Requirement.
  
- Step Three: If the sum of the amounts collected in steps one and two is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Developed Property up to the Maximum Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.

**SECTION G  
PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

**1. Prior to Issuance of Bonds**

Prior to the issuance of Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property and each Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued shall be the applicable Gross Prepayment Amount. The Gross Prepayment Amount for Fiscal Year 2001-02 shall be determined by reference to Table 3, subject to adjustment as described below.

**TABLE 3**  
**GROSS PREPAYMENT AMOUNTS PRIOR  
TO THE ISSUANCE OF BONDS  
FISCAL YEAR 2001-02**

<b>Unit Type</b>	<b>Building Square Feet</b>	<b>Prepayment Amount</b>
Detached	> 3,750 BSF	\$25,511.78 per Unit
Detached	3,501 – 3,750 BSF	\$23,810.99 per Unit
Detached	3,251 – 3,500 BSF	\$22,110.21 per Unit
Detached	3,001 – 3,250 BSF	\$20,409.42 per Unit
Detached	2,751 – 3,000 BSF	\$18,708.64 per Unit
Detached	2,501 – 2,750 BSF	\$17,007.85 per Unit
Detached	2,251 – 2,500 BSF	\$17,007.85 per Unit
Detached	2,001 – 2,250 BSF	\$17,007.85 per Unit
Detached	1,751 – 2,000 BSF	\$17,007.85 per Unit
Detached	1,501 – 1,750 BSF	\$17,007.85 per Unit
Detached	≤ 1,500 BSF	\$17,007.85 per Unit
Attached	NA	\$7,552.70 per Unit
Affordable	NA	\$0.00 per Unit
Senior Citizen	NA	\$0.00 per Unit

Each Fiscal Year, commencing Fiscal Year 2002-03, the Gross Prepayment Amounts shall be increased by the Inflater. For each Fiscal Year after the first Fiscal Year in which each Assessor's Parcel was classified as Developed Property, the Gross Prepayment Amount for such Assessor's Parcel in such Fiscal Year will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**2. Subsequent to Issuance of Bonds**

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

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

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

1. For Assessor's Parcels of Developed Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel. For Assessor's Parcels of Undeveloped Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit issued for that Assessor's Parcel.
2. For each Assessor's Parcel of Developed Property or Undeveloped Property to be prepaid, (a) divide the sum of the Assigned Annual Special Taxes computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board, and (b) divide the sum of Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board.
3. The amount determined pursuant to Section G.1. shall be (a) increased by the portion of the Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal which is allocable to the applicable Assessor's Parcel, as determined by the Board. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Taxes determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the date of the applicable principal payment.
4. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the

face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."

5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."
9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if a surety bond or other instrument satisfies the reserve fund requirement at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Board shall indicate in the records of CFD No. 12 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Taxes shall cease.

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

## **SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel, as calculated in Section H.2. below, may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

### **1. Partial Prepayment Times and Conditions**

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

### **2. Partial Prepayment Amount**

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

$$PP = P_G \times F$$

The terms above have the following meanings:

PP = the Partial Prepayment Amount

P<sub>G</sub> = the Prepayment Amount calculated according to Section G

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation.

### **3. Partial Prepayment Procedures and Limitations**

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 12 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Annual Special Tax obligation, to indicate the partial prepayment of the Annual Special Tax obligation and the partial

release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease.

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

**SECTION I  
TERMINATION OF SPECIAL TAX**

Annual Special Taxes shall be levied for a period of thirty-three (33) Fiscal Years after the last series of Bonds has been issued, as determined by the Board, provided that Annual Special Taxes shall not be levied after Fiscal Year 2042-43.

**SECTION J  
EXEMPTIONS**

The Board shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels classified as Golf Course Property or containing a Commercial/Industrial Building with no Units, and (vi) any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the sum of all Developed Property and Undeveloped Property in such Zone to less than the Minimum Taxable Acreage. Notwithstanding the above, the Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property in such Zone to less than the Minimum Taxable Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property in such Zone to less than the Minimum Taxable Acreage will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

**TABLE 4**

**MINIMUM TAXABLE ACREAGE**

<b>Zone</b>	<b>Minimum Taxable Acreage</b>
Zone 1	110.43
Zone 2	21.45
Zone 3	18.13
Zone 4	31.61



## **SECTION K APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 12 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

## **SECTION L MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 12 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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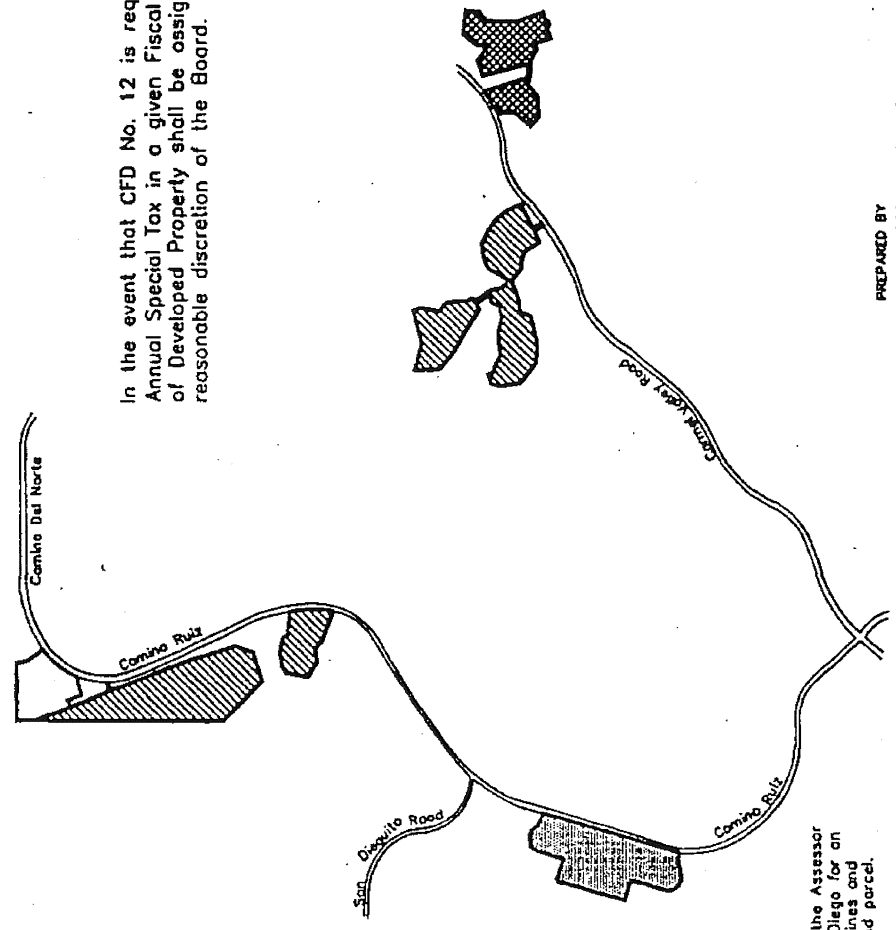
**EXHIBIT A**

**ZONE MAP OF CFD NO. 12**

**EXHIBIT "A"**  
**OF RATE AND METHOD OF APPORTIONMENT**  
**ZONE MAP**  
**COMMUNITY FACILITIES DISTRICT NO. 12**  
**POWAY UNIFIED SCHOOL DISTRICT**

SHEET 1 OF 2

In the event that CFD No. 12 is required to levy the Backup Annual Special Tax in a given Fiscal Year, each Assessor's Parcel of Developed Property shall be assigned to a Zone at the reasonable discretion of the Board.



**LEGEND**

Boundaries of  
Community Facilities District No. 12

	Zone 1
	Zone 2
	Zone 3
	Zone 4

Reference is hereby made to the Assessor maps of the County of San Diego for an exact description of the lines and dimensions of each lot and parcel.

PREPARED BY  
**DAVID TAUSSIG & ASSOCIATES, INC.**

EXHIBIT "A"  
ASSESSOR'S PARCELS WITHIN  
COMMUNITY FACILITIES DISTRICT NO. 12 OF  
POWAY UNIFIED SCHOOL DISTRICT

ZONE 1

267-150-08  
267-150-10  
312-142-06

ZONE 2

267-150-14

ZONE 3

312-160-05

ZONE 4

303-070-24  
303-070-27

# **FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 13 OF POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the First Amended Rate and Method of Apportionment for the levy and collection of Special Taxes ("Rate and Method of Apportionment") of Community Facilities District No. 13 ("CFD No. 13") of the Poway Unified School District ("School District"). An Annual Special Tax shall be levied on and collected on Taxable Property (defined below) located within the boundaries of CFD No. 13 each Fiscal Year in an amount determined through the application of the First Amended Rate and Method of Apportionment described below. All of the real property in CFD No. 13, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

## **SECTION A DEFINITIONS**

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

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

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

**"Administrative Expenses"** means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 13 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes, including the reasonable expenses of collecting delinquencies, the administration of Bonds, the proportionate payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 13, and reasonable costs otherwise incurred in order to carry out the authorized purposes of CFD No. 13.

**"Annual Special Tax"** means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

**"Approved Property"** means an Assessor's Parcel in CFD No. 13 which represents a Lot in a Final Subdivision Map that was recorded prior to January 1 of the prior Fiscal Year, but for which a Building Permit has not been issued on or before May 1 of the prior Fiscal Year. Notwithstanding the above, once an Assessor's Parcel has been classified Approved Property, it shall remain Approved Property until such time as a Building Permit is issued.

**"Assessor's Parcel"** means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 13.

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

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

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

**"Board"** means the Board of Education of Poway Unified School District, or its designee, in certain cases acting as the legislative body of CFD No. 13.

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

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

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

**"Building Permit"** means a permit for the construction of one or more Units issued by the County, or another public agency in the event the County no longer issues said permits for the construction of Units within CFD No. 13. For purposes of this definition, "Building Permit" shall not include permits for construction or installation of structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation or commercial/industrial use.

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

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

**"County"** means the County of San Diego.

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

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

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

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

**"Homeowner"** means any owner of a completed Unit constructed and sold within CFD No. 13.

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

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

**"Lot"** means an individual legal lot created by a Final Subdivision Map for which a Building Permit for residential construction has been or could be issued. Notwithstanding the foregoing, in the case of an individual legal lot created by such a Final Subdivision Map upon which condominium units are entitled to be developed but for which a condominium plan has not been recorded, the number of Lots allocable to such legal lot for purposes of calculating the Backup Special Tax applicable to such Final Subdivision Map shall equal the number of condominium units which are permitted to be constructed on such legal lot as shown on such Final Subdivision Map.

**"Maximum Special Tax"** means the maximum Special Tax, determined in accordance with Section C, that can be levied by CFD No. 13 in any Fiscal Year on any Assessor's Parcel.

**"Minimum Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses of CFD No. 13, (iii) the costs associated with the release of funds from an escrow account(s) established in association with the Bonds, and (iv) any amount required to establish or replenish any reserve funds (or accounts thereof) established in association with the Bonds, less (v) any amount(s) available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, trust agreement, or equivalent agreement or document. In arriving at the Minimum Annual Special Tax requirement, the Board shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year.

**"Minimum Taxable Acreage"** means the applicable Acreage listed in Table 4 set forth in Section K.

**"Net Taxable Acreage"** means the total Acreage of all Taxable Property expected to exist in CFD No. 13 after all Final Subdivision Maps are recorded.

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

**"Prepayment Administrative Fees"** means any fees or expenses of the School District or CFD No. 13 associated with the prepayment of the Special Tax obligation of an Assessor's Parcel. Prepayment Administrative Fees shall include among other things the cost of computing the Prepayment Amount, redeeming Bonds, and recording any notices to evidence the prepayment and redemption of Bonds.

**"Prepayment Amount"** means the amount required to prepay the Annual Special Tax obligation in full for an Assessor's Parcel as described in Section G.

**"Present Value of Taxes"** means for any Assessor's Parcel the present value of (i) the unpaid portion, if any, of the Special Tax applicable to such Assessor's Parcel in the current Fiscal Year and (ii) the Annual Special Taxes expected to be levied on such Assessor's Parcel in each remaining Fiscal Year, as determined by the Board, until the earlier of (a) 30 Fiscal Years after the current Fiscal Year or (b) the termination date specified in Section J. The discount rate used for this calculation shall be equal to the (i) Bond Yield after Bond issuance or (ii) most recently published Bond Index prior to Bond issuance.

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

**"Reserve Fund Credit"** means an amount equal to the reduction in the applicable reserve fund requirement(s) resulting from the redemption of Bonds with the Prepayment Amount. In the event that a surety bond or other credit instrument satisfies the reserve requirement or the reserve requirement is under funded at the time of the prepayment no Reserve Fund Credit shall be given.



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

**"Special Tax(es)"** means any of the special taxes authorized to be levied by CFD No. 13 pursuant to the Act.

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

**"Undeveloped Property"** means all Assessor's Parcels of Taxable Property which are not Developed Property or Approved Property.

**"Unit"** means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

**"Zone"** means the areas identified as a Zone of CFD No. 13 as in Section N of this Rate and Method of Apportionment.

**"Zone 1"** means all property located within the area identified as Zone 1 of CFD No. 13 as in Section N, subject to interpretation by the Board as described in Section B.

**"Zone 2"** means all property located within the area identified as Zone 2 of CFD No. 13 as in Section N, subject to interpretation by the Board as described in Section B.

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

For each Fiscal Year, beginning with Fiscal Year 2007-08, each Assessor's Parcel within CFD No. 13 shall be assigned to a Zone in accordance with Section N at the reasonable discretion of the Board and each Assessor's Parcel within each Zone shall be classified as Taxable Property or Exempt Property. Furthermore, each Assessor's Parcel of Taxable Property shall be classified as Developed Property, Approved Property, or Undeveloped Property. Developed Property within Zone 1 shall be further classified based on the Building Square Footage of the Unit. The classification of Exempt Property within each Zone shall take into consideration Minimum Taxable Acreage for such Zone as determined pursuant to Section K.

## **SECTION C MAXIMUM SPECIAL TAXES**

### **1. Developed Property**

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property within a particular Zone in each Fiscal Year shall be the greater of (i) the application of the Assigned Annual Special Tax for such Zone or (ii) the application of the Backup Annual Special Tax for a given Final Subdivision Map for such Zone.

**2. Approved Property or Undeveloped Property**

The Maximum Special Tax for each Assessor's Parcel classified as Approved Property or Undeveloped Property within a particular Zone in each Fiscal Year shall be the amount determined by the application of the Assigned Annual Special Tax for such Zone.

**SECTION D  
ASSIGNED ANNUAL SPECIAL TAXES**

**1. Developed Property**

**A. Assigned Annual Special Tax For Newly Developed Property**

The Assigned Annual Special Tax for an Assessor's Parcel of Developed Property within a particular Zone in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be determined by reference to Tables 1 and 2 for such Zone, subject to increases as described below.

**TABLE 1**

**ASSIGNED ANNUAL SPECIAL TAX FOR  
NEWLY DEVELOPED PROPERTY IN ZONE 1  
FISCAL YEAR 2007-08**

<b>Building Square Footage</b>	<b>Assigned Annual Special Tax</b>
< 4,000	\$2,260.50 per Unit
4,000 – 4,300	\$2,637.25 per Unit
4,301 – 4,600	\$2,888.41 per Unit
4,601 – 4,900	\$3,139.58 per Unit
4,901 – 5,200	\$3,233.77 per Unit
> 5,200	\$3,327.95 per Unit

**TABLE 2**

**ASSIGNED ANNUAL SPECIAL TAX FOR  
NEWLY DEVELOPED PROPERTY IN ZONE 2  
FISCAL YEAR 2007-08**

<b>Building Square Footage</b>	<b>Assigned Annual Special Tax</b>
NA	\$2,806.35 per Unit

Each July 1, commencing July 1, 2008, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property within a particular Zone in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be increased by the Inflater for such Zone.

**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 within a particular Zone, the Assigned Annual Special Tax applicable to such Assessor's Parcel shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year for such Zone.

**2. Approved Property or Undeveloped Property**

The Assigned Annual Special Tax per Acre for an Assessor's Parcel of Approved Property or Undeveloped Property each Fiscal Year shall be the amount determined by reference to Table 3 according to the Zone within which the Assessor's Parcel is located.

**TABLE 3**  
**ASSIGNED ANNUAL SPECIAL TAX FOR**  
**APPROVED PROPERTY OR UNDEVELOPED PROPERTY**  
**FISCAL YEAR 2007-08**

<b>Location</b>	<b>Assigned Annual Special Tax</b>
Zone 1	\$5,619.14 per Acre
Zone 2	\$5,619.13 per Acre

Each July 1, commencing July 1, 2008, the Assigned Annual Special Tax per acre of Acreage for each Assessor's Parcel of Approved Property or Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

**SECTION E**  
**BACKUP ANNUAL SPECIAL TAXES**

Each Fiscal Year, each Assessor's Parcel of Developed Property within a particular Zone shall be subject to a Backup Annual Special Tax. The Backup Annual Special Tax rate for an Assessor's Parcel of Developed Property within a Final Subdivision Map in Fiscal Year 2007-08 or such later Fiscal Year within a particular Zone in which such Final Subdivision Map is created shall be the rate per Lot calculated according to the following formula:

$$B = \frac{U \times A}{L}$$

The terms above have the following meanings:

- B = Backup Annual Special Tax per Lot
- U = Assigned Annual Special Tax per acre of Acreage for Undeveloped Property or Approved Property in the Fiscal Year which the calculation is performed for such Zone
- A = Acreage of Taxable Property in such Final Subdivision Map at time of calculation, as determined by the Board pursuant to Section K
- L = Lots in the Final Subdivision Map at the time of calculation for such Zone.

Each July 1, commencing the July 1 first following the initial calculation of the Backup Annual Special Tax rate for an Assessor's Parcel of Developed Property with a Final Subdivision Map, the Backup Annual Special Tax for each Lot within such Final Subdivision Map shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

Notwithstanding the foregoing, if all or any portion of the Final Subdivision Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property in such Final Subdivision Map that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Annual Special Taxes anticipated to apply to the changed or modified area in the Final Subdivision Map prior to the change or modification in the current Fiscal Year.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified area in the Final Subdivision Map, as reasonably determined by the Board.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified area of the Final Subdivision Map. Each July 1, commencing the July 1 first following the change or modification to the Final Subdivision Map the amount determined by this Section shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

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

Commencing Fiscal Year 2007-08, and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes as follows:

- Step One: The Board shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.
- Step Two: If the sum of the amounts collected in step one is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall Proportionately levy an Annual Special Tax on each Assessor's Parcel of Approved Property in an amount up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.
- Step Three: If the sum of the amounts collected in steps one and two is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall Proportionately levy an Annual Special Tax on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.
- Step Four: If the sum of the amounts collected in steps one, two, and three is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall Proportionately levy an Annual Special Tax on each Assessor's Parcel of Developed Property up to the Maximum Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.

## **SECTION G PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Approved Property or Undeveloped Property for which a Building Permit has been issued, may be prepaid in full provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 13 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Board shall reasonably determine the Prepayment Amount of such Assessor's Parcel and shall notify such owner of such Prepayment Amount. The Prepayment Amount shall be calculated according to the following formula:

$$P = PVT - RFC + PAF$$

The terms above have the following meanings:

P	=	Prepayment Amount
PVT	=	Present Value of Taxes
RFC	=	Reserve Fund Credit
PAF	=	Prepayment Administrative Fees

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

With respect to any Assessor's Parcel that is prepaid, the Board shall indicate in the records of CFD No. 13 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

## **SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

### **1. Partial Prepayment Times and Conditions**

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

### **2. Partial Prepayment Amount**

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

$$PP = P_G \times F$$

The terms above have the following meanings:

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

**3. Partial Prepayment Procedures and Limitations**

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 13 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease. Additionally, the notice shall indicate that the Assigned Annual Special Tax and the Backup Annual Special Tax if applicable for the Assessor's Parcel has been reduced by an amount equal to the percentage which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such partial prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

**SECTION I  
EXCESS ASSIGNED ANNUAL SPECIAL TAXES**

In any Fiscal Year which the Annual Special Taxes collected from Developed Property, pursuant to Step 1 of Section F, exceeds the Minimum Annual Special Tax Requirement, the School District shall use such amount for acquisition, construction or financing of school facilities in accordance with the Act, CFD No. 13 proceedings, and other applicable laws as determined by the Board.

**SECTION J  
TERMINATION OF SPECIAL TAX**

Annual Special Taxes shall be levied for a period of thirty-five (35) Fiscal Years after the last series of bonds have been issued, provided that Annual Special Taxes shall not be levied after Fiscal Year 2051-2052.

## **SECTION K EXEMPTIONS**

The Board shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels owned by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels developed or expected to be developed exclusively for non-residential use, including any use directly servicing any non-residential property, such as parking, as reasonably determined by the Board, and (vi) any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the Net Taxable Acreage within a given Zone to less than the Minimum Taxable Acreage for such Zone. Notwithstanding the above, the Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property in a given Zone to less than the Minimum Taxable Acreage for such Zone. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property in a given Zone to less than the Minimum Taxable Acreage for such Zone will continue to be classified as Developed Property, Undeveloped Property, or Approved Property, as applicable, and will continue to be subject to Special Taxes accordingly.

**TABLE 4**

### **MINIMUM TAXABLE ACREAGE**

<b>Location</b>	<b>Minimum Taxable Acreage</b>
Zone 1	175.80 Acres
Zone 2	14.98 Acres



## **SECTION L APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. In order to be considered sufficient, any notice of appeal must: (i) specifically identify the property by address and Assessor's Parcel Number; (ii) state the amount in dispute and whether it is the whole amount or only a portion of the Special Tax; (iii) state all grounds on which the property owner is disputing the amount or application of the Special Tax, including a reasonably detailed explanation as to why the amount or application of such Special Tax is incorrect; (iv) include all documentation, if any, in support of the claim; and (v) be verified under penalty of perjury by the person who paid the Special Tax or his or her guardian, executor or administrator. A representative(s) of CFD No. 13 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) as the representative's decision shall indicate.

## **SECTION M MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that CFD No. 13 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and if so collected, a delinquent penalty of 10% of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1 after the delinquency date and the first of each month thereafter until such Special Taxes are paid.

## **SECTION N MAP OF ZONES**

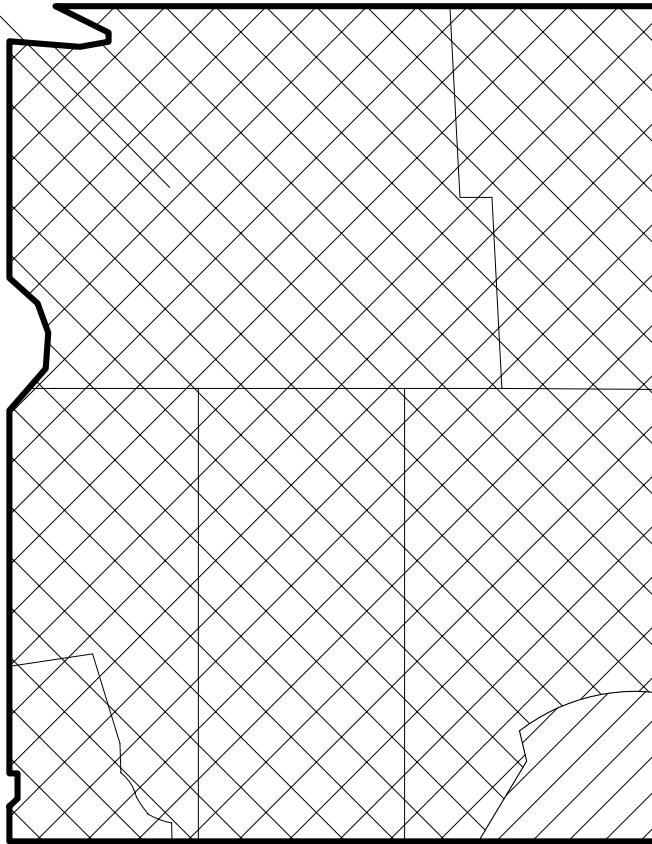
J:\CLIENTS\POWAY.USD\Mello\CFD No. 13 - Rancho Santa Fe Lakes\Formation\Final Docs\Amended RMA\_FINAL.doc

AMENDED SECTION N  
POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 13  
MAP OF ZONES

(The boundaries of this APN  
exclude Lot 1 of Map No.  
15365 recorded in the office  
of the Recorder of the  
County of San Diego, State of  
California on June 23, 2006  
as File No. 2006-0447425.)





Bing Crosby  
Blvd

Escondido Del Dios Highway



Camino Del Norte

LEGEND

	Boundaries of Community Facilities District No. 13
	Assessor's Parcel Line
	Zone 1
	Zone 2

Reference is hereby made to  
the Assessor maps of the  
County of San Diego for an  
exact description of the  
lines and dimensions of  
each lot and parcel.

PREPARED BY  
DOLINKA GROUP, INC.

**RATE AND METHOD OF APPORTIONMENT FOR  
COMMUNITY FACILITIES DISTRICT NO. 14  
OF POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes ("Rate and Method of Apportionment") of Community Facilities District No. 14 ("CFD No. 14") of the Poway Unified School District ("School District"). An Annual Special Tax shall be levied on and collected on Taxable Property (defined below) located within the boundaries of CFD No. 14 each Fiscal Year in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property in CFD No. 14, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A  
DEFINITIONS**

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

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

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

**"Administrative Expenses"** means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 14 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes, including the reasonable expenses of collecting delinquencies, the administration of Bonds, the proportionate payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 14, and reasonable costs otherwise incurred in order to carry out the authorized purposes of CFD No. 14.

**"Affordable Unit"** means an Attached Unit that is subject to affordable housing restrictions under any applicable law.

**"Annual Special Tax"** means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

**"Assessor's Parcel"** means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 14.

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

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

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

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

**"Backup Annual Special Tax"** means the Special Tax of that name described in Section F.

**"Board"** means the Board of Education of Poway Unified School District, or its designee, in certain cases acting as the Legislative Body of CFD No. 14.

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

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

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

**"Building Permit"** means a permit for the construction of one or more Units issued by the City, or another public agency in the event the City no longer issues said permits for the construction of Units within CFD No. 14. For purposes of this definition, "Building Permit" shall not include permits for construction or installation of structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation or commercial/industrial use.

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

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

**"City"** means the City of San Diego.

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

**"County"** means the County of San Diego.

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

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

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

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

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

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

**"Homeowner"** means any owner of a completed Unit constructed and sold within CFD No. 14.

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

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

**"Lot"** means an individual legal lot created by a Final Subdivision Map for which a Building Permit for residential construction has been or could be issued. Notwithstanding the foregoing, in the case of an individual legal lot created by such a Final Subdivision Map upon which condominium units are entitled to be developed but for which a condominium plan has not been recorded, the number of Lots allocable to such legal lot for purposes of calculating the Backup Special Tax applicable to such Final Subdivision Map shall equal the number of condominium units which are permitted to be constructed on such legal lot as shown on such Final Subdivision Map.

**"Maximum Special Tax"** means the maximum Special Tax, determined in accordance with Section C, that can be levied by CFD No. 14 in any Fiscal Year on any Assessor's Parcel.

**"Minimum Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses of CFD No. 14, (iii) the costs associated with the release of funds from an escrow account(s) established in association with the Bonds, and (iv) any amount required to establish or replenish any reserve funds (or accounts thereof) established in association with the Bonds, less (v) any amount(s) available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, trust agreement, or equivalent agreement or document. In arriving at the Minimum Annual Special Tax requirement the Board shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year.

**"Minimum Taxable Acreage"** means the applicable Acreage listed in Table 3 set forth in Section L.

**"Net Taxable Acreage"** means the total Acreage of all Taxable Property expected to exist in CFD No. 14 after all Final Subdivision Maps are recorded.

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

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

**"Prepayment Administrative Fees"** means any fees or expenses of the School District or CFD No. 14 associated with the prepayment of the Special Tax obligation of an Assessor's Parcel. Prepayment Administrative Fees shall include among other things the cost of computing the Prepayment Amount, redeeming Bonds, and recording any notices to evidence the prepayment and redemption of Bonds.

**"Prepayment Amount"** means the amount required to prepay the Annual Special Tax obligation in full for an Assessor's Parcel as described in Section H.

**"Present Value of Taxes"** means for any Assessor's Parcel the present value of (i) the unpaid portion, if any, of the Special Tax applicable to such Assessor's Parcel in the current Fiscal Year and (ii) the Annual Special Taxes expected to be levied on such Assessor's Parcel in each remaining Fiscal Year, as determined by the Board, until the termination date specified in Section K. The discount rate used for this calculation shall be equal to the (i) Bond Yield after Bond issuance or (ii) most recently published Bond Index prior to Bond issuance.

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

**"Reserve Fund Credit"** means an amount equal to the reduction in the applicable reserve fund requirement(s) resulting from the redemption of Bonds with the Prepayment Amount. In the event that a surety bond or other credit instrument satisfies the reserve requirement or the reserve requirement is under funded at the time of the prepayment no Reserve Fund Credit shall be given.

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

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

**"Senior Citizen Restriction"** means (i) a restriction limiting the use of Units to senior citizen housing under a specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multilevel care facilities as those terms are defined in Health and Safety Code Section 1569.23 and Government Code Section 15432(d)(8), respectively.

**"Special Tax(es)"** means any of the special taxes authorized to be levied by CFD No. 14 pursuant to the Act.

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

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

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

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

For each Fiscal Year, beginning with Fiscal Year 2006-07, each Assessor's Parcel within CFD No. 14 shall be classified as Taxable Property or Exempt Property. Furthermore, each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property and Developed Property shall be further classified as Residential Property or Commercial/Industrial Property. Residential Property shall be classified by unit type (e.g. Detached Unit, Attached Unit, Senior Citizen Unit, or Affordable Unit) and Detached Units and Attached Units shall be classified based on the Building Square Footage of the Unit. The classification of Exempt Property shall take into consideration the Minimum Taxable Acreage as determined pursuant to Section L.

**SECTION C  
MAXIMUM SPECIAL TAXES**

**1. Developed Property**

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

**2. Undeveloped Property**

The Maximum Special Tax for each Assessor's Parcel classified as Undeveloped Property for any Fiscal Year shall be the amount determined by the application of the Assigned Annual Special Tax.

**SECTION D  
ONE-TIME SPECIAL TAXES**

A One-Time Special Tax shall be collected for each Assessor's Parcel of Undeveloped Property prior to the time a Building Permit is issued for such Assessor's Parcel. The One-Time Special Tax shall be determined by reference to Table 1 below, subject to increases as described below.

**TABLE 1**

**ONE-TIME SPECIAL TAX FOR  
FISCAL YEAR 2006-07**

<b>Property Type</b>	<b>Unit Type</b>	<b>One-Time Special Tax</b>
Residential Property	Detached Unit	\$0.00 per Unit
Residential Property	Attached Unit	\$0.00 per Unit
Residential Property	Affordable Unit	\$0.00 per Unit
Residential Property	Senior Citizen Unit	\$0.40 per BSF
Commercial/Industrial	NA	\$0.40 per GFA

Each July 1, commencing July 1, 2007, the One-Time Special Tax for each Assessor's Parcel of Undeveloped Property shall be increased by the Inflater.



**SECTION E  
ASSIGNED ANNUAL SPECIAL TAXES**

**1. Developed Property**

**A. Assigned Annual Special Tax For Newly Developed Property**

The Assigned Annual Special Tax for an Assessor's Parcel of Developed Property in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be determined by reference to Table 2 below, subject to increases as described below.

**TABLE 2**  
**ASSIGNED ANNUAL SPECIAL TAX FOR  
DEVELOPED PROPERTY  
FISCAL YEAR 2006-07**

<b>Property Type</b>	<b>Unit Type</b>	<b>Building Square Footage</b>	<b>Assigned Annual Special Tax</b>
Residential Property	Detached Unit	< 1,800	\$2,043.05 per Unit
Residential Property	Detached Unit	1,800 – 2,000	\$2,275.10 per Unit
Residential Property	Detached Unit	2,001 – 2,200	\$2,565.16 per Unit
Residential Property	Detached Unit	2,201 – 2,400	\$2,642.51 per Unit
Residential Property	Detached Unit	2,401 – 2,600	\$2,661.85 per Unit
Residential Property	Detached Unit	2,601 – 2,800	\$2,758.54 per Unit
Residential Property	Detached Unit	2,801 – 3,000	\$2,932.58 per Unit
Residential Property	Detached Unit	3,001 – 3,200	\$3,258.22 per Unit
Residential Property	Detached Unit	3,201 – 3,450	\$3,613.26 per Unit
Residential Property	Detached Unit	> 3,450	\$3,709.94 per Unit
Residential Property	Attached Unit	< 1,900	\$1,830.34 per Unit
Residential Property	Attached Unit	1,900 – 2,100	\$2,130.07 per Unit
Residential Property	Attached Unit	> 2,100	\$2,360.19 per Unit
Residential Property	Affordable Unit	NA	\$1,106.59 per Unit
Residential Property	Senior Citizen Unit	NA	\$0.00 per Unit
Commercial/Industrial Property	NA	NA	\$0.00 per GFA

Each July 1, commencing July 1, 2007, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be increased by the Inflator.

**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 such Assessor's Parcel shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

**2. Undeveloped Property**

The Assigned Annual Special Tax rate in Fiscal Year 2006-07 for an Assessor's Parcel classified as Undeveloped Property shall be \$25,027.47 per acre of Acreage.

Each July 1, commencing July 1, 2007, the Assigned Annual Special Tax per acre of Acreage for each Assessor's Parcel of Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

**SECTION F  
BACKUP ANNUAL SPECIAL TAXES**

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. The Backup Annual Special Tax rate for an Assessor's Parcel of Developed Property within a Final Subdivision Map in Fiscal Year 2006-07 or such later Fiscal Year in which such Final Subdivision Map is created shall be the rate per Lot calculated according to the following formula:

$$B = \frac{U \times A}{L}$$

The terms above have the following meanings:

- B = Backup Annual Special Tax per Lot
- U = Assigned Annual Special Tax per acre of Acreage for Undeveloped Property in the Fiscal Year which the calculation is performed
- A = Acreage of Taxable Property in such Final Subdivision Map at time of calculation, as determined by the Board pursuant to Section L
- L = Lots in the Final Subdivision Map at the time of calculation

Each July 1, commencing the July 1 first following the initial calculation of the Backup Annual Special Tax rate for an Assessor's Parcel of Developed Property with a Final Subdivision Map, the Backup Annual Special Tax for each Lot within such Final Subdivision Map shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

Notwithstanding the foregoing, if all or any portion of the Final Subdivision Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property in such Final Subdivision Map that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Annual Special Taxes anticipated to apply to the changed or modified area in the Final Subdivision Map prior to the change or modification in the current Fiscal Year.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified area in the Final Subdivision Map, as reasonably determined by the Board.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified area of the Final Subdivision Map. Each July 1, commencing the July 1 first following the change or modification to be Final Subdivision Map the amount determined by this Section shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

### **SECTION G METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX**

Commencing Fiscal Year 2006-07, and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes as follows:

- Step One: The Board shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.
- Step Two: If the sum of the amounts collected in step one is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall Proportionately levy an Annual Special Tax on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.
- Step Three: If the sum of the amounts collected in steps one and two is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall Proportionately levy an Annual Special Tax on each Assessor's Parcel of Developed Property up to the Maximum Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.

### **SECTION H PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued, may be prepaid in full provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 14 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Board shall reasonably determine the Prepayment Amount of such Assessor's Parcel and shall notify such owner of such Prepayment Amount. The Prepayment Amount shall be calculated according to the following formula:

$$P = PVT - RFC + PAF$$

The terms above have the following meanings:

P	=	Prepayment Amount
PVT	=	Present Value of Taxes
RFC	=	Reserve Fund Credit
PAF	=	Prepayment Administrative Fees

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

With respect to any Assessor's Parcel that is prepaid, the Board shall indicate in the records of CFD No. 14 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

## **SECTION I PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

### **1. Partial Prepayment Times and Conditions**

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

**2. Partial Prepayment Amount**

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

$$PP = P_G \times F$$

The terms above have the following meanings:

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

**3. Partial Prepayment Procedures and Limitations**

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 14 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease. Additionally, the notice shall indicate that the Assigned Annual Special Tax and the Backup Annual Special Tax if applicable for the Assessor's Parcel has been reduced by an amount equal to the percentage which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such partial prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

**SECTION J  
EXCESS ASSIGNED ANNUAL SPECIAL TAXES**

In any Fiscal Year which the Annual Special Taxes collected from Developed Property, pursuant to Step 1 of Section G, exceeds the Minimum Annual Special Tax Requirement, the School District shall use such amount for acquisition, construction or financing of school facilities in accordance with the Act, CFD No. 14 proceedings and other applicable laws as determined by the Board.

**SECTION K  
TERMINATION OF SPECIAL TAX**

Annual Special Taxes shall be levied for a period of thirty-five (35) Fiscal Years after the last series of Bonds have been issued, provided that Annual Special Taxes shall not be levied after Fiscal Year 2050-2051.

**SECTION L  
EXEMPTIONS**

The Board shall classify as Exempt Property (i) Assessor’s Parcels owned by the State of California, Federal or other local governments, (ii) Assessor’s Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor’s Parcels owned by a homeowners' association, (iv) Assessor’s Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor’s Parcels developed or expected to be developed exclusively for non-residential use, including any use directly servicing any non-residential property, such as parking, as reasonably determined by the Board, and (vi) any other Assessor’s Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the Net Taxable Acreage to less than the Minimum Taxable Acreage. Notwithstanding the above, the Board shall not classify an Assessor’s Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than the Minimum Taxable Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Minimum Taxable Acreage will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

**TABLE 3**

**MINIMUM TAXABLE ACREAGE**

<b>Minimum Taxable Acreage</b>
123.76 Acres

**SECTION M  
APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. In order to be considered sufficient, any notice of appeal must: (i) specifically identify the property by address and Assessor's Parcel Number; (ii) state the amount in dispute and whether it is the whole amount or only a portion of the Special Tax; (iii) state all grounds on which the property owner is disputing the amount or application of the Special Tax, including a reasonably detailed explanation as to why the amount or application of such Special Tax is incorrect; (iv) include all documentation, if any, in support of the claim; and (v) be verified under penalty of perjury by the person who paid the Special Tax or his or her guardian, executor or administrator. A representative(s) of CFD No. 14 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) as the representative's decision shall indicate.

**SECTION N**  
**MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that CFD No. 14 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and if so collected, a delinquent penalty of 10% of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1 after the delinquency date and the first of each month thereafter until such Special Taxes are paid.

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

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes ("Rate and Method of Apportionment") of Community Facilities District No. 15 ("CFD No. 15") of the Poway Unified School District ("School District"). An Annual Special Tax shall be levied on and collected from Taxable Property (defined below) located within the boundaries of CFD No. 15 each Fiscal Year in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property in CFD No. 15, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

## **SECTION A DEFINITIONS**

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

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

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

**"Administrative Expenses"** means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 15 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes, including the reasonable expenses of collecting delinquencies, the administration of Bonds, the proportionate payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 15, and reasonable costs otherwise incurred in order to carry out the authorized purposes of CFD No. 15.

**"Affordable Unit"** means an Attached Unit that is subject to affordable housing restrictions under any applicable law.

**"Annual Special Tax"** means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

**"Assessor's Parcel"** means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 15.

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

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

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

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

**"Board"** means the Board of Education of Poway Unified School District, or its designee, in certain cases acting as the Legislative Body of CFD No. 15.

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

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

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

**"Building Permit"** means a permit for the construction of residential or commercial/industrial square footage issued by the City, or another public agency in the event the City no longer issues permits for construction within CFD No. 15.

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

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

**"City"** means the City of San Diego.

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

**"County"** means the County of San Diego.

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

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

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

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

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

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

**"Homeowner"** means any owner of a completed Unit constructed and sold within CFD No. 15.

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

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

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

**"Maximum Special Tax"** means the maximum Special Tax, determined in accordance with Section C, which can be levied by CFD No. 15 in any Fiscal Year on any Assessor's Parcel.

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

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

**"Prepayment Administrative Fees"** means any fees or expenses of the School District or CFD No. 15 associated with the prepayment of the Special Tax obligation of an Assessor's Parcel. Prepayment Administrative Fees shall include among other things the cost of computing the Prepayment Amount, redeeming Bonds, and recording any notices to evidence the prepayment and redemption of Bonds.

**"Prepayment Amount"** means the amount required to prepay the Annual Special Tax obligation in full for an Assessor's Parcel as described in Section G.

**"Present Value of Taxes"** means for any Assessor's Parcel the present value of (i) the unpaid portion, if any, of the Special Tax applicable to such Assessor's Parcel in the current Fiscal Year and (ii) the Annual Special Taxes expected to be levied on such Assessor's Parcel in each remaining Fiscal Year, as determined by the Board, until the termination date specified in Section J The discount rate used for this calculation shall be equal to the (i) Bond Yield after Bond issuance or (ii) most recently published Bond Index prior to Bond issuance.

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

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

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

**"Senior Citizen Restriction"** means (i) a restriction limiting the use of Units to senior citizen housing under a specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multilevel care facilities as those terms are defined in Health and Safety Code Section 1569.23 and Government Code Section 15432(d)(8), respectively.

**"Special Tax(es)"** means any of the special taxes authorized to be levied by CFD No. 15 pursuant to the Act.

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

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

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

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

For each Fiscal Year, beginning with Fiscal Year 2012/2013, each Assessor's Parcel within CFD No. 15 shall be classified as Taxable Property or Exempt Property. Each Assessor's Parcel classified as Taxable Property shall be further classified as Developed Property or Undeveloped Property. Developed Property shall be assigned to a special tax classification according to Table 1 below.

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

<b>Tax Classification</b>	<b>Unit Type</b>	<b>Building Square Footage</b>
Residential Property		
1	Detached Unit	≤ 1,550
2	Detached Unit	1,551 – 1,750
3	Detached Unit	1,751 – 1,950
4	Detached Unit	1,951 – 2,150
5	Detached Unit	2,151 – 2,350
6	Detached Unit	2,351 – 2,550
7	Detached Unit	2,551 – 2,750
8	Detached Unit	2,751 – 2,950
9	Detached Unit	2,951 – 3,150
10	Detached Unit	3,151 – 3,350
11	Detached Unit	3,351 – 3,550
12	Detached Unit	3,551 – 3,750
13	Detached Unit	3,751 – 3,950
14	Detached Unit	3,951 – 4,150
15	Detached Unit	> 4,150
16	Attached Unit	≤ 1,200
17	Attached Unit	1,201 – 1,350
18	Attached Unit	1,351 – 1,500
19	Attached Unit	1,501 – 1,650

**TABLE 1 (CONTINUED)**

**SPECIAL TAX CLASSIFICATION FOR  
DEVELOPED PROPERTY**

<b>Tax Classification</b>	<b>Unit Type</b>	<b>Building Square Footage</b>
20	Attached Unit	1,651 – 1,800
21	Attached Unit	> 1,800
22	Affordable Unit	NA
23	Senior Citizen Unit	NA
Commercial/Industrial Property		
24	NA	NA

**SECTION C  
MAXIMUM SPECIAL TAXES**

**1. Developed Property**

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

**2. Undeveloped Property**

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

**SECTION D  
ONE-TIME SPECIAL TAXES**

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

**TABLE 2****ONE-TIME SPECIAL TAX  
FISCAL YEAR 2012/2013**

<b>Tax Classification</b>	<b>Unit Type</b>	<b>Building Square Footage</b>	<b>One-Time Special Tax</b>
Residential Property			
1	Detached Unit	≤ 1,550	\$0.00 per Unit
2	Detached Unit	1,551 – 1,750	\$0.00 per Unit
3	Detached Unit	1,751 – 1,950	\$0.00 per Unit
4	Detached Unit	1,951 – 2,150	\$0.00 per Unit
5	Detached Unit	2,151 – 2,350	\$0.00 per Unit
6	Detached Unit	2,351 – 2,550	\$0.00 per Unit
7	Detached Unit	2,551 – 2,750	\$0.00 per Unit
8	Detached Unit	2,751 – 2,950	\$0.00 per Unit
9	Detached Unit	2,951 – 3,150	\$0.00 per Unit
10	Detached Unit	3,151 – 3,350	\$0.00 per Unit
11	Detached Unit	3,351 – 3,550	\$0.00 per Unit
12	Detached Unit	3,551 – 3,750	\$0.00 per Unit
13	Detached Unit	3,751 – 3,950	\$0.00 per Unit
14	Detached Unit	3,951 – 4,150	\$0.00 per Unit
15	Detached Unit	> 4,150	\$0.00 per Unit
16	Attached Unit	≤ 1,200	\$0.00 per Unit
17	Attached Unit	1,201 – 1,350	\$0.00 per Unit
18	Attached Unit	1,351 – 1,500	\$0.00 per Unit
19	Attached Unit	1,501 – 1,650	\$0.00 per Unit
20	Attached Unit	1,651 – 1,800	\$0.00 per Unit
21	Attached Unit	> 1,800	\$0.00 per Unit
22	Affordable Unit	NA	\$13,832.00 per Unit
23	Senior Citizen Unit	NA	\$0.52 per sq. ft.
Commercial/Industrial Property			
24	NA	NA	\$0.52 per sq. ft.



Each July 1, commencing July 1, 2013, the One-Time Special Tax for each Assessor's Parcel of Undeveloped Property shall be increased by the Inflater.

**SECTION E  
ASSIGNED ANNUAL SPECIAL TAXES**

**1. Newly Developed Property**

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

**TABLE 3  
ASSIGNED ANNUAL SPECIAL TAX FOR  
NEWLY DEVELOPED PROPERTY  
FISCAL YEAR 2012/2013**

<b>Tax Classification</b>	<b>Unit Type</b>	<b>Building Square Footage</b>	<b>Assigned Annual Special Tax</b>
Residential Property			
1	Detached Unit	≤ 1,550	\$1,796.42 per Unit
2	Detached Unit	1,551 – 1,750	\$1,886.24 per Unit
3	Detached Unit	1,751 – 1,950	\$1,955.65 per Unit
4	Detached Unit	1,951 – 2,150	\$2,163.87 per Unit
5	Detached Unit	2,151 – 2,350	\$2,253.69 per Unit
6	Detached Unit	2,351 – 2,550	\$2,408.84 per Unit
7	Detached Unit	2,551 – 2,750	\$2,596.64 per Unit
8	Detached Unit	2,751 – 2,950	\$2,686.47 per Unit
9	Detached Unit	2,951 – 3,150	\$2,825.28 per Unit
10	Detached Unit	3,151 – 3,350	\$2,927.35 per Unit
11	Detached Unit	3,351 – 3,550	\$2,980.43 per Unit
12	Detached Unit	3,551 – 3,750	\$3,078.41 per Unit
13	Detached Unit	3,751 – 3,950	\$3,155.98 per Unit
14	Detached Unit	3,951 – 4,150	\$3,286.63 per Unit
15	Detached Unit	> 4,150	\$3,417.28 per Unit

**TABLE 3 (CONTINUED)**

**ASSIGNED ANNUAL SPECIAL TAX FOR  
NEWLY DEVELOPED PROPERTY  
FISCAL YEAR 2012/2013**

<b>Tax Classification</b>	<b>Unit Type</b>	<b>Building Square Footage</b>	<b>Assigned Annual Special Tax</b>
16	Attached Unit	≤ 1,200	\$1,506.54 per Unit
17	Attached Unit	1,201 – 1,350	\$1,612.70 per Unit
18	Attached Unit	1,351 – 1,500	\$1,690.27 per Unit
19	Attached Unit	1,501 – 1,650	\$1,796.42 per Unit
20	Attached Unit	1,651 – 1,800	\$1,884.20 per Unit
21	Attached Unit	> 1,800	\$1,955.65 per Unit
22	Affordable Unit	NA	\$0.00 per Unit
23	Senior Citizen Unit	NA	\$0.00 per Unit
Commercial/Industrial Property			
24	NA	NA	\$0.00 per Unit

Each July 1, commencing July 1, 2013, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be increased by the Inflation.

**2. Existing Developed Property**

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

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

Commencing Fiscal Year 2012/2013, and each subsequent Fiscal Year, the Board shall levy the Annual Special Tax on each Assessor's Parcel of Developed Property at the Maximum Special Tax rate applicable to such Assessor's Parcel.

**SECTION G**  
**PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued, may be prepaid in full provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 15 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Board shall reasonably determine the Prepayment Amount of such Assessor's Parcel and shall notify such owner of such Prepayment Amount. Notwithstanding the above, the ability to prepay the Annual Special Tax obligation of an Assessor's Parcel may be suspended, by the Superintendent of the School District or his or her designee, acting in his or her absolute and sole discretion for and on behalf of CFD No. 15, without notice to the owners of property within CFD No. 15 for a period of time, not to exceed sixty (60) days, prior to the scheduled issuance of Bonds by CFD No. 15 to assist in the efficient preparation of the required bond market disclosure. The Prepayment Amount shall be calculated according to the following formula:

$$P = PVT - RFC + PAF$$

The terms above have the following meanings:

P	=	Prepayment Amount
PVT	=	Present Value of Taxes
RFC	=	Reserve Fund Credit
PAF	=	Prepayment Administrative Fees

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

With respect to any Assessor's Parcel that is prepaid, the Board shall indicate in the records of CFD No. 15 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

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

The Annual Special Tax obligation of an Assessor's Parcel may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

**1. Partial Prepayment Times and Conditions**

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

**2. Partial Prepayment Amount**

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

$$PP = P_G \times F$$

The terms above have the following meanings:

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

**3. Partial Prepayment Procedures and Limitations**

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 15 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such partial prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

**SECTION I  
ANNUAL SPECIAL TAX REMAINDER**

In any Fiscal Year which the Annual Special Taxes collected from Developed Property, exceeds the amount needed to make regularly scheduled annual interest and principal payments on outstanding Bonds and pay Administrative Expenses, the School District shall use such amount for acquisition, construction or financing of school facilities in accordance with the Act, CFD No. 15 proceedings and other applicable laws as determined by the Board.

**SECTION J  
TERMINATION OF SPECIAL TAX**

Annual Special Taxes shall be levied for a period of thirty-three (33) Fiscal Years after the last series of Bonds have been issued, provided that Annual Special Taxes shall not be levied after Fiscal Year 2055-2056.

**SECTION K  
EXEMPTIONS**

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

**SECTION L  
APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. In order to be considered sufficient, any notice of appeal must: (i) specifically identify the property by address and Assessor's Parcel Number; (ii) state the amount in dispute and whether it is the whole amount or only a portion of the Special Tax; (iii) state all grounds on which the property owner is disputing the amount or application of the Special Tax, including a reasonably detailed explanation as to why the amount or application of such Special Tax is incorrect; (iv) include all documentation, if any, in support of the claim; and (v) be verified under penalty of perjury by the person who paid the Special Tax or his or her guardian, executor or administrator. A representative(s) of CFD No. 15 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) as the representative's decision shall indicate.

**SECTION M**  
**MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that CFD No. 15 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and if so collected, a delinquent penalty of 10% of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1 after the delinquency date and the first of each month thereafter until such Special Taxes are paid.

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## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

*The following is a summary of certain provisions of the Joint Acquisition Agreement and the Indenture. This summary does not purport to be comprehensive, and reference should be made to the Joint Acquisition Agreement and the Indenture for a full and complete statement of their provisions.*

### CERTAIN DEFINITIONS

**“Act”** means the Mello-Roos Community Facilities Act of 1982, constituting Sections 53311 *et seq.* of the California Government Code.

**“Additional Bonds”** or **“Additional Authority Bonds”** means Bonds other than Series 2014 Bonds issued under the Indenture in accordance with the provisions thereof as summarized herein under the heading “ADDITIONAL BONDS.”

**“Additional Insurance Premium”** means, with respect to any Bond Year commencing on or after October 2, 2023 (a) for any such Bond Year in which the underlying rating on the Series 2014 Authority Bonds from S&P is BBB or below or in which there is no underlying rating on the Series 2014 Authority Bonds from S&P, 0.35% of the principal amount of the Series 2014 Authority Bonds Outstanding as of the first day of such Bond Year, (b) for any such Bond Year in which the underlying rating on the Series 2014 Authority Bonds from S&P is BBB+, 0.25% of the principal amount of the Series 2014 Authority Bonds Outstanding as of the first day of such Bond Year, (c) for any such Bond Year in which the underlying rating on the Series 2014 Authority Bonds from S&P is A-, 0.15% of the principal amount of the Series 2014 Authority Bonds Outstanding as of the first day of such Bond Year, and (d) for any such Bond Year in which the underlying rating on the Series 2014 Authority Bonds from S&P is A or better, 0.10% of the principal amount of the Series 2014 Authority Bonds Outstanding as of the first day of such Bond Year.

**“Administrative Expense Account”** means, with respect to a Community Facilities District, the account for such Community Facilities District within the Administrative Expense Fund established and held by the Fiscal Agent pursuant to the Joint Acquisition Agreement.

**“Administrative Expense Fund”** means the fund by that name established and held by the Fiscal Agent pursuant to the Joint Acquisition Agreement.

**“Administrative Expenses”** means, with respect to a Community Facilities District, to the extent payment thereof, or provision for payment thereof, has not been made pursuant to the Senior CFD Indenture, if any, of such Community Facilities District, the reasonably necessary or appropriate expenses incurred in the administration of such Community Facilities District and the Authority Bonds, including, but not limited to (a) the administrative and legal costs of levying, collecting, allocating and applying the Special Tax of such Community Facilities District (including costs incurred in connection with any appeals relating thereto and litigation expenses incurred in connection with the collection of such Special Tax), (b) such Community Facilities District’s proportionate share of the costs of the Authority (including the fees, costs and indemnifications due to the Trustee) incurred by the Authority in connection with the Authority Bonds, (c) such Community Facilities District’s proportionate share of the fees, costs and indemnifications due the Fiscal Agent, (d) such Community Facilities District’s proportionate share of Insurer Expenses, (e) such Community Facilities District’s proportionate share of the costs incurred with on-going disclosure in connection with the Authority Bonds, (f) the costs incurred in connection with the disclosure of the Special Tax of such Community Facilities District to property owners and potential

purchasers of property, (g) such Community Facilities District's proportionate share of the amounts required to calculate and pay arbitrage rebate payments to the federal government, and (h) an allocable share of the salaries of the School District staff providing services on behalf of such Community Facilities District directly related to the foregoing and a proportionate amount of School District general administrative overhead related thereto.

**“Annual Debt Service”** in the Joint Acquisition Agreement means (a) with respect to Authority Bonds, for each Bond Year, the sum of (i) the interest due on the Outstanding Authority Bonds in such Bond Year, assuming that the Outstanding Authority Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (ii) the principal amount of the Outstanding Authority Bonds due in such Bond Year (including by reason of mandatory sinking fund redemptions), and (b) with respect to Senior CFD Bonds of a Community Facilities District, for each Bond Year, the sum of (i) the interest due on the Outstanding Senior CFD Bonds of such Community Facilities District in such Bond Year, assuming that the Outstanding Senior CFD Bonds of such Community Facilities District are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (ii) the principal amount of the Outstanding Senior CFD Bonds of such Community Facilities District due in such Bond Year (including by reason of mandatory sinking fund redemptions).

**“Annual Debt Service”** in the Indenture means (a) with respect to the Bonds, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (ii) the principal of the Outstanding Bonds due in such Bond Year (including by reason of mandatory sinking fund redemptions), and (b) with respect to a particular Series of Bonds, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds of such Series in such Bond Year, assuming that the Outstanding Bonds of such Series are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (ii) the principal of the Outstanding Bonds of such Series due in such Bond Year (including by reason of mandatory sinking fund redemptions).

**“Appraised Value”** means the value of all or any portion of the Developed Property, as set forth in a Qualified Appraisal Report prepared by a Qualified Appraiser.

**“Assessed Value”** means, with respect to all or any portion of the Developed Property, as of any date, the assessed value thereof, as such value is shown on the most recently equalized assessment roll.

**“Auditor”** means the Auditor/Controller of the County.

**“Authority”** means the Poway Unified School District Public Financing Authority, a joint exercise of powers authority organized and existing under the laws of the State, and any successor thereto.

**“Authorized Denominations”** means (a) with respect to the Series 2014 Bonds, \$5,000 and any integral multiple thereof, and (b) with respect to each Series of Additional Bonds, the authorized denominations for such Series of Additional Bonds specified in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

**“Authorized Representative”** means (a) with respect to the Authority, Chairperson, the Vice Chairperson, the Executive Director, the Secretary or the Auditor and Treasurer of the Authority, and any other Person designated as an Authorized Representative of the Authority in a Written Certificate of the Authority filed with the Trustee, and (b) with respect to the Community Facilities Districts, the Superintendent of the School District and the Associate Superintendent of Business Support Services of the School District, and any other Person designated as an Authorized Representative of the Community



Facilities Districts in a Written Certificate of the Community Facilities Districts filed with the Trustee or the Fiscal Agent.

**“Available Special Tax Prepayments”** (a) with respect to CFD No. 2 (i) prior to the date on which no Senior CFD No. 2 Bonds are Outstanding and the Senior CFD No. 2 Indenture is discharged, is inapplicable, and (ii) from and after the date on which no Senior CFD No. 2 Bonds are Outstanding and the Senior CFD No. 2 Indenture is discharged, means any prepayments of the Special Tax of CFD No. 2 made pursuant to the Rate and Method of CFD No. 2, (b) with respect to CFD No. 4 (i) prior to the date on which no Senior CFD No. 4 Bonds are Outstanding and the Senior CFD No. 4 Indenture is discharged, is inapplicable, and (ii) from and after the date on which no Senior CFD No. 4 Bonds are Outstanding and the Senior CFD No. 4 Indenture is discharged, means any prepayments of the Special Tax of CFD No. 4 made pursuant to the Rate and Method of CFD No. 4, (c) with respect to CFD No. 6 (i) prior to the date on which no Senior CFD No. 6 Bonds are Outstanding and the Senior CFD No. 6 Indenture is discharged, is inapplicable, and (ii) from and after the date on which no Senior CFD No. 6 Bonds are Outstanding and the Senior CFD No. 6 Indenture is discharged, means any prepayments of the Special Tax of CFD No. 6 made pursuant to the Rate and Method of CFD No. 6, (d) with respect to CFD No. 8 (i) prior to the date on which no Senior CFD No. 8 Bonds are Outstanding and the Senior CFD No. 8 Indenture is discharged, is inapplicable, and (ii) from and after the date on which no Senior CFD No. 8 Bonds are Outstanding and the Senior CFD No. 8 Indenture is discharged, means any prepayments of the Special Tax of CFD No. 8 made pursuant to the Rate and Method of CFD No. 8, (e) with respect to CFD No. 9 (i) prior to the date on which no Senior CFD No. 9 Bonds are Outstanding and the Senior CFD No. 9 Indenture is discharged, is inapplicable, and (ii) from and after the date on which no Senior CFD No. 9 Bonds are Outstanding and the Senior CFD No. 9 Indenture is discharged, means any prepayments of the Special Tax of CFD No. 9 made pursuant to the Rate and Method of CFD No. 9, (f) with respect to CFD No. 10 (i) prior to the date on which no Senior CFD No. 10 Bonds are Outstanding and the Senior CFD No. 10 Indenture is discharged, is inapplicable, and (ii) from and after the date on which no Senior CFD No. 10 Bonds are Outstanding and the Senior CFD No. 10 Indenture is discharged, means any prepayments of the Special Tax of CFD No. 10 made pursuant to the Rate and Method of CFD No. 10, (g) with respect to CFD No. 12 (i) prior to the date on which no Senior CFD No. 12 Bonds are Outstanding and the Senior CFD No. 12 Indenture is discharged, is inapplicable, and (ii) from and after the date on which no Senior CFD No. 12 Bonds are Outstanding and the Senior CFD No. 12 Indenture is discharged, means any prepayments of the Special Tax of CFD No. 12 made pursuant to the Rate and Method of CFD No. 12, (h) with respect to CFD No. 13 (i) prior to the date on which no Senior CFD No. 13 Bonds are Outstanding and the Senior CFD No. 13 Indenture is discharged, is inapplicable, and (ii) from and after the date on which no Senior CFD No. 13 Bonds are Outstanding and the Senior CFD No. 13 Indenture is discharged, means any prepayments of the Special Tax of CFD No. 13 made pursuant to the Rate and Method of CFD No. 13, (i) with respect to CFD No. 14 (i) prior to the date on which no Senior CFD No. 14 Bonds are Outstanding and the Senior CFD No. 14 Indenture is discharged, is inapplicable, and (ii) from and after the date on which no Senior CFD No. 14 Bonds are Outstanding and the Senior CFD No. 14 Indenture is discharged, means any prepayments of the Special Tax of CFD No. 14 made pursuant to the Rate and Method of CFD No. 14, and (j) with respect to CFD No. 15, means any prepayments of the Special Tax of CFD No. 15 made pursuant to the Rate and Method of CFD No. 15.

**“Available Special Tax Revenue Account”** means, with respect to a Community Facilities District, the account for such Community Facilities District within the Available Special Tax Revenue Fund established and held by the Fiscal Agent pursuant to the Joint Acquisition Agreement.

**“Available Special Tax Revenue Fund”** means the fund by that name established and held by the Fiscal Agent pursuant to the Joint Acquisition Agreement.

**“Available Special Tax Revenues”** means (a) with respect to CFD No. 2 (i) prior to the date on which no Senior CFD No. 2 Bonds are Outstanding and the Senior CFD No. 2 Indenture is discharged, the Special Tax Revenues of CFD No. 2 transferred from the Surplus Special Tax Fund established under the Senior CFD No. 2 2007 Indenture to the Surplus Fund established under the Senior 2007 Authority Indenture on September 2 of each year and remaining on deposit in such Surplus Fund on March 16 of the next succeeding year, and (ii) from and after the date on which no Senior CFD No. 2 Bonds are Outstanding and the Senior CFD No. 2 Indenture is discharged, all Special Tax Revenues of CFD No. 2, (b) with respect to CFD No. 4 (i) prior to the date on which no Senior CFD No. 4 Bonds are Outstanding and the Senior CFD No. 4 Indenture is discharged, the Special Tax Revenues of CFD No. 4 transferred from the Special Tax Fund established under the Senior CFD No. 4 Indenture to the Surplus Fund established under the Senior 2007 Authority Indenture on September 2 of each year and remaining on deposit in such Surplus Fund on March 16 of the next succeeding year, and (ii) from and after the date on which no Senior CFD No. 4 Bonds are Outstanding and the Senior CFD No. 4 Indenture is discharged, all Special Tax Revenues of CFD No. 4, (c) with respect to CFD No. 6 (i) prior to the date on which no Senior CFD No. 6 Bonds are Outstanding and the Senior CFD No. 6 Indenture is discharged, Special Tax Revenues of CFD No. 6 on deposit in the Special Tax Fund established under the Senior CFD No. 6 Indenture on September 2 of each year, and (ii) from and after the date on which no Senior CFD No. 6 Bonds are Outstanding and the Senior CFD No. 6 Indenture is discharged, all Special Tax Revenues of CFD No. 6, (d) with respect to CFD No. 8 (i) prior to the date on which no Senior CFD No. 8 Bonds are Outstanding and the Senior CFD No. 8 Indenture is discharged, the Special Tax Revenues of CFD No. 8 transferred from the Special Tax Fund established under the Senior CFD No. 8 Indenture to the Surplus Fund established under the Senior 2007 Authority Indenture on September 2 of each year and remaining on deposit in such Surplus Fund on March 16 of the next succeeding year, and (ii) from and after the date on which no Senior CFD No. 8 Bonds are Outstanding and the Senior CFD No. 8 Indenture is discharged, all Special Tax Revenues of CFD No. 8, (e) with respect to CFD No. 9 (i) prior to the date on which no Senior CFD No. 9 Bonds are Outstanding and the Senior CFD No. 9 Indenture is discharged, the Special Tax Revenues of CFD No. 9 transferred from the Special Tax Fund established under the Senior CFD No. 9 Indenture to the Surplus Fund established under the Senior 2007 Authority Indenture on September 2 of each year and remaining on deposit in such Surplus Fund on March 16 of the next succeeding year, and (ii) from and after the date on which no Senior CFD No. 9 Bonds are Outstanding and the Senior CFD No. 9 Indenture is discharged, all Special Tax Revenues of CFD No. 9, (f) with respect to CFD No. 10 (i) prior to the date on which no Senior CFD No. 10 Bonds are Outstanding and the Senior CFD No. 10 Indenture is discharged, the Special Tax Revenues of CFD No. 10 transferred from the Special Tax Fund established under the Senior CFD No. 10 Indenture to the Surplus Fund established under the Senior 2007 Authority Indenture on September 2 of each year and remaining on deposit in such Surplus Fund on March 16 of the next succeeding year, and (ii) from and after the date on which no Senior CFD No. 10 Bonds are Outstanding and the Senior CFD No. 10 Indenture is discharged, all Special Tax Revenues of CFD No. 10, (g) with respect to CFD No. 12 (i) prior to the date on which no Senior CFD No. 12 Bonds are Outstanding and the Senior CFD No. 12 Indenture is discharged, the Special Tax Revenues of CFD No. 12 transferred from the Special Tax Fund established under the Senior CFD No. 12 Indenture to the Surplus Fund established under the Senior 2007 Authority Indenture on September 2 of each year and remaining on deposit in such Surplus Fund on March 16 of the next succeeding year, and (ii) from and after the date on which no Senior CFD No. 12 Bonds are Outstanding and the Senior CFD No. 12 Indenture is discharged, all Special Tax Revenues of CFD No. 12, (h) with respect to CFD No. 13 (i) prior to the date on which no Senior CFD No. 13 Bonds are Outstanding and the Senior CFD No. 13 Indenture is discharged, Special Tax Revenues of CFD No. 13 on deposit in the Special Tax Fund established under the Senior CFD No. 13 Indenture on September 2 of each year transferred to the custodial account established for CFD No. 13 under the Custodian Agreement, and (ii) from and after the date on which no Senior CFD No. 13 Bonds are Outstanding and the Senior CFD No. 13 Indenture is discharged, all Special Tax Revenues of CFD No. 13, (i) with respect to CFD No. 14 (i) prior to the date on which no Senior CFD No. 14 Bonds are Outstanding and the Senior CFD No. 14 Indenture is

discharged, Special Tax Revenues of CFD No. 14 on deposit in the Special Tax Fund established under the Senior CFD No. 14 Indenture on September 2 of each year, and (ii) from and after the date on which no Senior CFD No. 14 Bonds are Outstanding and the Senior CFD No. 14 Indenture is discharged, all Special Tax Revenues of CFD No. 14, and (j) with respect to CFD No. 15, all Special Tax Revenues of CFD No. 15.

**“Average Annual Debt Service”** means, with respect to a Series of Bonds, the average of the Annual Debt Service for the Bonds of such Series for all Bond Years, including the Bond Year in which the calculation is made.

**“Beneficial Owners”** means those Persons for which the Participants have caused the Depository to hold Book-Entry Bonds.

**“Board of Education”** means the Board of Education of the School District.

**“Bond Counsel”** means a firm of nationally recognized bond counsel selected by the Authority.

**“Bond Fund”** means the fund by that name established and held by the Trustee pursuant to the Indenture.

**“Bond Law”** means the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 *et seq.* of the California Government Code.

**“Bond Year”** means (a) with respect to Bonds, each twelve-month period beginning on October 2 in each year and extending to the next succeeding October 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on October 1, 2014, and (b) with respect to Senior CFD Bonds, each twelve-month period beginning on September 2 in each year and extending to the next succeeding September 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2014.

**“Bonds”** or **“Authority Bonds”** means the Poway Unified School District Public Financing Authority Special Tax Revenue Bonds, issued under the Indenture, and includes the Series 2014 Bonds and any Additional Bonds.

**“Book-Entry Bonds”** means the Bonds of a Series registered in the name of the Depository, or the Nominee thereof, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

**“Business Day”** means a day which is not (a) a Saturday, Sunday or legal holiday in the State, (b) a day on which banking institutions in the State, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

**“Cede & Co.”** means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to a Series of Book-Entry Bonds.

**“CFD Area”** means the area comprised of (a) all of the land within the boundaries of any of the Community Facilities Districts other than CFD No. 8, and (b) all of the land within the boundaries of CFD No. 8 Improvement Area B.

**“CFD No. 2”** means Poway Unified School District Community Facilities District No. 2 (Subarea IV – Torrey Highlands), a community facilities district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“CFD No. 2 Net Available Special Tax Revenues”** means Available Special Tax Revenues of CFD No. 2, less amounts required to pay Administrative Expenses of CFD No. 2.

**“CFD No. 4”** means Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch), a community facilities district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“CFD No. 4 Net Available Special Tax Revenues”** means Available Special Tax Revenues of CFD No. 4, less amounts required to pay Administrative Expenses of CFD No. 4.

**“CFD No. 6”** means Poway Unified School District Community Facilities District No. 6 (4S Ranch), a community facilities district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“CFD No. 6 Net Available Special Tax Revenues”** means Available Special Tax Revenues of CFD No. 6, less amounts required to pay Administrative Expenses of CFD No. 6.

**“CFD No. 8”** means Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II), a community facilities district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“CFD No. 8 Improvement Area B”** means Improvement Area B of CFD No. 8, established pursuant to the Resolution of Formation of CFD No. 8.

**“CFD No. 8 Net Available Special Tax Revenues”** means Available Special Tax Revenues of CFD No. 8, less amounts required to pay Administrative Expenses of CFD No. 8.

**“CFD No. 9”** means Poway Unified School District Community Facilities District No. 9 (Portswood), a community facilities district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“CFD No. 9 Net Available Special Tax Revenues”** means Available Special Tax Revenues of CFD No. 9, less amounts required to pay Administrative Expenses of CFD No. 9.

**“CFD No. 10”** means Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV), a community facilities district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“CFD No. 10 Net Available Special Tax Revenues”** means Available Special Tax Revenues of CFD No. 10, less amounts required to pay Administrative Expenses of CFD No. 10.

**“CFD No. 12”** means Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters), a community facilities district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“CFD No. 12 Net Available Special Tax Revenues”** means Available Special Tax Revenues of CFD No. 12, less amounts required to pay Administrative Expenses of CFD No. 12.

**“CFD No. 13”** means Poway Unified School District Community Facilities District No. 13 (The Lakes), a community facilities district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“CFD No. 13 Net Available Special Tax Revenues”** means Available Special Tax Revenues of CFD No. 13, less amounts required to pay Administrative Expenses of CFD No. 13.

**“CFD No. 14”** means Poway Unified School District Community Facilities District No. 14 (Del Sur), a community facilities district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“CFD No. 14 Net Available Special Tax Revenues”** means Available Special Tax Revenues of CFD No. 14, less amounts required to pay Administrative Expenses of CFD No. 14.

**“CFD No. 15”** means Poway Unified School District Community Facilities District No. 15 (Del Sur East), a community facilities district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“CFD No. 15 Net Available Special Tax Revenues”** means Available Special Tax Revenues of CFD No. 15, less amounts required to pay Administrative Expenses of CFD No. 15.

**“Closing Date”** means February 27, 2014.

**“Code”** means the Internal Revenue Code of 1986.

**“Community Facilities Districts”** means CFD No. 2, CFD No. 4, CFD No. 6, CFD No. 8, CFD No. 9, CFD No. 10, CFD No. 12, CFD No. 13, CFD No. 14 and CFD No. 15.

**“Continuing Disclosure Agreement”** means the Continuing Disclosure Agreement, dated as of February 1, 2014, by and between the Authority and the Trustee, as originally executed and as it may be amended from time to time in accordance with the provisions thereof.

**“Corresponding Bond Year”** means, with respect to any Fiscal Year, the Bond Year that commences in such Fiscal Year.

**“Costs of Issuance”** means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Community Facilities Districts relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee, fees, charges and disbursements of attorneys, financial advisors, accounting firms, appraisers, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, any premium for a bond insurance policy securing payment of the Bonds, any premium for a reserve surety for the Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds.

**“Costs of Issuance Fund”** means the fund by that name established and held by the Trustee pursuant to Indenture.

**“County”** means the County of San Diego, a county and political subdivision of the State organized and existing under the laws of the State, and any successor thereto.

**“County Assessor”** means the Assessor of the County.

**“Coverage Stabilization Fund”** means the fund by that name established and held by the Fiscal Agent pursuant to the Joint Acquisition Agreement.

**“Coverage Stabilization Requirement”** means (a) \$3,500,000, until the date that the Community Facilities Districts deliver to the Fiscal Agent and the Trustee a certificate of an Independent Consultant certifying that (i) on the basis of the parcels of land and improvements existing in the CFD Area as of the date 60 days prior to the date such certificate is so delivered, for each Fiscal Year that Authority Bonds will be Outstanding, the amount of the Available Special Tax Revenues of all Community Facilities Districts to be transferred to the Fiscal Agent pursuant to the Joint Acquisition Agreement in such Fiscal Year is at least equal to 120% of Annual Debt Service for the Corresponding Bond Year on all Outstanding Authority Bonds, and (ii) the sum of (A) the Assessed Value of parcels of Developed Property for which a Qualified Appraisal Report has not been provided, plus (B) the Appraised Value of parcels of Developed Property for which a Qualified Appraisal Report has been provided, as such Appraised Value is shown in such Qualified Appraisal Report, is at least 15 times the sum of (I) the aggregate principal amount of Outstanding Authority Bonds, plus (II) the aggregate principal amount of all fixed lien special assessments levied on parcels of Developed Property, based upon information from the most recent Fiscal Year for which such information is available, plus (III) the sum of a portion of the aggregate principal amount of Other CFD Bonds, which portion shall be equal to the aggregate principal amount of such Other CFD Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for such Other CFD Bonds on parcels of Developed Property, and the denominator of which is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on such Other CFD Bonds occurs), based upon information from the most recent Fiscal Year for which such information is available, and (b) \$0, after the date that the Community Facilities Districts deliver to the Fiscal Agent and the Trustee the certificate of an Independent Consultant described in the preceding clause (a).

**“Custodian Agreement”** means the Custodian Agreement, dated as of December 1, 2001, by and between the School District and State Street Bank and Trust Company, N.A., as originally executed and as it may be amended from time to time in accordance with the provisions thereof.

**“Defeasance Securities”** means (a) non-callable direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), and (b) non-callable obligations guaranteed as to principal and interest by the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America.

**“Depository”** means DTC, and its successors as securities depository for any Series of Book-Entry Bonds, including any such successor appointed pursuant to the Indenture.

**“Developed Property”** means property within the CFD Area that is classified under the Rate and Method pursuant to which Special Taxes are levied on such property as Developed Property (as defined in such Rate and Method) and that is not exempt from such Special Taxes pursuant such Rate and Method.

**“DTC”** means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York.

**“Event of Default”** means, as applicable, an event described in the Joint Acquisition Agreement under the heading “JOINT ACQUISITION AGREEMENT – Events of Default and Remedies – Events of

Default” or any event or circumstance specified in the Indenture as summarized under the heading “INDENTURE – Events of Default and Remedies – Events of Default.”

“**Fiscal Agent**” means Zions First National Bank, or any successor thereto as Fiscal Agent, under the Joint Acquisition Agreement substituted in its place as provided therein.

“**Fiscal Year**” means, with respect to a Community Facilities District, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of such Community Facilities District.

“**Indenture**” or “**Authority Indenture**” means the Indenture, dated as of February 1, 2014, by and between the Authority and Zions First National Bank, as Trustee, as originally executed and as it may be amended or supplemented from time to time by any Supplemental Indenture.

“**Independent Consultant**” means any consultant or firm of such consultants selected by the Community Facilities Districts and who, or each of whom (a) is generally recognized to be qualified in the financial consulting field, (b) is in fact independent and not under the control of any Community Facilities District, the Authority or the School District, (c) does not have any substantial interest, direct or indirect, with or in any Community Facilities District, the Authority or the School District, or any owner of real property in the CFD Area, or any real property in the CFD Area, and (d) is not connected with any Community Facilities District, the Authority or the School District as an officer or employee thereof, but who may be regularly retained to make reports to one or more Community Facilities Districts, the Authority or the School District.

“**Installment Payment Dates**” means the date in each year that is five Business Days prior to April 1 of such year and the date in such year that is five Business Days prior to October 1 of such year, commencing September 25, 2014.

“**Installment Payments**” means the Installment Payments payable by the Community Facilities Districts to the Authority pursuant to the Joint Acquisition Agreement.

“**Insurance Policy**” means the Municipal Bond Insurance Policy issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Series 2014 Authority Bonds.

“**Insurer**” means Build America Mutual Assurance Company, a New York mutual insurance corporation, or any successor thereto.

“**Insurer Default**” means (a) the Insurer has failed to make any payment under the Insurance Policy when due and owing in accordance with its terms, (b) the Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, 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 Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

**“Insurer Expenses”** means (a) any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur in connection with the Insurance Policy or the Reserve Policy, including, but not limited to, fees and expenses of the Insurer’s agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Indenture or the Joint Acquisition Agreement, which costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with such actions, together with interest thereon at the Insurer Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full, and (b) any and all reasonable similar charges, fees, costs, losses, liabilities and expenses payable to the issuer of an insurance policy guaranteeing the scheduled payment of principal of and interest on all or a portion of Authority Bonds of a Series or to the issuer of a Reserve Facility for a Series of Authority Bonds, together with interest thereon, if, as and to the extent provided in such insurance policy or Reserve Facility or in the commitment, documents or provisions relating thereto.

**“Insurer Rate”** means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A. at its principal office in the City of New York, as its prime or base lending rate (the “Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2014 Bonds, and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A. ceases to announce its Prime Rate, the Prime Rate shall be the prime rate of such other national bank or banking association as the Insurer shall designate. Interest at the Insurer Rate shall be computed on the basis of the actual days elapsed over a year of 360 days.

**“Interest Payment Dates”** means April 1 and October 1 of each year, commencing October 1, 2014.

**“JAA Event of Default”** has the meaning ascribed to the term “Event of Default” in the Joint Acquisition Agreement.

**“Joint Acquisition Agreement”** means the Joint Acquisition Agreement, dated as of February 1, 2014, by and among the Authority, CFD No. 2, CFD No. 4, CFD No. 6, CFD No. 8, CFD No. 9, CFD No. 10, CFD No. 12, CFD No. 13, CFD No. 14, CFD No. 15, and Zions First National Bank, as Fiscal Agent, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

**“Letter of Representations”** means the Letter of Representations from the Authority to the Depository, in which the Authority makes certain representations with respect to issues of its securities for deposit by the Depository.

**“Maximum Annual Debt Service”** means, with respect to a Series of Bonds, the largest Annual Debt Service for the Bonds of such Series for any Bond Year, including the Bond Year the calculation is made.

**“Moody’s”** means Moody’s Investors Service, Inc., a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.



**“Net Available Special Tax Revenue Fund”** means the fund by that name established and held by the Fiscal Agent pursuant to the Joint Acquisition Agreement.

**“Net Available Special Tax Revenues”** means, collectively (a) CFD No. 2 Net Available Special Tax Revenues, (b) CFD No. 4 Net Available Special Tax Revenues, (c) CFD No. 6 Net Available Special Tax Revenues, (d) CFD No. 8 Net Available Special Tax Revenues, (e) CFD No. 9 Net Available Special Tax Revenues, (f) CFD No. 10 Net Available Special Tax Revenues, (g) CFD No. 12 Net Available Special Tax Revenues, (h) CFD No. 13 Net Available Special Tax Revenues, (i) CFD No. 14 Net Available Special Tax Revenues, and (j) CFD No. 15 Net Available Special Tax Revenues.

**“Nominee”** means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

**“Office of the Trustee”** means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority by the Trustee in writing.

**“Ordinance”** means, with respect to a Community Facilities District, any ordinance adopted by the Board of Education levying the Special Taxes of such Community Facilities District.

**“Original Purchaser”** means the original purchaser of the Series 2014 Bonds from the Authority.

**“Other CFD Bonds”** means, as of the date of determination, any and all bonds, notes or other Debt (as defined in the Act), other than the Senior CFD Bonds and the Installment Payments and other payments required to be made by the Community Facilities Districts under the provisions of the Joint Acquisition Agreement described under the heading “JOINT ACQUISITION AGREEMENT – Purchase and Sale of Projects; Payments,” then outstanding issued or incurred under the Act and payable at least partially from special taxes to be levied on parcels of Developed Property.

**“Outstanding”** (a) when used with reference to the Bonds, means, subject to the provisions of the Indenture as summarized herein under the heading “INDENTURE – Miscellaneous – Disqualified Bonds,” all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (ii) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, and (iii) Bonds in lieu of which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture as summarized herein under the heading “The Bonds – Bonds Mutilated, Lost, Destroyed or Stolen,” and (b) when used with reference to Senior CFD Bonds, has the meaning ascribed to such term in the Senior CFD Indenture pursuant to which such Senior CFD Bonds were issued.

**“Owner”** means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

**“Participant”** means any entity which is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

**“Participating Underwriter”** has the meaning ascribed to such term in the Continuing Disclosure Agreement.

**“Permitted Investments”** means the following:

(1) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America);

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank;

(3) 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:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (which may include the Trustee and its affiliates) 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);

(5) 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;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including a fund for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services;

(7) 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; and

(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 paragraph (1) or (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;

(8) Municipal obligations rated “Aa/AA1” or general obligations of states with a rating of “A2/A” or higher by both Moody’s and S&P;

(9) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “Aa3” by Moody’s and “AA-” by S&P; provided, that, by the terms of the investment agreement:

(a) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice;

(b) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(c) the Trustee or the Authority receive the opinion of domestic counsel that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(d) the investment agreement shall provide that if during its term (i) the provider’s rating by either Moody’s or S&P falls below “Aa3” or “AA-,” respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to the Trustee or a holder of the collateral, collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Moody’s and S&P to maintain an “A” rating in an “A” rated structured financing (with a market value approach); or (B) repay the principal of and accrued but unpaid interest, on the investment, and (ii) the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A3” or “A-,” respectively, the provider must, at the direction of the Authority or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee;

(e) the investment agreement shall state, and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the holder of collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the holder of collateral is in possession); and

(f) the investment agreement must provide that if during its term (i) the provider shall default in its payment obligations, the provider’s obligations under the investment agreement shall, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to

be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee.

**"Person"** means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**"Project"** means the School Facilities described in the Joint Acquisition Agreement.

**"Project Fund"** means the fund by that name established and held by the Trustee pursuant to the Indenture.

**"Qualified Appraisal Report"** means a real estate appraisal report which (a) has been prepared by a Qualified Appraiser, (b) uses a date of value that is no earlier than three months prior to the date on which the value reported in such appraisal report is used in accordance with the provisions of the Joint Acquisition Agreement, (c) is prepared in accordance with the applicable standards of the Appraisal Institute for such reports, and (d) is prepared in accordance with the applicable guidelines of the California Debt and Investment Advisory Commission for such reports, as such guidelines may be modified by the local goals and policies adopted by the School District pursuant to Section 53312.7 of the Act.

**"Qualified Appraiser"** means a real estate appraiser selected by the Community Facilities Districts and having an "MAI" designation from the Appraisal Institute.

**"Rate and Method"** means (a) with respect to a Community Facilities District other than CFD No. 8, the rate and method of apportionment of the special taxes levied within such Community Facilities District incorporated into the Resolution of Formation thereof and approved by the qualified electors of such Community Facilities District, and (b) with respect to CFD No. 8, the rate and method of apportionment of the special taxes levied within CFD No. 8 Improvement Area B incorporated into the Resolution of Formation of CFD No. 8 and approved by the qualified electors of CFD No. 8 Improvement Area B.

**"Rebate Fund"** means the fund by that name established and held by the Trustee pursuant to the Indenture.

**"Rebate Requirement"** has the meaning ascribed to such term in the Tax Certificate.

**"Record Date"** means, with respect to interest payable on any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

**"Redemption Fund"** means the fund by that name established and held by the Trustee pursuant to the Indenture.

**"Redemption Price"** means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant to the Indenture.

**"Registration Books"** means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

**“Reserve Account”** means, with respect to a Series of Bonds, the account for such Series of Bonds within the Reserve Fund established and held by the Trustee pursuant to the Indenture.

**“Reserve Facility”** means the Reserve Policy and any surety bond or insurance policy deposited in a Reserve Account pursuant to the Indenture as summarized herein under the heading “INDENTURE – Security for Bonds; Flow of Funds; Investments – Reserve Fund,” pursuant to which surety bond or insurance policy funds may be obtained by the Trustee on any date on which moneys are required to be withdrawn from such Reserve Account.

**“Reserve Fund”** means the fund by that name established and held by the Trustee pursuant to the Indenture.

**“Reserve Policy”** means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Insurer under which claims may be made in order to provide moneys in the Series 2014 Reserve Account available for the purposes thereof.

**“Reserve Requirement”** means, with respect to a Series of Bonds, as of the date of any calculation, the least of (a) 10% of the original aggregate principal amount of the Bonds of such Series (excluding Bonds of such Series refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service for the Bonds of such Series, and (c) 125% of Average Annual Debt Service for the Bonds of such Series.

**“Resolution of Formation”** means (a) with respect to CFD No. 2, Resolution No. 41-98, adopted by the Board of Education on December 15, 1997, (b) with respect to CFD No. 4, Resolution No. 47-98, adopted by the Board of Education on December 15, 1997, (c) with respect to CFD No. 6, Resolution No. 74-98-A, adopted by the Board of Education on March 24, 1998, (d) with respect to CFD No. 8, Resolution No. 43-99, adopted by the Board of Education on December 17, 1998, (e) with respect to CFD No. 9, Resolution No. 21-99, adopted by the Board of Education on November 16, 1998, (f) with respect to CFD No. 10, Resolution No. 08-2002, adopted by the Board of Education on August 27, 2001, (g) with respect to CFD No. 12, Resolution No. 113-2002, adopted by the Board of Education on June 24, 2002, (h) with respect to CFD No. 13, Resolution No. 51-2007, adopted by the Board of Education on March 12, 2007, (i) with respect to CFD No. 14, Resolution No. 41-2006, adopted by the Board of Education on January 17, 2006, and (j) with respect to CFD No. 15, Resolution No. 30-2013, adopted by the Board of Education on December 17, 2012.

**“S&P”** means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under the laws of the State of New York, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

**“School District”** means the Poway Unified School District, a school district organized and existing under the laws of the State, and any successor thereto.

**“School Facilities”** means school facilities, including classrooms, multi-purpose, administration and auxiliary space at each school, central support and administrative facilities, interim housing, transportation and special education facilities, together with furniture, equipment and technology, needed by the School District in order to serve the student population to be generated as a result of the development of property within the Community Facilities Districts, together with all land or interests in land required for the construction of such facilities and all land or interests in land required to be provided

by the School District as mitigation of environmental impacts associated with the development of such school facilities.

**“Senior 2007 Authority Indenture”** means the Indenture of Trust, dated as of April 1, 2007, by and between the Authority and Zions First National Bank, as Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

**“Senior CFD Bonds”** means, collectively, the Senior CFD No. 2 Bonds, the Senior CFD No. 4 Bonds, the Senior CFD No. 6 Bonds, the Senior CFD No. 8 Bonds, the Senior CFD No. 9 Bonds, the Senior CFD No. 10 Bonds, the Senior CFD No. 12 Bonds, the Senior CFD No. 13 Bonds and the Senior CFD No. 14 Bonds.

**“Senior CFD Indentures”** means, collectively, the Senior CFD No. 2 Indenture, the Senior CFD No. 4 Indenture, the Senior CFD No. 6 Indenture, the Senior CFD No. 8 Indenture, the Senior CFD No. 9 Indenture, the Senior CFD No. 10 Indenture, the Senior CFD No. 12 Indenture, the Senior CFD No. 13 Indenture and the Senior CFD No. 14 Indenture.

**“Senior CFD No. 2 2003 Bonds”** means the Poway Unified School District Community Facilities District No. 2 2003 Special Tax Bonds and any Senior CFD No. 2 2003 Refunding Bonds.

**“Senior CFD No. 2 2003 Indenture”** means the Bond Indenture, dated as of February 1, 2003, by and between CFD No. 2 and U.S. Bank National Association, as Fiscal Agent, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof or, if such Bond Indenture has been discharged in accordance with its terms, the indenture, trust agreement, fiscal agent agreement or similar instrument, howsoever denominated, pursuant to which Senior CFD No. 2 2003 Refunding Bonds have been issued and are Outstanding, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

**“Senior CFD No. 2 2003 Refunding Bonds”** means bonds issued by CFD No. 2 to refund all or a portion of the Senior CFD No. 2 2003 Bonds, or to refund all or a portion of bonds theretofore issued by CFD No. 2 to refund all or a portion of the Senior CFD No. 2 2003 Bonds, which bonds are payable from Special Tax Revenues of CFD No. 2 on the same basis and in the same priority as the Senior CFD No. 2 2003 Bonds Outstanding as of the date of the Joint Acquisition Agreement are payable therefrom as of the date thereof.

**“Senior CFD No. 2 2007 Bonds”** means the Poway Unified School District Community Facilities District No. 2 2007 Surplus Special Tax Bonds and any Senior CFD No. 2 2007 Refunding Bonds.

**“Senior CFD No. 2 2007 Indenture”** means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 2 and Zions First National Bank, as Fiscal Agent, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof, or, if such Bond Indenture has been discharged in accordance with its terms, the indenture, trust agreement, fiscal agent agreement or similar instrument, howsoever denominated, pursuant to which Senior CFD No. 2 2007 Refunding Bonds have been issued and are Outstanding, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

**“Senior CFD No. 2 2007 Refunding Bonds”** means bonds issued by CFD No. 2 to refund all or a portion of the Senior CFD No. 2 2007 Bonds, or to refund all or a portion of bonds theretofore issued by CFD No. 2 to refund all or a portion of the Senior CFD No. 2 2007 Bonds, which bonds are payable from Special Tax Revenues of CFD No. 2 on the same basis and in the same priority as the Senior CFD No. 2

2007 Bonds Outstanding as of the date of the Joint Acquisition Agreement are payable therefrom as of the date thereof.

**“Senior CFD No. 2 Bonds”** means, collectively, the Senior CFD No. 2 2003 Bonds and the Senior CFD No. 2 2007 Bonds.

**“Senior CFD No. 2 Indenture”** means, collectively, the Senior CFD No. 2 2003 Indenture and the Senior CFD No. 2 2007 Indenture.

**“Senior CFD No. 4 2007 Bonds”** means the Poway Unified School District Community Facilities District No. 4 2007 Special Tax Bonds.

**“Senior CFD No. 4 2013 Bonds”** means the Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch) Special Tax Bonds, Series 2013.

**“Senior CFD No. 4 Bonds”** means, collectively, the Senior CFD No. 4 2007 Bonds, the Senior CFD No. 4 2013 Bonds and any Senior CFD No. 4 Refunding Bonds.

**“Senior CFD No. 4 Indenture”** means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 4 and Zions First National Bank, as Fiscal Agent, as amended and supplemented by the First Supplemental Indenture, dated as of May 1, 2013, by and between CFD No. 4 and Zions First National Bank, as Fiscal Agent, and as it may from time to time be further amended or supplemented in accordance with the provisions thereof, or, if such Bond Indenture has been discharged in accordance with its terms, the indenture, trust agreement, fiscal agent agreement or similar instrument, howsoever denominated, pursuant to which Senior CFD No. 4 Refunding Bonds have been issued and are Outstanding, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

**“Senior CFD No. 4 Refunding Bonds”** means bonds issued by CFD No. 4 to refund all or a portion of the Senior CFD No. 4 2007 Bonds or the Senior CFD No. 4 2013 Bonds, or to refund all or a portion of bonds theretofore issued by CFD No. 4 to refund all or a portion of the Senior CFD No. 4 2007 Bonds or the Senior CFD No. 4 2013 Bonds, which bonds are payable from Special Tax Revenues of CFD No. 4 on the same basis and in the same priority as the Senior CFD No. 4 2007 Bonds and the Senior CFD No. 4 2013 Bonds Outstanding as of the date of the Joint Acquisition Agreement are payable therefrom as of the date thereof.

**“Senior CFD No. 6 2005 Bonds”** means the Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2005.

**“Senior CFD No. 6 2007 Bonds”** means the Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2007.

**“Senior CFD No. 6 2010 Bonds”** means the Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2010.

**“Senior CFD No. 6 2012 Bonds”** means the Poway Unified School District Community Facilities District No. 6 (4S Ranch) Special Tax Bonds, Series 2012.

**“Senior CFD No. 6 Bonds”** means, collectively, the Senior CFD No. 6 2005 Bonds, the Senior CFD No. 6 2007 Bonds, the Senior CFD No. 6 2010 Bonds, the Senior CFD No. 6 2012 Bonds and any Senior CFD No. 6 Refunding Bonds.

**“Senior CFD No. 6 Indenture”** means the Bond Indenture, dated as of August 1, 2002, by and between CFD No. 6 and State Street Bank and Trust Company of California, N.A., as Fiscal Agent, as amended and supplemented by the First Supplemental Indenture, dated as of November 1, 2005, by and between CFD No. 6 and Zions First National Bank, as Fiscal Agent, the Second Supplemental Indenture, dated as of June 1, 2007, by and between CFD No. 6 and Zions First National Bank, as Fiscal Agent, the Third Supplemental Indenture, dated as of October 1, 2010, by and between CFD No. 6 and Zions First National Bank, as Fiscal Agent, and the Fourth Supplemental Indenture, dated as of May 1, 2012, by and between CFD No. 6 and Zions First National Bank, as Fiscal Agent, and as it may from time to time be further amended or supplemented in accordance with the provisions thereof, or, if such Bond Indenture has been discharged in accordance with its terms, the indenture, trust agreement, fiscal agent agreement or similar instrument, howsoever denominated, pursuant to which Senior CFD No. 6 Refunding Bonds have been issued and are Outstanding, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

**“Senior CFD No. 6 Refunding Bonds”** means bonds issued by CFD No. 6 to refund all or a portion of the Senior CFD No. 6 2005 Bonds, the Senior CFD No. 6 2007 Bonds, the Senior CFD No. 6 2010 Bonds or the Senior CFD No. 6 2012 Bonds, or to refund all or a portion of bonds theretofore issued by CFD No. 6 to refund all or a portion of the Senior CFD No. 6 2007 Bonds, the Senior CFD No. 6 2010 Bonds or the Senior CFD No. 6 2012 Bonds, which bonds are payable from Special Tax Revenues of CFD No. 6 on the same basis and in the same priority as the Senior CFD No. 6 2007 Bonds, the Senior CFD No. 6 2010 Bonds and the Senior CFD No. 6 2012 Bonds Outstanding as of the date of the Joint Acquisition Agreement are payable therefrom as of the date thereof.

**“Senior CFD No. 8 2007 Bonds”** means the Poway Unified School District Community Facilities District No. 8 2007 Improvement Area B Special Tax Bonds.

**“Senior CFD No. 8 Bonds”** means the Senior CFD No. 8 2007 Bonds and any Senior CFD No. 8 Refunding Bonds.

**“Senior CFD No. 8 Indenture”** means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 8 and Zions First National Bank, as Fiscal Agent, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof, or, if such Bond Indenture has been discharged in accordance with its terms, the indenture, trust agreement, fiscal agent agreement or similar instrument, howsoever denominated, pursuant to which Senior CFD No. 8 Refunding Bonds have been issued and are Outstanding, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

**“Senior CFD No. 8 Refunding Bonds”** means bonds issued by CFD No. 8 to refund all or a portion of the Senior CFD No. 8 2007 Bonds, or to refund all or a portion of bonds theretofore issued by CFD No. 8 to refund all or a portion of the Senior CFD No. 8 2007 Bonds, which bonds are payable from Special Tax Revenues of CFD No. 8 on the same basis and in the same priority as the Senior CFD No. 8 2007 Bonds Outstanding as of the date of the Joint Acquisition Agreement are payable therefrom as of the date thereof.

**“Senior CFD No. 9 2007 Bonds”** means the Poway Unified School District Community Facilities District No. 9 2007 Special Tax Bonds.

**“Senior CFD No. 9 Bonds”** means the Senior CFD No. 9 2007 Bonds and any Senior CFD No. 9 Refunding Bonds.



**“Senior CFD No. 9 Indenture”** means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 9 and Zions First National Bank, as Fiscal Agent, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof, or, if such Bond Indenture has been discharged in accordance with its terms, the indenture, trust agreement, fiscal agent agreement or similar instrument, howsoever denominated, pursuant to which Senior CFD No. 9 Refunding Bonds have been issued and are Outstanding, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

**“Senior CFD No. 9 Refunding Bonds”** means bonds issued by CFD No. 9 to refund all or a portion of the Senior CFD No. 9 2007 Bonds, or to refund all or a portion of bonds theretofore issued by CFD No. 9 to refund all or a portion of the Senior CFD No. 9 2007 Bonds, which bonds are payable from Special Tax Revenues of CFD No. 9 on the same basis and in the same priority as the Senior CFD No. 9 2007 Bonds Outstanding as of the date of the Joint Acquisition Agreement are payable therefrom as of the date thereof.

**“Senior CFD No. 10 2007 Bonds”** means the Poway Unified School District Community Facilities District No. 10 2007 Special Tax Bonds.

**“Senior CFD No. 10 Bonds”** means the Senior CFD No. 10 2007 Bonds and any Senior CFD No. 10 Refunding Bonds.

**“Senior CFD No. 10 Indenture”** means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 10 and Zions First National Bank, as Fiscal Agent, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof, or, if such Bond Indenture has been discharged in accordance with its terms, the indenture, trust agreement, fiscal agent agreement or similar instrument, howsoever denominated, pursuant to which Senior CFD No. 10 Refunding Bonds have been issued and are Outstanding, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

**“Senior CFD No. 10 Refunding Bonds”** means bonds issued by CFD No. 10 to refund all or a portion of the Senior CFD No. 10 2007 Bonds, or to refund all or a portion of bonds theretofore issued by CFD No. 10 to refund all or a portion of the Senior CFD No. 10 2007 Bonds, which bonds are payable from Special Tax Revenues of CFD No. 10 on the same basis and in the same priority as the Senior CFD No. 10 2007 Bonds Outstanding as of the date of the Joint Acquisition Agreement are payable therefrom as of the date thereof.

**“Senior CFD No. 12 2007 Bonds”** means the Poway Unified School District Community Facilities District No. 12 2007 Special Tax Bonds.

**“Senior CFD No. 12 2013 Bonds”** means the Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters) Special Tax Bonds, Series 2013.

**“Senior CFD No. 12 Bonds”** means, collectively, the Senior CFD No. 12 2007 Bonds, the Senior CFD No. 12 2013 Bonds and any Senior CFD No. 12 Refunding Bonds.

**“Senior CFD No. 12 Indenture”** means the Bond Indenture, dated as of April 1, 2007, by and between CFD No. 12 and Zions First National Bank, as Fiscal Agent, as amended and supplemented by the First Supplemental Indenture, dated as of May 1, 2013, by and between CFD No. 12 and Zions First National Bank, as Fiscal Agent, and as it may from time to time be further amended or supplemented in accordance with the provisions thereof, or, if such Bond Indenture has been discharged in accordance

with its terms, the indenture, trust agreement, fiscal agent agreement or similar instrument, howsoever denominated, pursuant to which Senior CFD No. 12 Refunding Bonds have been issued and are Outstanding, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

**“Senior CFD No. 12 Refunding Bonds”** means bonds issued by CFD No. 12 to refund all or a portion of the Senior CFD No. 12 2007 Bonds or the Senior CFD No. 12 2013 Bonds, or to refund all or a portion of bonds theretofore issued by CFD No. 12 to refund all or a portion of the Senior CFD No. 12 2007 Bonds or the Senior CFD No. 12 2013 Bonds, which bonds are payable from Special Tax Revenues of CFD No. 12 on the same basis and in the same priority as the Senior CFD No. 12 2007 Bonds and the Senior CFD No. 12 2013 Bonds Outstanding as of the date of the Joint Acquisition Agreement are payable therefrom as of the date thereof.

**“Senior CFD No. 13 2013 Bonds”** means the Poway Unified School District Community Facilities District No. 13 (The Lakes) Special Tax Bonds, Series 2013.

**“Senior CFD No. 13 Bonds”** means the Senior CFD No. 13 2013 Bonds and any Senior CFD No. 13 Refunding Bonds.

**“Senior CFD No. 13 Indenture”** means the Bond Indenture, dated as of May 1, 2013, by and between CFD No. 13 and Zions First National Bank, as Fiscal Agent, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof, or, if such Bond Indenture has been discharged in accordance with its terms, the indenture, trust agreement, fiscal agent agreement or similar instrument, howsoever denominated, pursuant to which Senior CFD No. 13 Refunding Bonds have been issued and are Outstanding, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

**“Senior CFD No. 13 Refunding Bonds”** means bonds issued by CFD No. 13 to refund all or a portion of the Senior CFD No. 13 2013 Bonds, or to refund all or a portion of bonds theretofore issued by CFD No. 13 to refund all or a portion of the Senior CFD No. 13 2013 Bonds, which bonds are payable from Special Tax Revenues of CFD No. 13 on the same basis and in the same priority as the Senior CFD No. 13 2013 Bonds Outstanding as of the date of the Joint Acquisition Agreement are payable therefrom as of the date thereof.

**“Senior CFD No. 14 2006 Bonds”** means the Poway Unified School District Community Facilities District No. 14 (Del Sur) 2006 Special Tax Bonds.

**“Senior CFD No. 14 Bonds”** means the Senior CFD No. 14 2006 Bonds and any Senior CFD No. 14 Refunding Bonds.

**“Senior CFD No. 14 Indenture”** means the Bond Indenture, dated as of May 1, 2006, by and between CFD No. 14 and Zions First National Bank, as Fiscal Agent, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof, or, if such Bond Indenture has been discharged in accordance with its terms, the indenture, trust agreement, fiscal agent agreement or similar instrument, howsoever denominated, pursuant to which Senior CFD No. 14 Refunding Bonds have been issued and are Outstanding, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

**“Senior CFD No. 14 Refunding Bonds”** means bonds issued by CFD No. 14 to refund all or a portion of the Senior CFD No. 14 2006 Bonds, or to refund all or a portion of bonds theretofore issued by CFD No. 14 to refund all or a portion of the Senior CFD No. 14 2006 Bonds, which bonds are payable

from Special Tax Revenues of CFD No. 14 on the same basis and in the same priority as the Senior CFD No. 14 2006 Bonds Outstanding as of the date of the Joint Acquisition Agreement are payable therefrom as of the date thereof.

**“Senior CFD Refunding Bonds”** means (a) with respect to CFD No. 2, Senior CFD No. 2 2003 Refunding Bonds or Senior CFD No. 2 2007 Refunding Bonds, as applicable, (b) with respect to CFD No. 4, Senior CFD No. 4 Refunding Bonds, (c) with respect to CFD No. 6, Senior CFD No. 6 Refunding Bonds, (d) with respect to CFD No. 8, Senior CFD No. 8 Refunding Bonds, (e) with respect to CFD No. 9, Senior CFD No. 9 Refunding Bonds, (f) with respect to CFD No. 10, Senior CFD No. 10 Refunding Bonds, (g) with respect to CFD No. 12, Senior CFD No. 12 Refunding Bonds, (h) with respect to CFD No. 13, Senior CFD No. 13 Refunding Bonds, and (i) with respect to CFD No. 14, Senior CFD No. 14 Refunding Bonds.

**“Series”** means the initial series of Bonds executed, authenticated and delivered on the date of initial issuance of the Bonds and identified pursuant to the Indenture as the Series 2014 Bonds, and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

**“Series 2014 Bonds”** or **“Series 2014 Authority Bonds”** means the Poway Unified School District Public Financing Authority Special Tax Revenue Bonds, Series 2014, issued under the Indenture.

**“Series 2014 Reserve Account”** means the account for the Series 2014 Bonds within the Reserve Fund by that name established and held by the Trustee pursuant to the Indenture.

**“Special Tax Prepayments”** has the meaning ascribed to the term “Available Special Tax Prepayments” in the Joint Acquisition Agreement.

**“Special Tax Revenues”** means, with respect to a Community Facilities District, the proceeds of the Special Taxes of such Community Facilities District received by or on behalf of such Community Facilities District, including interest and penalties thereon, proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of such Special Taxes, after payment of administrative costs and attorneys’ fees payable from proceeds of such redemption or sale, but excluding any prepayments of such Special Taxes.

**“Special Taxes”** means (a) with respect to a Community Facilities District other than CFD No. 8, the special taxes levied within such Community Facilities District pursuant to the Act and the Rate and Method of such Community Facilities District, and (b) with respect to CFD No. 8, the special taxes levied within CFD No. 8 Improvement Area B pursuant to the Act and the Rate and Method of CFD No. 8.

**“State”** means the State of California.

**“Supplemental Indenture”** means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

**“Surplus Account”** means, with respect to a Community Facilities District, the account for such Community Facilities District within the Surplus Fund established and held by the Fiscal Agent pursuant to the Joint Acquisition Agreement.

**“Surplus Fund”** means the fund by that name established and held by the Fiscal Agent pursuant to the Joint Acquisition Agreement.

**“Tax Certificate”** means the Tax Certificate executed by the Authority at the time of issuance of the Series 2014 Authority Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may be amended from time to time in accordance with the provisions thereof.

**“Trustee”** means Zions First National Bank, or any successor thereto as Trustee under the Indenture substituted in its place as provided therein.

**“Verification Report”** means, with respect to the deemed payment of Bonds pursuant to the Indenture as summarized in paragraph (a) under the heading “INDENTURE – Defeasance – Bonds Deemed to Have Been Paid,” a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of the Indenture as summarized in paragraph (a) under the heading “INDENTURE – Defeasance – Bonds Deemed to Have Been Paid.”

**“Written Certificate”** and **“Written Request”** of (a) the Authority mean, respectively, a written certificate or written request signed in the name of the Authority by an Authorized Representative of the Authority, and (b) the Community Facilities Districts mean, respectively, a written certificate or written request signed in the name of the Community Facilities Districts by an Authorized Representative of the Community Facilities Districts. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

## **JOINT ACQUISITION AGREEMENT**

### **Acquisition, Construction and Installation of the Project**

The Authority agrees to cause the Project to be acquired, constructed and installed and appoints the Community Facilities Districts as its agents for purposes of such acquisition, construction and installation. The Community Facilities Districts shall enter into contracts, or cause contracts to be entered into, and, as agents of the Authority, provide for the complete acquisition, construction and installation of the Project. The Community Facilities Districts agree that they will cause the acquisition, construction and installation of the Project to be diligently performed. It is expressly understood and agreed that, except to the extent of proceeds of Authority Bonds deposited in the Project Fund established pursuant to the Authority Indenture, and the investment earnings thereon, the Authority shall be under no liability of any kind or character whatsoever for the payment of any of the costs of the acquisition, construction and installation of the Project. In the event such amounts are insufficient to complete the acquisition, construction and installation of the Project, the Community Facilities Districts shall cause to be applied other legally available funds in an amount equal to that necessary to complete the acquisition, construction and installation of the Project.

### **Purchase and Sale of Project; Payments**

***Purchase and Sale of Project.*** The Community Facilities Districts purchases from the Authority, and the Authority sells to the Community Facilities Districts, the Project in accordance with the provisions of the Joint Acquisition Agreement. On the Closing Date, all right, title and interest in the Project shall vest in the Community Facilities Districts without further action on the part of the Community Facilities Districts or the Authority.

***Installment Payments.*** (a) The Community Facilities Districts agree to pay to the Authority, from Net Available Special Tax Revenues, the purchase price of the Project in Installment Payments, as provided in the Joint Acquisition Agreement. The Installment Payments shall be due and payable on the

Installment Payment Dates. The amount of the Installment Payment payable by the Community Facilities Districts on each Installment Payment Date shall be equal to the interest on, or the principal of (including mandatory sinking fund redemptions) and interest on, as applicable, Authority Bonds due on the following Interest Payment Date. If and to the extent that, on any Installment Payment Date, there are amounts on deposit in the Bond Fund established under the Authority Indenture, which amounts are not being held for the payment of specific Authority Bonds, said amounts shall be credited against the Installment Payment due on such Installment Payment Date.

(b) The Installment Payments shall be special obligations of the Community Facilities Districts, payable, as provided in the Joint Acquisition Agreement, solely from Net Available Special Tax Revenues and the other assets pledged therefor under the Joint Acquisition Agreement. Neither the faith and credit nor the taxing power of the Community Facilities Districts (except to the limited extent set forth in the Joint Acquisition Agreement), the Authority, the School District, or the State, or any political subdivision thereof, is pledged to the payment of the Installment Payments or other payments required to be made by the Community Facilities Districts pursuant to the Joint Acquisition Agreement.

(c) Each Installment Payment shall be paid in lawful money of the United States of America, in immediately available funds.

***Reserve Fund Payments.*** The Community Facilities Districts shall maintain or cause to be maintained in each Reserve Account established under the Authority Indenture an amount equal to the Reserve Requirement for the Series of Authority Bonds for which such Reserve Account is established. Reserve Fund payments to replenish said Reserve Accounts shall be payable solely from Net Available Special Tax Revenues and shall be made at the times and in the manner specified in the Joint Acquisition Agreement as summarized herein in paragraph (b) under the heading “– Security for Installment Payments; Flow of Funds; Investments – Net Available Special Tax Revenue Fund.”

***Joint and Several Liability; Obligation Absolute.*** (a) The obligations of the Community Facilities Districts to pay the Installment Payments and other payments required to be made thereby pursuant to the Joint Acquisition Agreement are joint and several obligations of the Community Facilities Districts.

(b) The obligations of the Community Facilities Districts to make the Installment Payments and other payments required to be made by them under the Joint Acquisition Agreement, solely from the sources and in the manner provided therein, are absolute and unconditional, and until such time as the Installment Payments and such other payments shall have been paid in full, the Community Facilities Districts shall not discontinue or suspend any Installment Payments or other payments required to be made by them under the Joint Acquisition Agreement when due, whether or not the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such Installment Payments and other payments shall not be subject to reduction, whether by offset or otherwise, and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

### **Security for Installment Payments; Flow of Funds; Investments**

***Pledges.*** (a) Subject only to the provisions of the Joint Acquisition Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Joint Acquisition Agreement, all of the Net Available Special Tax Revenues and any other amounts held in the Available Special Tax Revenue Fund, the Net Available Special Tax Revenue Fund and the Coverage Stabilization Fund are pledged to the payment of the Installment Payments and other payments required to be made by the Community Facilities Districts under the Joint Acquisition Agreement. Said pledge shall constitute a

first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the Community Facilities Districts, their successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Joint Acquisition Agreement, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

(b) Subject only to the provisions of the Joint Acquisition Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Net Available Special Tax Revenues and any other amounts held in the Net Available Special Tax Revenue Fund and the Coverage Stabilization Fund are pledged to the payment of the Additional Insurance Premiums, and any interest accrued thereon at the Insurer Rate, as provided in the Joint Acquisition Agreement. Said pledge shall constitute a lien on and security interest in such assets, which lien and security interest shall be subordinate to the lien on and security interest in such assets securing payment of the Installment Payments and other payments required to be made by the Community Facilities Districts under the Joint Acquisition Agreement, and which lien and security interest shall immediately attach to such assets and be effective, binding and enforceable against the Community Facilities Districts, their successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Joint Acquisition Agreement, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

***Available Special Tax Revenue Fund.*** (a) The Fiscal Agent shall establish and maintain a separate fund designated the “Available Special Tax Revenue Fund.” Within the Available Special Tax Revenue Fund, the Fiscal Agent shall establish and maintain a separate account for each Community Facilities District designated the “Available Special Tax Revenue Account” of such Community Facilities District.

(b) As soon as practicable after Available Special Tax Revenues of a Community Facilities District are received, or become available for transfer, by such Community Facilities District, such Community Facilities District shall transfer, or cause to be transferred, such Available Special Tax Revenues to the Fiscal Agent for deposit in the Available Special Tax Revenue Account of such Community Facilities District.

(c) Upon receipt of a Written Request of the Community Facilities Districts, the Fiscal Agent shall withdraw from the Available Special Tax Revenue Account of the Community Facilities District specified in such Written Request of the Community Facilities Districts and transfer to the Administrative Expense Account of such Community Facilities District the amount specified in such Written Request of the Community Facilities Districts as the amount necessary to be transferred thereto in order to have sufficient amounts available therein to pay Administrative Expenses of such Community Facilities District; provided, however, that no such transfers shall be made during the period from October 1 of each year to October 30 of such year.

(d) On the third Business Day immediately preceding each Installment Payment Date, after having made any requested transfers to the Administrative Expense Accounts, the Fiscal Agent shall withdraw from the Available Special Tax Revenue Account of each Community Facilities District all Available Special Tax Revenues of such Community Facilities District remaining therein and transfer such Available Special Tax Revenues to the Net Available Special Tax Revenue Fund.

***Net Available Special Tax Revenue Fund.*** (a) The Fiscal Agent shall establish and maintain a separate fund designated the “Net Available Special Tax Revenue Fund.” The Fiscal Agent shall deposit

in the Net Available Special Tax Revenue Fund the amounts required to be transferred thereto pursuant to the Joint Acquisition Agreement.

(b) On each Installment Payment Date, the Fiscal Agent shall withdraw from the Net Available Special Tax Revenue Fund an amount of Net Available Special Tax Revenues sufficient to enable the Fiscal Agent to make the following transfers in the following order of priority:

(i) *Bond Fund.* To the Trustee for deposit in the Bond Fund established under the Authority Indenture, the amount, if any, necessary to cause the amount on deposit in said Bond Fund to be equal to the interest on, or the principal of (including mandatory sinking fund redemptions) and interest on, as applicable, Authority Bonds due on the following Interest Payment Date. The transfer of such amount, together with the amount, if any, then on deposit in said Bond Fund, which is, pursuant to the provisions of the Joint Acquisition Agreement described under paragraph (a) of the heading “– Purchase and Sale of Project; Payments – Installment Payments,” to be applied as a credit, shall constitute the payment of the Installment Payment due on such Installment Payment Date;

(ii) *Reserve Fund.* To the Trustee for deposit in the Reserve Fund established under the Authority Indenture, the amount, if any, necessary to enable the Trustee to make the deposits in accordance with the Indenture in order to cause the amount on deposit in each Reserve Account to be equal to the Reserve Requirement for the Series of Authority Bonds for which such Reserve Account is established, which transfer shall constitute the Reserve Fund payment required to be made pursuant to the Joint Acquisition Agreement; and

(iii) *Coverage Stabilization Fund.* To the Coverage Stabilization Fund, the amount, if any, necessary to cause the amount on deposit in the Coverage Stabilization Fund to be equal to the Coverage Stabilization Requirement.

(c) On October 2 of each year, commencing October 2, 2023 and continuing so long as any Series 2014 Authority Bonds are Outstanding, the Fiscal Agent shall withdraw from the Net Available Special Tax Revenue Fund, to the extent of any funds therein, and pay to the Insurer the Additional Insurance Premium for the Bond Year commencing on such October 2; provided, however, that (i) if an amount sufficient to pay such Additional Insurance Premium is not then on deposit in the Net Available Special Tax Revenue Fund, the Fiscal Agent shall withdraw from the Coverage Stabilization Fund, to the extent of any funds therein, and pay to the Insurer the portion of such Additional Insurance Premium not paid from the Net Available Special Tax Revenue Fund, and (ii) if such Additional Insurance Premium is not so paid in full, interest shall accrue on the unpaid amount thereof at the Insurer Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full.

(d) No later than October 30 of each year, the Fiscal Agent shall withdraw from the Net Available Special Tax Revenue Fund an amount equal to the amount that was on deposit therein on the immediately preceding October 5 and, from such amount, the Fiscal Agent shall deposit in the Surplus Account of each Community Facilities District the amount, if any, requested to be deposited therein in the Written Request of the Community Facilities Districts delivered after said October 5 to the Fiscal Agent by the Community Facilities Districts pursuant to the provisions of the Joint Acquisition Agreement described under paragraph (b) of the heading “– Security for Installment Payments; Flow of Funds; Investments – Surplus Fund.”

*Administrative Expense Fund.* (a) The Fiscal Agent shall establish and maintain a special fund designated the “Administrative Expense Fund.” Within the Administrative Expense Fund, the Fiscal

Agent shall establish and maintain a separate account for each Community Facilities District designated the “Administrative Expense Account” of such Community Facilities District. The Fiscal Agent shall deposit in the Administrative Expense Account of a Community Facilities District the amounts transferred from the Available Special Tax Revenue Account of such Community Facilities District and required to be deposited therein pursuant to the provisions of the Joint Acquisition Agreement described under paragraph (b) of the heading “– Security for Installment Payments; Flow of Funds; Investments – Available Special Tax Revenue Fund.”

(b) The moneys in the Administrative Expense Account of a Community Facilities District shall be used and withdrawn by the Fiscal Agent from time to time to pay the Administrative Expenses of such Community Facilities District upon submission of a Written Request of the Community Facilities Districts stating (i) the Administrative Expense Account from which such moneys are to be withdrawn, (ii) the Person to whom payment is to be made, (iii) the amount to be paid, (iv) the purpose for which the obligation was incurred and that such purpose constitutes an Administrative Expense of such Community Facilities District, (v) that such payment is a proper charge against such Administrative Expense Account, and (vi) that such amounts have not been the subject of a prior disbursement from such Administrative Expense Account; in each case together with a statement or invoice for each amount requested thereunder.

**Coverage Stabilization Fund.** (a) The Fiscal Agent shall establish and maintain a separate fund designated the “Coverage Stabilization Fund.” The Fiscal Agent shall deposit in the Coverage Stabilization Fund the amounts transferred from the Net Available Special Tax Revenue Fund and required to be deposited therein pursuant to the provisions of the Joint Acquisition Agreement described under paragraph (b) of the heading “– Security for Installment Payments; Flow of Funds; Investments – Net Available Special Tax Revenue Fund.”

(b) In the event that, on the Business Day prior to an Installment Payment Date, amounts in the Net Available Special Tax Revenue Fund are insufficient to make the transfers, if any, required pursuant to the provisions of the Joint Acquisition Agreement described under the heading “– Security for Installment Payments; Flow of Funds; Investments – Net Available Special Tax Revenue Fund” to be made on such Installment Payment Date to the Trustee for deposit in the Bond Fund and the Reserve Fund established under the Authority Indenture, the Fiscal Agent shall withdraw from the Coverage Stabilization Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer the amount so withdrawn to the Net Available Special Tax Revenue Fund.

(c) In the event that, on any October 2 on which an Additional Insurance Premium is due and payable, as provided in the Joint Acquisition Agreement, amounts in the Net Available Special Tax Revenue Fund are insufficient to pay to the Insurer such Additional Insurance Premium, the Fiscal Agent shall withdraw from the Coverage Stabilization Fund, to the extent of any funds therein, the amount of such insufficiency, and shall pay such amount to the Insurer.

(d) Upon the delivery by the Community Facilities Districts to the Fiscal Agent and the Trustee of (i) the certificate of an Independent Consultant described in clause (a) of the definition of “Coverage Stabilization Requirement,” and (ii) a Written Request of the Community Facilities Districts requesting that the Fiscal Agent transfer from the Coverage Stabilization Fund to the Surplus Account of each Community Facilities District the amount, if any, so specified to be transferred thereto in such Written Request of the Community Facilities Districts (the sum of which amounts requested to be so transferred to the Surplus Accounts of the Community Facilities Districts shall be equal to the amount then on deposit in the Coverage Stabilization Fund), the Fiscal Agent shall withdraw the amounts then on deposit in the Coverage Stabilization Fund and transfer the same as specified in such Written Request of the Community Facilities Districts.



**Surplus Fund.** (a) The Fiscal Agent shall establish and maintain a special fund designated the "Surplus Fund." Within the Surplus Fund, the Fiscal Agent shall establish and maintain a separate account for each Community Facilities District designated the "Surplus Account" of such Community Facilities District. The Fiscal Agent shall deposit in the Surplus Account of each Community Facilities District the amounts transferred from the Net Available Special Tax Revenue Fund and required to be deposited therein pursuant to the provisions of the Joint Acquisition Agreement described in paragraph (d) under the heading "- Security for Installment Payments; Flow of Funds; Investments - Net Available Special Tax Revenue Fund" and the amounts transferred from the Coverage Stabilization Fund and required to be deposited therein pursuant to the provisions of the Joint Acquisition Agreement as described in paragraph (c) under the heading "- Security for Installment Payments; Flow of Funds; Investments - Coverage Stabilization Fund."

(b) No later than October 5 of each year, the Fiscal Agent shall notify the Community Facilities Districts, in writing, of the amount then on deposit in the Net Available Special Tax Revenue Fund. No later than October 20 of each year, the Community Facilities Districts shall deliver to the Fiscal Agent a Written Request of the Community Facilities Districts requesting that the Fiscal Agent transfer from the Net Available Special Tax Revenue Fund to the Surplus Account of each Community Facilities District the amount, if any, so specified to be transferred thereto in such Written Request of the Community Facilities Districts; provided, however, that (i) the sum of the amounts requested to be so transferred to the Surplus Accounts of the Community Facilities Districts shall be equal to the amount on deposit in the Net Available Special Tax Revenue Fund on the immediately preceding October 5, as specified in the notice from the Fiscal Agent to the Community Facilities Districts provided by the Fiscal Agent pursuant to the first sentence of this paragraph (b), and (ii) the amount so transferred to the Surplus Account of any Community Facilities District shall not exceed the remainder of (A) the amount of Available Special Tax Revenues of such Community Facilities District deposited in the Available Special Tax Revenue Account of such Community Facilities District during the one year period ending on the immediately preceding October 1, minus (B) the amount, if any, transferred from the Available Special Tax Revenue Account of such Community Facilities District to the Administrative Expense Account of such Community Facilities District during the one year period ending on the immediately preceding October 1.

(c) The moneys in the Surplus Account of a Community Facilities District shall be used and withdrawn by the Fiscal Agent from time to time to pay the costs of the School Facilities upon submission of a Written Request of the Community Facilities Districts stating (i) the Community Facilities District, from the Surplus Account for which moneys are to be withdrawn, (ii) the Person to whom payment is to be made, (iii) the amount to be paid, (iv) the purpose for which the obligation was incurred, (v) that such payment constitutes a cost of School Facilities authorized to be financed by such Community Facilities District, and (vi) that such amounts have not been the subject of a prior disbursement from such Surplus Account. Additionally, upon receipt of a Written Request of the Community Facilities Districts requesting that the Fiscal Agent transfer the amount specified therein from the Surplus Account of a Community Facilities District to the Trustee for deposit in the Redemption Fund established under the Authority Indenture, to be applied to the optional redemption of Authority Bonds, the Fiscal Agent shall so withdraw and transfer the amount so specified in such Written Request of the Community Facilities Districts.

**Investment of Moneys.** (a) Except as otherwise provided in the Joint Acquisition Agreement, all moneys in any of the funds or accounts established pursuant to the Joint Acquisition Agreement held by the Fiscal Agent shall be invested by the Fiscal Agent solely in Permitted Investments, as directed in a Written Request of the Community Facilities Districts received by the Fiscal Agent no later than two Business Days prior to the making of such investment. Moneys in all such funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such

moneys will be required for the purposes specified in the Joint Acquisition Agreement. Absent a timely Written Request of the Community Facilities Districts with respect to the investment of moneys in any of the funds or accounts established pursuant to the Joint Acquisition Agreement held by the Fiscal Agent, the Fiscal Agent shall invest such moneys in Permitted Investments described in paragraph (6) of the definition thereof.

(b) Subject to the tax covenant provisions of the Joint Acquisition Agreement, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Joint Acquisition Agreement (other than the Coverage Stabilization Fund) shall be retained therein. Subject to the tax covenants provisions of the Joint Acquisition Agreement, all interest, profits or other income received from the investment of moneys in the Coverage Stabilization Fund shall be transferred to the Surplus Fund; provided, however, that, notwithstanding the foregoing, any such transfer shall be made from the Coverage Stabilization Fund only if and to the extent that, after such transfer, the amount on deposit in the Coverage Stabilization Fund is at least equal to the Coverage Stabilization Requirement.

(c) Permitted Investments acquired as an investment of moneys in any fund or account established under the Joint Acquisition Agreement shall be credited to such fund or account. For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund or account shall be valued by the Fiscal Agent at the market value thereof (without regard to costs incurred in the acquisition or disposition thereof, including breakage, unwind or other similar fees), such valuation to be performed not less frequently than semiannually on or before each March 15 and September 15. To the extent of any valuations to be made by the Fiscal Agent under the Joint Acquisition Agreement, the Fiscal Agent may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system. Any Permitted Investment that is a registrable security shall be registered in the name of the Fiscal Agent.

(d) The Fiscal Agent may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Community Facilities Districts, the Fiscal Agent shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments are credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Joint Acquisition Agreement. For purposes of investment, the Fiscal Agent may commingle moneys in any of the funds and accounts established under the Joint Acquisition Agreement. The Fiscal Agent, in making or disposing of any investment permitted by the Joint Acquisition Agreement, may 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 a principal for its own account.

(e) The Community Facilities Districts acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Community Facilities Districts the right to receive brokerage confirmations of security transactions as they occur, the Community Facilities Districts specifically waive receipt of such confirmations to the extent permitted by law. The Fiscal Agent shall furnish the Community Facilities Districts periodic cash transaction statements, which shall include detail for all investment transactions made by the Fiscal Agent under the Joint Acquisition Agreement.

#### **Additional Authority Bonds and Installment Payments**

*Additional Authority Bonds.* Pursuant to the provisions of the Joint Acquisition Agreement described under the heading “– Purchase and Sale of Project; Payments – Installment Payments,” the

amount of the Installment Payment payable by the Community Facilities Districts on each Installment Payment Date is equal to the interest on, or the principal of (including mandatory sinking fund redemptions) and interest on, as applicable, Authority Bonds due on the following Interest Payment Date and, therefore, the issuance by the Authority of Additional Authority Bonds will result in changes in the amounts of the Installment Payments to be made by the Community Facilities Districts pursuant to the Joint Acquisition Agreement. The Authority shall not issue a Series of Additional Authority Bonds (in addition to the Series 2014 Authority Bonds) payable from the Installment Payments as provided in the Authority Indenture on a parity with all other Authority Bonds theretofore issued thereunder, unless the following conditions, which are conditions precedent to the issuance of such Additional Authority Bonds, are satisfied:

(a) the Authority shall have received a Written Request of the Community Facilities Districts requesting that the Authority issue such Series of Additional Authority Bonds;

(b) upon the issuance of such Additional Authority Bonds, no Event of Default shall have occurred and be continuing under the Joint Acquisition Agreement;

(c) the proceeds of such Additional Authority Bonds shall be applied only to one or more of the following purposes (i) providing funds to pay costs of School Facilities authorized to be financed by each of the Community Facilities Districts, (ii) providing funds to refund any Authority Bonds previously issued under the Authority Indenture, (iii) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Authority Bonds, (iv) providing funds to capitalize interest on such Additional Authority Bonds, and (v) providing funds to make any deposit to the Reserve Account established for such Series of Additional Bonds required to be made pursuant to the provisions of the Indenture;

(d) if the proceeds of such Additional Authority Bonds are to be applied to provide funds to pay costs of the School Facilities, the Joint Acquisition Agreement shall have been amended and modified so as to add to the description of the Project set forth in Exhibit A to the Joint Acquisition Agreement a description of the School Facilities, funds to pay the costs of which are to be provided from the proceeds of such Additional Authority Bonds;

(e) the conditions precedent to the issuance of such Additional Authority Bonds specified in the Indenture shall have been satisfied;

(f) the Community Facilities Districts and the Authority shall have received a certificate of an Independent Consultant certifying that:

(i) on the basis of the parcels of land and improvements existing in the CFD Area as of the date 60 days prior to the date of issuance of such Additional Authority Bonds, for each Fiscal Year that Authority Bonds will be Outstanding, the amount of the Available Special Tax Revenues of all Community Facilities Districts to be transferred to the Fiscal Agent pursuant to the provisions of the Joint Acquisition Agreement summarized herein in paragraph (b) under the heading “– Security for Installment Payments; Flow of Funds; Investments – Available Special Tax Revenue Fund” in such Fiscal Year is at least equal to 120% of Annual Debt Service for the Corresponding Bond Year on all Outstanding Authority Bonds; and

(ii) the sum of (A) the Assessed Value of parcels of Developed Property for which a Qualified Appraisal Report has not been provided, plus (B) the Appraised Value of parcels of Developed Property for which a Qualified Appraisal Report has been

provided, as such Appraised Value is shown in such Qualified Appraisal Report, is at least 15 times the sum of (I) the aggregate principal amount of Outstanding Authority Bonds, plus (II) the aggregate principal amount of all fixed lien special assessments levied on parcels of Developed Property, based upon information from the most recent Fiscal Year for which such information is available, plus (III) the sum of a portion of the aggregate principal amount of Other CFD Bonds, which portion shall be equal to the aggregate principal amount of such Other CFD Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for such Other CFD Bonds on parcels of Developed Property, and the denominator of which is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on such Other CFD Bonds occurs), based upon information from the most recent Fiscal Year for which such information is available.

Notwithstanding the foregoing, if (i) such Additional Authority Bonds are being issued to refund previously issued Authority Bonds, and (ii) Annual Debt Service in each Bond Year, calculated for all Authority Bonds that will be Outstanding after the issuance of such Additional Authority Bonds, will be less than or equal to Annual Debt Service in such Bond Year, calculated for all Authority Bonds that are Outstanding immediately prior to the issuance of such Additional Authority Bonds, the receipt of the certificate described in paragraph (f), above, shall not be a condition precedent to the issuance of such Additional Authority Bonds.

***Other Special Tax Obligations.*** (a) Except as otherwise provided in paragraph (b) below, prior to the date on which the Joint Acquisition Agreement is terminated pursuant to the provisions of the Joint Acquisition Agreement, no Community Facilities District shall issue any bonds or incur any obligations (other than Administrative Expenses of such Community Facilities District) payable from Special Tax Revenues of such Community Facilities District, other than the Installment Payments and other payments required to be made by the Community Facilities Districts under the Joint Acquisition Agreement.

(b) Notwithstanding the prohibition on additional Special Tax obligations contained in paragraph (a) above, each Community Facilities District may, from time to time, issue Senior CFD Refunding Bonds of such Community Facilities District if Annual Debt Service in each Bond Year, calculated for all Senior CFD Bonds of such Community Facilities District that will be Outstanding after the issuance of such Senior CFD Refunding Bonds, will be less than or equal to Annual Debt Service in such Bond Year, calculated for all Senior CFD Bonds of such Community Facilities District that are Outstanding immediately prior to the issuance of such Senior CFD Refunding Bonds.

## **Covenants**

***Collection of Special Tax Revenues.*** (a) Each Community Facilities District shall comply with all requirements of the Act, the Ordinance with respect thereto and the Joint Acquisition Agreement so as to assure the timely collection of Special Tax Revenues of such Community Facilities District, including without limitation, the enforcement of delinquent Special Taxes.

(b) Prior to August 1 of each year, each Community Facilities District shall ascertain from the County Assessor the relevant parcels on which the Special Taxes of such Community Facilities District are to be levied, taking into account any parcel splits during the preceding and then current year. Such Community Facilities District shall effect the levy of the Special Taxes of such Community Facilities District each Fiscal Year in accordance with the Ordinance with respect to such Community Facilities District by each August 10, or otherwise such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the amounts of the Special Tax

of such Community Facilities District for the parcels within such Community Facilities District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, such Community Facilities District shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires in order to include the levy of the Special Taxes of such Community Facilities District on the next real property tax roll.

(c) Each Community Facilities District shall fix and levy the amount of Special Taxes of such Community Facilities District in each Fiscal Year in accordance with the Rate and Method of such Community Facilities District and, subject to the limitations in such Rate and Method as to the maximum Special Tax of such Community Facilities District that may be levied, in an amount that, together with the amount of Special Taxes of each other Community Facilities District levied in accordance with this the provisions of the Joint Acquisition Agreement described under this heading (“– Covenants – Collection of Special Tax Revenues”), will be sufficient to yield Net Available Special Tax Revenues in the amount required for (i) the payment of the Installment Payments becoming due and payable during the Bond Year commencing in such Fiscal Year, (ii) any necessary replenishment of the Reserve Fund, (iii) the payment of Additional Insurance Premium becoming due and payable during the Bond Year commencing in such Fiscal Year, and (iv) any necessary replenishment of the Coverage Stabilization Fund, taking into account the balances in the funds and accounts established under the Joint Acquisition Agreement.

(d) The Special Taxes of each Community Facilities District shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

**Available Special Tax Prepayments.** (a) Any Available Special Tax Prepayment of a Community Facilities District received by such Community Facilities District shall, as soon as practicable after the receipt thereof by such Community Facilities District, be transferred to the Trustee, together with a Written Certificate of the Community Facilities Districts specifying the scheduled date of termination of the Special Tax of such Community Facilities District, which Available Special Tax Prepayment is to be applied to the redemption of Authority Bonds pursuant to the provisions of Indenture relating to mandatory redemption from Special Tax Prepayments and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Authority Bonds are issued.

(b) With respect to any such Available Special Tax Prepayment of a Community Facilities District (i) said Available Special Tax Prepayment shall be identified as such in a Written Certificate of the Community Facilities Districts delivered to the Trustee at the time such Available Special Tax Prepayment is transferred to the Trustee, (ii) the portion of such Available Special Tax Prepayment that is to be applied to the Redemption Price of Authority Bonds shall be identified in such Written Certificate of the Community Facilities Districts, to be deposited by the Trustee in the Redemption Fund established under the Authority Indenture and applied to the redemption of Authority Bonds pursuant to the provisions of Indenture relating to mandatory redemption from Special Tax Prepayments and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued, and (iii) the portion, if any, of such Available Special Tax Prepayment that is to be applied to the payment of interest on the Authority Bonds to be so redeemed shall be identified in such Written Certificate of the Community Facilities Districts, to be deposited by the Trustee in the Bond Fund established under the Authority Indenture and applied to the payment of such interest.

**Foreclosure.** Pursuant to Section 53356.1 of the Act, each Community Facilities District covenants with and for the benefit of the Owners that, on or before June 1 of each Fiscal Year, such Community Facilities District will review the public records of the County in connection with the Special

Tax of such Community Facilities District levied in such Fiscal Year to determine the amount of such Special Tax actually collected in such Fiscal Year. If such Community Facilities District determines that any single parcel subject to the Special Tax of such Community Facilities District is delinquent in the payment of all or a portion of four semi-annual installments of Special Taxes of such Community Facilities District, such 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. Such 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 pursuant to the provisions described in this paragraph and for which such Special Taxes remain delinquent. With respect to aggregate delinquencies throughout such Community Facilities District, if such Community Facilities District determines that it has collected less than 95% of the Special Taxes of such Community Facilities District levied in such Fiscal Year, then such Community Facilities District shall, not later than 45 days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). Such 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 pursuant to the provisions described in this paragraph and for which such Special Taxes remain delinquent.

***Compliance with Act.*** Each Community Facilities District shall comply with all applicable provisions of the Act.

***Compliance with Senior Indenture and Senior Bonds.*** Each Community Facilities District shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Senior Indenture of such Community Facilities District and the Senior Bonds of such Community Facilities District required to be observed and performed by it and shall not suffer or permit any default to occur thereunder.

***Amendment of Senior CFD Indenture; Replacement Thereof.*** (a) No Community Facilities District shall amend or modify the Senior Indenture of such Community Facilities District in a manner that could have a material adverse effect on the Owners.

(b) If, in connection with the issuance of Senior CFD Refunding Bonds by a Community Facilities District, the Senior CFD Indenture under which Senior CFD Bonds of such Community Facilities District are Outstanding as of the date of the Joint Acquisition Agreement is being discharged in accordance with its terms, the Senior CFD Indenture pursuant to which such Senior CFD Refunding Bonds are issued shall not contain provisions including provisions relating to the flow of funds thereunder, that differ from those contained in the Senior CFD Indenture being so discharged in a manner that could have a material adverse effect on the Owners.

***Punctual Payment.*** The Community Facilities Districts shall punctually pay or cause to be paid the Installment Payments and other payments required to be made by them under the provisions of the Joint Acquisition Agreement described under the heading “– Purchase and Sale of Project; Payments,” in strict conformity with the terms of the Joint Acquisition Agreement, according to the true intent and meaning of the Joint Acquisition Agreement, but only out of Net Available Special Tax Revenues and other assets pledged for such payment as provided in the Joint Acquisition Agreement.

***Against Encumbrances; Defense of Pledge.*** No Community Facilities District shall create, or permit the creation of, any pledge of, lien on, security interest in or charge or other encumbrance upon the assets pledged under the Joint Acquisition Agreement, except as permitted thereby. The Community

Facilities Districts shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of such assets, and the lien thereon and security interest therein created by the Joint Acquisition Agreement, against all claims and demands of all Persons whomsoever.

**Tax Covenants.** (a) No Community Facilities District shall 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 Series 2014 Authority Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, each Community Facilities District shall comply with the requirements of the Tax Certificate, which is incorporated in the Joint Acquisition Agreement as if fully set forth in the Joint Acquisition Agreement. This covenant shall survive payment in full or defeasance of the Series 2014 Authority Bonds.

(b) In the event that at any time the Community Facilities Districts are of the opinion that for purposes of the tax covenant provisions of the Joint Acquisition Agreement, it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Fiscal Agent in any of the funds or accounts established under the Joint Acquisition Agreement, the Community Facilities Districts 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.

(c) Notwithstanding any tax covenant provisions of the Joint Acquisition Agreement, if the Community Facilities Districts shall provide to the Fiscal Agent an opinion of Bond Counsel to the effect that any specified action required under the tax covenant provisions of the Joint Acquisition Agreement is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2014 Authority Bonds, the Fiscal Agent may conclusively rely on such opinion in complying with the requirements of the tax covenant provisions of the Joint Acquisition Agreement and of the Tax Certificate, and the covenants under the Joint Acquisition Agreement shall be deemed to be modified to that extent.

**Continuing Disclosure.** Each Community Facilities District shall, in a timely manner, provide the Authority with such information and data concerning such Community Facilities District as is necessary to enable the Authority to comply with and carry out all of the provisions of the Continuing Disclosure Agreement.

**Insurer Expenses; Additional Insurance Premium.** (a) The Community Facilities Districts shall punctually pay or cause to be paid the Insurer Expenses as and when due, as provided in the Joint Acquisition Agreement.

(b) On October 2 of each year, commencing October 2, 2023 and continuing so long as any Series 2014 Authority Bonds are Outstanding, the Community Facilities Districts shall pay or cause to be paid to the Insurer the Additional Insurance Premium for the Bond Year commencing on such October 2. If any such Additional Insurance Premium is not paid when due, the Community Facilities Districts shall pay interest on such overdue amount at the Insurer Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full.

**Authority Costs; Indemnification.** The Community Facilities District shall pay to the Authority from time to time as requested by the Authority the costs of the Authority (including the fees and costs of the Trustee and its counsel) incurred by the Authority in connection with the Authority Bonds. To the extent permitted by law, the Community Facilities Districts shall indemnify and hold the Authority and its members and officers harmless against any and all liabilities that might arise out of or are related to the Project, the Joint Acquisition Agreement, the Authority Indenture or the Authority Bonds, other than the obligation to pay the Authority Bonds solely from the Installment Payments and other assets pledged

therefor under the Authority Indenture, and the Community Facilities Districts shall defend the Authority and its members and officers in any action arising out of or related thereto.

***Reduction in Special Taxes.*** No Community Facilities District shall initiate proceedings under the Act to modify the Rate and Method of such Community Facilities District if such modification would adversely affect the security for the Installment Payments or other payments required to be made by the Community Facilities Districts under the provisions of the Joint Acquisition Agreement summarized herein under the heading “– Purchase and Sale of Project; Payments.” If an initiative is adopted that purports to modify such Rate and Method in a manner that would adversely affect the security for the Installment Payments or such other payments, such Community Facilities District shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of such Rate and Method in a manner that would adversely affect the security for the Installment Payments or such other payments.

***Accounting Records.*** Each Community Facilities District shall keep or cause to be kept appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Special Taxes of such Community Facilities District, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

***State Reporting.*** If at any time the Trustee fails to pay principal or interest due on any scheduled payment date for the Authority Bonds, or if funds are withdrawn from any Reserve Account to pay principal or interest on the Authority Bonds, the Community Facilities Districts shall notify the California Debt and Investment Advisory Commission of such failure or withdrawal within ten days of the failure to make such payment or the date of such withdrawal.

***Annual Reports to the California Debt and Investment Advisory Commission.*** Not later than October 30 of each year, commencing October 30, 2014 and continuing until the October 30 following the final maturity of the Authority Bonds, the Community Facilities Districts shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to Section 53359.5(b) of the Act. Such information shall be made available to any Owner upon written request to the Community Facilities Districts accompanied by a fee determined by the Community Facilities Districts to pay the costs of the Community Facilities Districts in connection therewith. The Community Facilities Districts shall in no event be liable to any Owner or any other Person in connection with any error in any such information.

***Further Assurances.*** The Community Facilities Districts shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Joint Acquisition Agreement and for the better assuring and confirming unto the Authority, or unto the Trustee, as assignee of the Authority, the rights and benefits provided in the Joint Acquisition Agreement to the Authority, or to the Trustee, as assignee of the Authority.

## **Right to Redeem; Discharge; Termination**

***Right to Redeem.*** The Community Facilities Districts shall have the right to cause Authority Bonds to be redeemed subject to and in accordance with the optional redemption provisions of the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Authority Bonds are issued, by providing the Trustee with funds sufficient for such purpose (which funds may be derived by the Community Facilities Districts from any source) and giving notice as provided in the Joint Acquisition Agreement.



**Notice.** Before exercising their right under the Joint Acquisition Agreement to cause Authority Bonds to be redeemed, the Community Facilities Districts shall deliver to the Trustee a Written Certificate of the Community Facilities Districts expressing their intention to exercise such right, specifying the date on which such redemption shall be made, which date shall be not less than 45 nor more than 60 days from the date such Written Certificate of the Community Facilities Districts is so delivered (unless the Trustee agrees to a shorter period of time), and specifying (a) the amounts and maturities of Authority Bonds to be redeemed, and (b) if term Authority Bonds are to be redeemed, the amount by which the principal amount of such term Authority Bonds to be subject to mandatory sinking fund redemption on any subsequent October 1 shall be reduced, by \$5,000 or an integral multiple thereof; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of such term Authority Bonds so optionally redeemed.

**Discharge; Termination.** If the Authority Indenture shall be discharged in accordance with the provisions thereof described under the heading “INDENTURE – Defeasance,” then all agreements, covenants and other obligations of the Community Facilities Districts and the Authority under the Joint Acquisition Agreement shall thereupon cease, terminate and become void and be discharged and satisfied and the Joint Acquisition Agreement shall thereupon terminate.

### **Events of Default and Remedies**

**Events of Default.** The occurrence, from time to time, of any one or more of the following events shall constitute an Event of Default under the Joint Acquisition Agreement:

(a) failure to pay any Installment Payment when and as the same shall become due and payable;

(b) failure by the Community Facilities Districts to observe and perform any of the other covenants, agreements or conditions on their part in the Joint Acquisition Agreement contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Community Facilities Districts by the Authority or the Trustee; provided, however, that, if in the reasonable opinion of the Community Facilities Districts the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Community Facilities Districts within such 30 day period, the Insurer consents in writing to an extended period of time and the Community Facilities Districts thereafter diligently and in good faith cure such failure in such extended period of time; or

(c) the commencement by a Community Facilities District of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

**Foreclosure.** If any Event of Default shall occur under paragraph (a) of the Joint Acquisition Agreement described under the heading “JOINT ACQUISITION AGREEMENT – Events of Default and Remedies – Events of Default” then, and in each and every such case during the continuance of such Event of Default, the Trustee, as assignee of the Authority, may commence foreclosure against any parcels of land in the Community Facilities Districts with delinquent Special Taxes, as provided in Section 53356.1 of the Act.

**Other Remedies.** If an Event of Default shall have occurred and be continuing, the Trustee, as assignee of the Authority, shall have the right:

(a) by mandamus, suit, action or proceeding, to compel the Community Facilities Districts and their officers, agents or employees to perform each and every term, provision and covenant contained in the Joint Acquisition Agreement, and to require the carrying out of any or all such covenants and agreements of the Community Facilities Districts and the fulfillment of all duties imposed upon it by the Joint Acquisition Agreement and the Act;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the rights of the Authority or the Trustee, as assignee of the Authority; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the Community Facilities Districts and their officers and employees to account as if it and they were the trustees of an express trust.

***Remedies Not Exclusive.*** No remedy in the Joint Acquisition Agreement conferred upon or reserved to the Authority or to the Trustee, as assignee of the Authority, is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Joint Acquisition Agreement or not or hereafter existing at law or in equity or otherwise.

***Termination of Proceedings.*** In case any proceedings taken by the Authority or the Trustee, as assignee of the Authority, on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Authority or the Trustee, then in every such case the Community Facilities Districts, the Authority and the Trustee, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Joint Acquisition Agreement, severally and respectively, and all rights, remedies, powers and duties of the Community Facilities Districts, the Authority and the Trustee shall continue as though no such proceedings had been taken.

***No Waiver of Default.*** No delay or omission of the Authority or of the Trustee, as assignee of the Authority, to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by the Joint Acquisition Agreement to the Authority or to the Trustee may be exercised from time to time and as often as may be deemed expedient.

### **Amendment of Joint Acquisition Agreement**

***Amendments.*** (a) The Joint Acquisition Agreement and the rights and obligations of the Authority, the Community Facilities Districts, the Fiscal Agent and the Trustee, as assignee of the Authority, may be amended or modified from time to time and at any time by a written amendment to the Joint Acquisition Agreement executed by the Authority, the Community Facilities Districts and the Fiscal Agent, which the Authority, the Community Facilities Districts and the Fiscal Agent may enter into when there are filed with the Authority, the Community Facilities Districts, the Fiscal Agent and the Trustee the written consents of the Insurer (so long as no Insurer Default shall have occurred and be continuing) and the Owners of a majority of the aggregate principal amount of the Authority Bonds then Outstanding, exclusive of Authority Bonds disqualified, as provided in the Authority Indenture, for purposes of determining whether the Owners of the requisite amount of Authority Bonds have concurred in any demand, request, direction, consent or waiver under the Authority Indenture. No such amendment or modification shall (i) extend the date on which any Installment Payment is due and payable under the Joint Acquisition Agreement or reduce the amount thereof, without the consent of the Owner of each

Authority Bond affected thereby, (ii) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under the Joint Acquisition Agreement prior to or on a parity with the pledge contained in, and the lien and security interest created thereby, or deprive the Owners of the Authority Bonds of the pledge contained in, and the lien and security interest created by the Joint Acquisition Agreement on such assets, except as expressly provided in the Joint Acquisition Agreement, without the consent of the Owners of all of the Authority Bonds then Outstanding, or (iii) amend the provisions of the Joint Acquisition Agreement described under this heading (“– Amendment of Joint Acquisition Agreement – Amendments”) without the prior written consents of the Insurer and the Owners of all Authority Bonds then Outstanding.

(b) The Joint Acquisition Agreement and the rights and obligations of the Authority, the Community Facilities Districts, the Fiscal Agent and the Trustee, as assignee of the Authority, may be amended or modified from time to time and at any time by a written amendment to the Joint Acquisition Agreement executed by the Authority, the Community Facilities Districts and the Fiscal Agent, with the written consent of the Insurer (so long as no Insurer Default shall have occurred and be continuing), but without the written consent of any Owners of the Authority Bonds, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Community Facilities Districts contained in the Joint Acquisition Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Installment Payments, or to surrender any right or power in the Joint Acquisition Agreement reserved to or conferred upon the Community Facilities Districts;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Joint Acquisition Agreement that the Authority, the Community Facilities Districts, the Fiscal Agent and the Trustee, as assignee of the Authority, may deem desirable or necessary and not inconsistent with the Joint Acquisition Agreement;

(iii) in connection with the issuance of one or more Series of Additional Authority Bonds, to amend the description of the Project set forth in the exhibit attached to the Joint Acquisition Agreement and to make such other amendments and modifications in the Joint Acquisition Agreement as may be necessary or appropriate with respect thereto and not inconsistent with the Joint Acquisition Agreement;

(iv) to cause interest on the Authority Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America;

(v) in any other respect whatsoever as the Authority, the Community Facilities Districts the Fiscal Agent and the Trustee, as assignee of the Authority, may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners.

(c) Promptly after the execution by the Authority, the Community Facilities Districts and the Fiscal Agent of any amendment to the Joint Acquisition Agreement, the Community Facilities Districts shall mail, or shall cause the Trustee to mail, a notice, by first class mail postage prepaid, setting forth in general terms the substance of such amendment, to the Owners at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment.

***Effect of Amendment.*** Upon the execution of any amendment pursuant to the provisions of the Joint Acquisition Agreement, the Joint Acquisition Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Joint Acquisition Agreement of the Authority, the Community Facilities Districts, the Fiscal Agent and the Trustee, as assignee of the Authority, shall thereafter be determined, exercised and enforced under the Joint Acquisition Agreement subject in all respects to such modification and amendment, and all the terms and conditions of any such amendment shall be deemed to be part of the terms and conditions of the Joint Acquisition Agreement for any and all purposes.

## **Fiscal Agent**

***Duties and Liabilities of Fiscal Agent.*** The Fiscal Agent shall perform such duties and only such duties as are expressly and specifically set forth in the Joint Acquisition Agreement.

***Qualifications; Removal and Resignation; Successors.*** (a) The Fiscal Agent initially a party to the Joint Acquisition Agreement and any successor thereto shall at all times be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, which is (or if such trust company, national banking association or bank is a member of a bank holding company system, its parent bank holding company is) (i) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (ii) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (iii) otherwise approved by the Insurer in writing. If such trust company, national banking association or bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of the provisions of the Joint Acquisition Agreement described under the heading “FISCAL AGENT – Qualifications; Removal and Resignation; Successors,” the combined capital and surplus of such trust company, national banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Community Facilities Districts may, by an instrument in writing, upon at least 30 days’ notice to the Fiscal Agent, remove the Fiscal Agent initially a party to the Joint Acquisition Agreement and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Fiscal Agent initially a party to the Joint Acquisition Agreement and any successor thereto if (i) at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Authority Bonds then Outstanding (or their attorneys duly authorized in writing), or (ii) the Fiscal Agent shall cease to be eligible in accordance with paragraph (a) above, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Fiscal Agent or its property shall be appointed, or any public officer shall take control or charge of the Fiscal Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Fiscal Agent.

(c) The Fiscal Agent may at any time resign by giving written notice of such resignation by first-class mail, postage prepaid, to the Community Facilities Districts. In case at any time the Fiscal Agent shall cease to be eligible in accordance with the provisions summarized in paragraph (a) above, the Fiscal Agent shall resign immediately in the manner and with the effect specified in the Joint Acquisition Agreement.

(d) Upon removal or resignation of the Fiscal Agent, the Community Facilities Districts shall promptly appoint a successor Fiscal Agent by an instrument in writing, which appointment shall be subject to the prior written approval of the Insurer. Any removal or resignation of the Fiscal Agent and

appointment of a successor Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent; provided, however, that any successor Fiscal Agent shall be qualified as provided in paragraph (a) above. If no qualified successor Fiscal Agent shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Fiscal Agent or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Fiscal Agent. Any successor Fiscal Agent appointed under the Joint Acquisition Agreement shall signify its acceptance of such appointment by executing and delivering to the Community Facilities Districts and to its predecessor Fiscal Agent a written acceptance thereof, and thereupon such successor Fiscal Agent, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Fiscal Agent, with like effect as if originally named Fiscal Agent in the Joint Acquisition Agreement; but, nevertheless at the Written Request of the Community Facilities Districts or the request of the successor Fiscal Agent, such predecessor Fiscal Agent shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Fiscal Agent all the right, title and interest of such predecessor Fiscal Agent in and to any property held by it under the Joint Acquisition Agreement and shall pay over, transfer, assign and deliver to the successor Fiscal Agent any money or other property subject to the trusts and conditions in the Joint Acquisition Agreement set forth. Upon acceptance of appointment by a successor Fiscal Agent as provided in the Joint Acquisition Agreement, the successor Fiscal Agent shall, within 15 days after such acceptance, mail, by first-class mail postage prepaid, a notice of the succession of such Fiscal Agent to the trusts under the Joint Acquisition Agreement to the Owners at the addresses shown on the Registration Books.

(e) Any trust company, national banking association or bank into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any trust company, national banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, national banking association or bank to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such trust company, national banking association or bank shall be eligible under the provisions described in paragraph (a) above, shall be the successor to such Fiscal Agent, without the execution or filing of any paper or any further act, anything in the Joint Acquisition Agreement to the contrary notwithstanding.

***Liability of Fiscal Agent.*** (a) The recitals of facts in the Joint Acquisition Agreement shall be taken as statements of the Community Facilities Districts, and the Fiscal Agent shall not assume responsibility for the correctness of the same or incur any responsibility in respect thereof, other than as expressly stated in the Joint Acquisition Agreement in connection with the respective duties or obligations in the Joint Acquisition Agreement assigned to or imposed upon it.

(b) The Fiscal Agent makes no representations as to the validity or sufficiency of the Joint Acquisition Agreement, or in respect of the security afforded by the Joint Acquisition Agreement and the Fiscal Agent shall incur no responsibility in respect thereof. The Fiscal Agent shall be under no responsibility or duty with respect to the application of any moneys paid to the Community Facilities Districts or others in accordance with the Joint Acquisition Agreement.

(c) The Fiscal Agent shall not be liable in connection with the performance of its duties under the Joint Acquisition Agreement, except for its own negligence or willful misconduct.

(d) No provision of the Joint Acquisition Agreement or any other document related to the Joint Acquisition Agreement shall require the Fiscal Agent to risk or advance its own funds.

(e) The Fiscal Agent may execute any of its powers or duties under the Joint Acquisition Agreement through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(f) The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

(g) The immunities and protections extended to the Fiscal Agent also extend to its directors, officers, employees and agents.

(h) The Fiscal Agent shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Authority Bonds.

(i) The Fiscal Agent shall not be liable for the failure to take any action required to be taken by it under the Joint Acquisition Agreement if and to the extent that the Fiscal Agent's taking such action is prevented by reason of an act of God, terrorism, war, riot, strike, fire, flood, earthquake, epidemic or other, similar occurrence that is beyond the control of the Fiscal Agent and could not have been avoided by exercising due care.

(j) The permissive right of the Fiscal Agent to do things enumerated in the Joint Acquisition Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

***Right to Rely on Documents and Opinions.*** (a) The Fiscal Agent shall be protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Whenever in the administration of the duties imposed upon it by the Joint Acquisition Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Joint Acquisition Agreement, such matter (unless other evidence in respect thereof be in the Joint Acquisition Agreement specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Community Facilities Districts, and such Written Certificate shall be full warrant to the Fiscal Agent for any action taken or suffered in good faith under the provisions of the Joint Acquisition Agreement in reliance upon such Written Certificate, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(c) The Fiscal Agent may consult with counsel, who may be counsel to the Community Facilities Districts, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Joint Acquisition Agreement in good faith and in accordance therewith.

***Accounting Records and Financial Statements.*** The Fiscal Agent shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the Available Special Tax Revenues received by it and all funds and accounts established by it pursuant to the Joint Acquisition Agreement. Such books of record and account shall be available for inspection by the Community Facilities Districts, the Authority and the Trustee, as assignee of the Authority, during regular

business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Fiscal Agent. The Fiscal Agent shall deliver to the Community Facilities Districts a monthly accounting of the funds and accounts it holds under the Joint Acquisition Agreement; provided, however, that the Fiscal Agent shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero, and (b) has not had any activity since the last reporting date.

***Preservation and Inspection of Documents.*** All documents received by the Fiscal Agent under the provisions of the Joint Acquisition Agreement shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the Community Facilities Districts, the Authority and the Trustee, as assignee of the Authority, and their agents and representatives duly authorized in writing.

***Compensation and Indemnification.*** The Community Facilities Districts shall pay to the Fiscal Agent from time to time from Available Special Tax Revenues all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under the Joint Acquisition Agreement, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Joint Acquisition Agreement. The Community Facilities Districts shall, to the extent permitted by law, from Available Special Tax Revenues, indemnify and save the Fiscal Agent harmless against any costs, claims, expenses and liabilities which it may incur in the exercise and performance of its powers and duties under the Joint Acquisition Agreement (including reasonable legal fees and expenses of counsel retained by the Fiscal Agent in connection with the performance of its duties under the Joint Acquisition Agreement), including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty of the Community Facilities Districts to indemnify the Fiscal Agent shall survive the resignation or removal of the Fiscal Agent and the termination and discharge of the Joint Acquisition Agreement.

### **Insurance Policy Provisions**

***Rights of the Insurer.*** (a) The provisions of the Joint Acquisition Agreement summarized herein under this heading (“– Insurance Policy Provisions”) shall control and supersede any conflicting or inconsistent provision in the Joint Acquisition Agreement so long as no Insurer Default has occurred and is continuing.

(b) In the event of any reorganization or liquidation of a Community Facilities District, the Insurer shall, so long as no Insurer Default shall have occurred and be continuing, have the right to vote in such proceeding on behalf of all Owners of the Series 2014 Authority Bonds.

(c) The rights granted to the Insurer under the Joint Acquisition Agreement to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit of or on behalf of the Owners of the Series 2014 Authority Bonds and such action does not evidence any position of the Insurer, affirmative or negative, as to whether consent of the Owners of the Series 2014 Authority Bonds or any other person is required in addition to consent of the Insurer.

(d) The Insurer is explicitly recognized as being a third-party beneficiary under the Joint Acquisition Agreement and may enforce the provisions of the Joint Acquisition Agreement as if it were a party to the Joint Acquisition Agreement.

(e) From and after the date on which all of the Series 2014 Bonds have been paid in full and all amounts owed to the Insurer under the Joint Acquisition Agreement or under the Indenture have been paid in full, all references to the Insurer and the Insurance Policy contained in the Joint Acquisition Agreement shall be null and void and of no force and effect.

**Reporting Requirements.** The Community Facilities Districts shall provide the Insurer with all notices and other information they are obligated to provide to the Authority or to the Trustee under the Joint Acquisition Agreement.

## **Miscellaneous**

**Limitation of Rights.** Nothing in the Joint Acquisition Agreement expressed or implied is intended or shall be construed to give to any Person other than the Authority, the Community Facilities Districts, the Fiscal Agent and the Trustee, as assignee of the Authority, any legal or equitable right, remedy or claim under or in respect of the Joint Acquisition Agreement or any covenant, condition or provision therein or in the Joint Acquisition Agreement contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Community Facilities Districts, the Fiscal Agent and the Trustee, as assignee of the Authority.

**Assignment.** The Community Facilities Districts acknowledge and agree that, upon the execution and delivery of the Authority Indenture (which is occurring simultaneously with the execution and delivery of the Joint Acquisition Agreement), substantially all of the Authority's right, title and interest in and to the Joint Acquisition Agreement, are being sold, assigned and transferred to the Trustee. The Community Facilities Districts consent to such sale, assignment and transfer. Upon the execution and delivery of the Authority Indenture, references in the operative provisions of the Joint Acquisition Agreement to the Community Facilities Districts shall be deemed to be references to the Trustee, as assignee of the Authority.

**Business Days.** If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Joint Acquisition Agreement shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Joint Acquisition Agreement and, unless otherwise specifically provided in the Joint Acquisition Agreement, no interest shall accrue for the period from and after such nominal date

**Waiver of Personal Liability.** No member, officer, agent or employee of a Community Facilities District shall be individually or personally liable for the payment of the Installment Payments or other payments required to be made by the Community Facilities Districts under the Joint Acquisition Agreement, but nothing in the Joint Acquisition Agreement contained shall relieve any such member, officer, agent or employee of such Community Facilities District from the performance of any official duty provided by any applicable provisions of law or by the Joint Acquisition Agreement.

**Conflict with Act.** In the event of any conflict between any provision of the Joint Acquisition Agreement and any provision of the Act, the provision of the Act shall prevail over the provision of the Joint Acquisition Agreement.

**Governing Laws.** The Joint Acquisition Agreement shall be governed by and construed in accordance with the laws of the State.



## INDENTURE

### The Bonds

**Registration Books.** The Trustee shall keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be open to inspection during regular business hours and upon reasonable notice by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds.

**Book-Entry System.** (a) Prior to the issuance of a Series of Bonds, the Authority may provide that such Series of Bonds shall initially be issued as Book-Entry Bonds, and in such event, the Bonds of such Series for each maturity date shall be in the form of a separate single fully-registered Bond (which may be typewritten). Upon initial issuance, the ownership of each such Bond of such Series shall be registered in the Registration Books in the name of the Nominee, as nominee of the Depository. The Series 2014 Bonds shall initially be issued as Book-Entry Bonds.

Payment of principal of, and interest and premium, if any, on, any Book-Entry Bond registered in the name of the Nominee shall be made on the applicable payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address which is, on the Record Date, shown for the Nominee in the Registration Books.

(b) With respect to Book-Entry Bonds, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in such Book-Entry Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in Book-Entry Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the Registration Books, of any notice with respect to Book-Entry Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in Book-Entry Bonds of a maturity to be redeemed in the event such Book-Entry Bonds are redeemed in part, (iv) the payment to any Participant or any other Person, other than an Owner as shown in the Registration Books, of any amount with respect to principal of, or premium, if any, or interest on Book-Entry Bonds, or (v) any consent given or other action taken by the Depository as Owner.

(c) The Authority and the Trustee may treat and consider the Person in whose name each Book-Entry Bond is registered in the Registration Books as the absolute Owner of such Book-Entry Bond for the purpose of payment of principal of, and premium, if any, and interest on such Bond, for the purpose of selecting any Bonds, or portions thereof, to be redeemed, for the purpose of giving notices of redemption and other matters with respect to such Book-Entry Bond, for the purpose of registering transfers with respect to such Book-Entry Bond, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and the Authority and the Trustee shall not be affected by any notice to the contrary.

(d) In the event of a redemption of all or a portion of a Book-Entry Bond, the Depository, in its discretion (i) may request the Trustee to authenticate and deliver a new Book-Entry Bond, or (ii) if the Depository is the sole Owner of such Book-Entry Bond, shall make an appropriate notation on the Book-Entry Bond indicating the date and amounts of the reduction in principal thereof resulting from such redemption, except in the case of final payment, in which case such Book-Entry Bond must be presented to the Trustee prior to payment.

(e) The Trustee shall pay all principal of, and premium, if any, and interest on the Book-Entry Bonds only to or “upon the order of” (as that term is used in the Uniform Commercial Code as adopted in the State) the respective Owner, as shown in the Registration Books, or such Owner’s respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal of, and premium, if any, and interest on the Book-Entry Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the Registration Books, shall receive an authenticated Book-Entry Bond. Upon delivery by the Depository to the Owners, the Authority and the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(f) In order to qualify the Book-Entry Bonds for the Depository’s book-entry system, the Authority shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Authority or the Trustee any obligation whatsoever with respect to Persons having interests in such Book-Entry Bonds other than the Owners, as shown on the Registration Books. Such Letter of Representations may provide the time, form, content and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the Authority, the Authority and the Trustee shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify Book-Entry Bonds for the Depository’s book-entry program.

(g) In the event the Authority determines that it is in the best interests of the Beneficial Owners that they be able to obtain certificated Bonds and that such Bonds should therefore be made available, and notifies the Depository and the Trustee of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Bonds. In such event, the Trustee shall transfer and exchange certificated Bonds as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as securities depository for Book-Entry Bonds, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the Authority shall discontinue the Book-Entry system with the Depository. If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or direct the preparation of a new single, separate, fully-registered Bond of the appropriate Series for each maturity date of such Book-Entry Bonds, registered in the name of such successor or substitute qualified securities depository or its nominee. If the Authority fails to identify another qualified securities depository to replace the Depository, then the Book-Entry Bonds shall no longer be restricted to being registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of the Indenture. Whenever the Depository requests the Authority to do so, the Authority shall cooperate with the Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Book-Entry Bonds to any Participant having Book-Entry Bonds credited to its account with the Depository, and (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Book-Entry Bonds.

(h) Notwithstanding any other provision of the Indenture to the contrary, if the Depository is the sole Owner of the Bonds of a Series, so long as any Book-Entry Bond of such Series is registered in the name of the Nominee, all payments of principal of, and premium, if any, and interest on such Book-Entry Bond and all notices with respect to such Book-Entry Bond shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(i) In connection with any notice or other communication to be provided to Owners pursuant to the Indenture by the Authority or the Trustee, with respect to any consent or other action to be taken by Owners of Book-Entry Bonds, the Trustee shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

***Bonds Mutilated, Lost, Destroyed or Stolen.*** If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under the Indenture and of the expenses which may be incurred by the Authority and the Trustee. Any Bond of a Series issued under the provisions of the Indenture summarized in this paragraph in lieu of any Bond of such Series alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds of such Series secured by the Indenture.

***Temporary Bonds.*** The Bonds of a Series may be issued in temporary form exchangeable for definitive Bonds of such Series when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such Authorized Denominations as may be determined by the Authority, shall be in fully-registered form without coupons and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds of a Series it shall execute and deliver definitive Bonds of such Series as promptly thereafter as practicable, and thereupon the temporary Bonds of such Series may be surrendered, for cancellation, at the Office of the Trustee and the Trustee shall authenticate and deliver, in exchange for such temporary Bonds, an equal aggregate principal amount of definitive Bonds of such Series and maturities in Authorized Denominations. Until so exchanged, the temporary Bonds of such Series shall be entitled to the same benefits under the Indenture as definitive Bonds of such Series authenticated and delivered under the Indenture.

### **Security for Bonds; Flow of Funds; Investments**

***Pledge and Assignments.*** (a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, the Authority pledges to the Owners, and grants thereto a lien on and a security interest in, all of the Installment Payments and any other amounts held in the Bond Fund and the Reserve Accounts. Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the Authority, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have

notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

(b) The Authority sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Joint Acquisition Agreement, including, without limitation, the right to receive Installment Payments; provided, however, that the Authority shall retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Joint Acquisition Agreement. The Trustee accepts said assignment for the benefit of the Owners, subject to the provisions of the Indenture.

(c) The Trustee shall be entitled to and shall collect and receive all of the Installment Payments, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

**Bond Fund.** (a) The Trustee shall establish and maintain a separate fund designated the “Bond Fund.” The Trustee shall deposit in the Bond Fund the amounts transferred to the Trustee by the Fiscal Agent for deposit in the Bond Fund pursuant to the provisions of the Joint Acquisition Agreement described in subparagraph (i) under the heading “JOINT ACQUISITION AGREEMENT – Security for Installment Payments; Flow of Funds; Investments – Net Available Special Tax Revenue Fund.” Additionally, the Trustee shall deposit in the Bond Fund the portion of a Special Tax Prepayment transferred to the Trustee by a Community Facilities District pursuant to the provisions of the Joint Acquisition Agreement described in paragraph (a) under the heading “JOINT ACQUISITION AGREEMENT – Covenants – Available Special Tax Prepayments” that is to be applied to the payment of interest on Bonds to be redeemed from such Special Tax Prepayment, as such portion is identified in the Written Certificate of the Community Facilities Districts required, pursuant to the provisions of the Joint Acquisition Agreement described in paragraph (b) under the heading “JOINT ACQUISITION AGREEMENT – Covenants – Available Special Tax Prepayments,” to be delivered to the Trustee at the time such Special Tax Prepayment is so transferred.

(b) On the date three Business Days prior to each Installment Payment Date, the Trustee shall notify the Fiscal Agent of the amount, if any, on deposit in the Bond Fund on such date.

(c) In the event that, on the Business Day prior to an Interest Payment Date, amounts in the Bond Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, the Trustee shall withdraw from the Reserve Account for each Series of Bonds, to the extent of any funds therein, a *pro-rata* share of the amount of such insufficiency (such *pro-rata* allocation to be based on the amount then due and payable with respect to each such Series of Bonds), and shall transfer any amounts so withdrawn to the Bond Fund.

(d) On each Interest Payment Date, the Trustee shall withdraw from the Bond Fund for payment to the Owners of the Bonds the principal, if any, of and interest on the Bonds then due and payable, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds.

**Reserve Fund.** (a) The Trustee shall establish and maintain a special fund designated the “Reserve Fund.” Upon the issuance of Bonds of a Series, the Trustee shall establish and maintain within the Reserve Fund a Reserve Account for such Series of Bonds. Upon the issuance of Bonds of a Series, there shall be deposited in the Reserve Account for such Series of Additional Bonds an amount equal to the Reserve Requirement for such Series of Bonds; provided, however, that in lieu of a deposit of cash in

an amount equal to such Reserve Requirement, there may be deposited in such Reserve Account a Reserve Facility, the amount available to be drawn under which is not less than such Reserve Requirement and which Reserve Facility is issued by an insurance company or association authorized to do business in the State, the long-term unsecured obligations of which, at the time of delivery of such Reserve Facility, are rated at not lower than one of the top two ratings categories by Moody's or S&P.

(b) The Trustee shall deposit in the Reserve Fund the amounts transferred to the Trustee by the Fiscal Agent for deposit in the Reserve Fund pursuant to the provisions of the Joint Acquisition Agreement described in subparagraph (ii) of paragraph (b) under the heading "JOINT ACQUISITION AGREEMENT – Security for Installment Payments; Flow of Funds; Investments – Net Available Special Tax Revenue Fund." From such amount the Trustee shall deposit in the Reserve Account for each Series of Bonds (i) the amount, if any, required to cause the amount on deposit therein to be equal to the Reserve Requirement for such Series of Bonds, or (ii) if there is on deposit in such Reserve Account a Reserve Facility, the amount, if any, required to cause the amount available under such Reserve Facility to be equal to such Reserve Requirement; provided, however, that, in the event that there are insufficient amounts on deposit in the Reserve Fund to make all such required deposits to the Reserve Accounts in full, then said deposits shall be made, as nearly as practicable, *pro rata*, based on the full amounts of the deposits that would be required to be made to the respective Reserve Accounts in order to cause the amount available in the Reserve Account for each Series of Bonds to be equal to the Reserve Requirement therefor.

(c) Except as otherwise provided in the provisions of the Indenture as described under this heading ("–Reserve Fund"), amounts in the Reserve Account for a Series of Bonds shall be used and withdrawn by the Trustee solely for the purpose of (i) making transfers to the Bond Fund in accordance with the Indenture as described in paragraph (c) under the heading "– Security for Bonds; Flow of Funds; Investments – Reserve Fund" in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal or interest on the Bonds of such Series, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, and (ii) redeeming Bonds of such Series in accordance with the provisions of the Indenture described under this heading ("–Reserve Fund").

(d) In the event of any transfer of amounts from the Reserve Account for a Series of Bonds to the Bond Fund in accordance with the provisions described in paragraph (c) under the heading "– Security for Bonds; Flow of Funds; Investments – Bond Fund," the Trustee shall, within two Business Days thereafter, provide written notice to the Authority and the Community Facilities Districts of the amount and the date of such transfer. If, as a result of a transfer of amounts from the Reserve Account for a Series of Bonds to the Bond Fund in accordance with the provisions described in paragraph (c) under the heading "– Security for Bonds; Flow of Funds; Investments – Bond Fund" or losses realized on investments of amounts on deposit in such Reserve Account, the amount on deposit in such Reserve Account is reduced below the Reserve Requirement for such Series of Bonds, the Trustee shall, within five Business Days of the occurrence of the event resulting in such reduction, notify the Fiscal Agent of the amount by which the amount on deposit in such Reserve Account is less than such Reserve Requirement.

(e) Whenever Bonds of a Series are to be redeemed pursuant to the provisions of the Indenture or the corresponding provisions of a Supplemental Indenture, a proportionate share, determined as provided below, of the amount on deposit in the Reserve Account for such Series of Bonds shall, on the date on which amounts to redeem such Bonds are deposited in the Redemption Fund or otherwise deposited with the Trustee pursuant to the defeasance provisions of the Indenture, be transferred by the Trustee from the Reserve Account for such Series of Bonds to the Redemption Fund or to such deposit held by the Trustee and shall be applied to the redemption of said Bonds; provided, however, that such

amount shall be so transferred only if and to the extent that the amount remaining on deposit in such Reserve Account will be at least equal to the Reserve Requirement for such Series of Bonds (excluding from the calculation thereof said Bonds to be redeemed). Such proportionate share shall be equal to the largest integral multiple of the minimum Authorized Denomination for said Bonds that is not larger than the amount equal to the product of (i) the amount on deposit in the Reserve Account for such Series of Bonds on the date of such transfer, times (ii) a fraction, the numerator of which is the principal amount of Bonds of such Series to be so redeemed and the denominator of which is the principal amount of Bonds of such Series to be Outstanding on the day prior to the date on which such Bonds of such Series are to be so redeemed.

(f) Whenever the balance in the Reserve Account for a Series of Bonds exceeds the amount required to redeem or pay the Outstanding Bonds of such Series, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Trustee shall, upon receipt of a Written Request of the Authority, transfer the amount in the Reserve Account for such Series of Bonds to the Bond Fund and/or Redemption Fund, as applicable, to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds of such Series.

(g) If, as a result of the scheduled payment of principal of or interest on the Bonds of a Series, the Reserve Requirement for such Series of Bonds is reduced, the Trustee shall transfer an amount equal to the amount of such reduction to the Bond Fund.

(h) The following provisions shall be applicable to the Series 2014 Reserve Account:

(i) Within the Reserve Fund, the Trustee shall establish and maintain a separate account designated the "Series 2014 Reserve Account," which shall constitute the Reserve Account for the Series 2014 Bonds. On the Closing Date, the Trustee shall deposit the Reserve Policy in the Series 2014 Reserve Account.

(ii) If a draw has been made on the Reserve Policy, the Trustee shall, from the deposits to the Series 2014 Reserve Account made pursuant to the provisions described in paragraph (b) above, repay the Insurer for such draw, pay the Insurer for any Insurer Administrative Expenses related to such draw and pay the Insurer interest on such draw and Insurer Administrative Expenses from the date of payment by the Insurer at the Insurer Rate. Amounts so paid to the Insurer shall be applied, first, to such interest due, second, to such Administrative Expenses due and, third, to repayment of such draw. As and to the extent that payments are made to the Insurer in repayment of such draw, the coverage under the Reserve Policy shall be increased by a like amount, subject to the terms of the Reserve Policy.

(iii) All cash and investments in the Series 2014 Reserve Account shall be transferred to the Bond Fund for payment of the debt service on the Series 2014 Bonds before any drawing may be made on the Reserve Policy or any other Reserve Facility deposited in the Series 2014 Reserve Account.

(iv) Repayment of draws on each Reserve Facility in the Series 2014 Reserve Account, payment to the issuer of such Reserve Facility of administrative expenses related to such draw and payment to the issuer of such Reserve Facility of interest due with respect to such draw and administrative expenses shall be made prior to replenishment of any cash amounts. Draws on all Reserve Facilities in the Series 2014 Reserve Account (including the Reserve Policy) on which there is available coverage shall be made on a *pro-rata* basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Series 2014 Reserve Account. Repayment to the issuers of Reserve Facilities

in the Series 2014 Reserve Account of draws thereon, of payment of administrative expenses related to such draws and payment to such issuers of interest due with respect to such draws and administrative expenses shall be made on a *pro-rata* basis. The term “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable Reserve Facility without regard to the legal or financial ability or willingness of the issuer thereof to honor a claim or draw thereon or the failure of such issuer to honor any such claim or draw.

(v) Draws on Reserve Facilities in the Series 2014 Reserve Account shall only be used to make payments on the Series 2014 Bonds.

(vi) If the Authority shall fail to pay any amounts owing to the Insurer in pursuant to paragraph (ii), above, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than remedies which would adversely affect owners of the Bonds.

(vii) The Indenture shall not be discharged until all amounts owing to the Insurer pursuant to paragraph (ii), above, shall have been paid in full. The Authority’s obligation to pay such amounts shall expressly survive payment in full of the Series 2014 Bonds.

(viii) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions described in paragraph (ii) above and provide notice to the Insurer at least three Business Days prior to each date upon which a draw thereon is required to pay principal of or interest on the Series 2014 Bonds when due.

(ix) The Reserve Policy shall expire on the earlier of the date the Series 2014 Bonds are no longer Outstanding and the final maturity date of the Series 2014 Bonds.

**Redemption Fund.** (a) The Trustee shall establish and maintain a special fund designated the “Redemption Fund.” The Trustee shall deposit in the Redemption Fund (i) amounts received from the Community Facilities Districts in connection with the exercise by the Community Facilities Districts of their right to cause the redemption of Bonds in accordance with the provisions of the Joint Acquisition Agreement summarized herein under the heading “JOINT ACQUISITION AGREEMENT – Right to Redeem; Discharge; Termination – Right to Redeem,” (ii) the portion of a Special Tax Prepayment transferred to the Trustee by a Community Facilities District pursuant to the provisions of the Joint Acquisition Agreement described in paragraph (a) under the heading “JOINT ACQUISITION AGREEMENT – Covenants – Available Special Tax Prepayments” that is to be applied to the Redemption Price of Bonds, as such portion is identified in the Written Certificate of the Community Facilities Districts required, pursuant to the provisions of the Joint Acquisition Agreement described in paragraph (b) under the heading “JOINT ACQUISITION AGREEMENT – Covenants – Available Special Tax Prepayments,” to be delivered to the Trustee at the time such Special Tax Prepayment is so transferred, and (iii) amounts required to be deposited therein pursuant to any Supplemental Indenture.

(b) Amounts deposited in the Redemption Fund in connection with the Community Facilities Districts’ exercise of their right to cause the redemption of Bonds in accordance with the provisions of the Joint Acquisition Agreement summarized herein under the heading “JOINT ACQUISITION AGREEMENT – Right to Redeem; Discharge; Termination – Right to Redeem” shall be disbursed therefrom to pay the Redemption Price of Series 2014 Bonds redeemed pursuant to the provisions of the Indenture as described therein and to pay the Redemption Price of Additional Bonds redeemed under the corresponding provisions of the Supplemental Indenture pursuant to which such Additional Bonds are issued. Amounts deposited in the Redemption Fund representing Special Tax Prepayments shall be disbursed therefrom to pay the Redemption Price of Series 2014 Bonds redeemed pursuant to the

provisions of the Indenture as described in the Indenture and to pay the Redemption Price of Additional Bonds redeemed under the corresponding provisions of the Supplemental Indenture pursuant to which such Additional Bonds are issued.

**Rebate Fund.** (a) The Trustee shall establish and maintain a special fund designated the “Rebate Fund.” There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the Authority. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the defeasance provisions of the Indenture or anything to the contrary contained in the Indenture, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the provisions of the Indenture described under this heading (“– Rebate Fund”) and by the Tax Certificate (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate. The Trustee may conclusively rely upon the Authority’s determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority’s calculations.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described under this heading (“– Rebate Fund”), shall, upon receipt by the Trustee of a Written Request of the Authority, be withdrawn by the Trustee and remitted to the Authority.

**Costs of Issuance Fund.** (a) The Trustee shall establish and maintain a separate fund designated the “Costs of Issuance Fund.” On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the Indenture. There shall additionally be deposited in the Cost of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

(b) The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Authority stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment is a proper charge against the Costs of Issuance Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. On the last Business Day that is no later than six months after the Closing Date, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to the Project Fund and, upon such transfer, the Costs of Issuance Fund shall be closed.

(c) If the Costs of Issuance Fund has been closed in accordance with the provisions of the Indenture, the Costs of Issuance Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

**Project Fund.** (a) The Trustee shall establish and maintain a separate fund designated the “Project Fund.” On the Closing Date, the Trustee shall deposit in the Project Fund the amount required to be deposited therein pursuant to the Indenture. There shall additionally be deposited in the Project Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.



(b) The moneys in the Project Fund shall be used and withdrawn by the Trustee from time to time to pay the costs of the Project upon submission of a Written Request of the Community Facilities Districts stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment constitutes a cost of the Project and is a proper charge against the Project Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Project Fund.

(c) Upon the filing of a Written Certificate of the Community Facilities Districts stating (i) that the portion of the Project to be financed from the Project Fund has been completed and that all costs of such Project have been paid, or (ii) that such portion of the Project has been substantially completed and that all remaining costs of such portion of the Project have been determined and specifying the amount to be retained therefor, the Trustee shall (A) if the amount remaining in the Project Fund (less any such retention) is equal to or greater than \$25,000, transfer the portion of such amount equal to the largest integral multiple of \$5,000 that is not greater than such amount to the Redemption Fund, to be applied to the redemption of Bonds, and (B) after making the transfer, if any, required to be made pursuant to the preceding clause (A), transfer all of the amount remaining in the Project Fund (less any such retention) to the Bond Fund, to be applied to the payment of interest on the Bonds.

**Investment of Moneys.** (a) Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in a Written Request of the Authority two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture; provided, however, that Permitted Investments in which moneys in a Reserve Account are so invested shall mature no later than the earlier of five years from the date of investment or the final maturity date of the Bonds and, provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in a Reserve Account may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final maturity date of the Bonds of the Series for which such Reserve Account is established. Absent a timely Written Request of the Authority, the Trustee shall invest any funds held by it in Permitted Investments described in paragraph (6) of the definition thereof.

(b) Subject to the Rebate Fund provisions of the Indenture, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture (other than the Reserve Accounts) shall be retained therein. Subject to the Rebate Fund provisions of the Indenture, all interest, profits or other income received from the investment of moneys in each Reserve Account shall, prior to the date on which a Written Certificate of the Community Facilities Districts is delivered to the Trustee pursuant to the provisions of the Indenture described in paragraph (c) under the heading “– Project Fund,” be transferred to the Project Fund and, thereafter, shall be deposited in the Bond Fund; provided, however, that, notwithstanding the foregoing, any such transfer shall be made from such Reserve Account only if and to the extent that, after such transfer, the amount on deposit in such Reserve Account is at least equal to the Reserve Requirement for the Series of Bonds for which such Reserve Account is established.

(c) Permitted Investments acquired as an investment of moneys in any fund or account established under the Indenture shall be credited to such fund or account. For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund shall be valued by the Trustee at the market value thereof, such valuation to be performed not less frequently than semiannually on or before each March 15 and September 15. To the extent of any valuations to be made by the Trustee under the Indenture, the Trustee may utilize computerized securities pricing services that may be

available to it, including those available through its regular accounting system. Any Permitted Investment that is a registrable security shall be registered in the name of the Trustee.

(d) The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Authority, the Trustee shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments are credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture. The Trustee, in making or disposing of any investment permitted by the Indenture, may 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 Trustee or for any third person or dealing as a principal for its own account.

(e) The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish the Authority periodic cash transaction statements, which shall include detail for all investment transactions made by the Trustee under the Indenture.

### **Additional Bonds**

*Conditions for the Issuance of Additional Bonds.* The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2014 Bonds) payable from the Installment Payments as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of such Additional Bonds:

(a) upon the issuance of such Additional Bonds, no Event of Default shall have occurred and be continuing under the Indenture;

(b) the issuance of such Additional Bonds shall have been authorized under and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) the purposes for which the proceeds of such Additional Bonds are to be applied, which purposes may only include one or more of (A) providing funds to pay costs of the School Facilities, (B) providing funds to refund any Bonds previously issued under the Indenture, (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds, (D) providing funds to capitalize interest on such Additional Bonds, and (E) providing funds to make any deposit to a Reserve Account required pursuant to paragraph (vii) below;

(ii) the principal amount and designation of such Series of Additional Bonds and the interest rate to be borne by each maturity of such Additional Bonds;

(iii) that such Additional Bonds shall be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either April 1 or October 1 and shall be for a period of not longer than twelve months;

(iv) the date, the maturity date or dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that each such maturity date and date on which a mandatory sinking fund redemption is to be made shall be a October 1 and, provided, further, that serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(v) the redemption premiums and terms, if any, for such Additional Bonds;

(vi) the form of such Additional Bonds;

(vii) the amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Reserve Account for such Series of Additional Bonds, which Reserve Account shall be established pursuant to such Supplemental Indenture; provided, however, that the amount on deposit in such Reserve Account at the time that such Additional Bonds become Outstanding shall be at least equal to the Reserve Requirement for such Series of Additional Bonds; and

(viii) such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(c) the conditions precedent to the issuance of such Additional Bonds specified in the Joint Acquisition Agreement shall have been satisfied.

***Procedure for the Issuance of Additional Bonds.*** If Additional Bonds are to be issued in accordance with the provisions of the Indenture, at any time after the sale of such Additional Bonds, such Additional Bonds shall be executed by the Authority for issuance under the Indenture and shall be delivered to the Trustee and thereupon shall be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

(a) a certified copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(b) a Written Request of the Authority as to the delivery of such Additional Bonds;

(c) a Written Certificate of the Authority stating that the conditions precedent to the issuance of such Additional Bonds specified in the Indenture have been satisfied;

(d) a Written Certificate of the Community Facilities Districts stating that the conditions precedent to the issuance of such Additional Bonds specified in the Joint Acquisition Agreement have been satisfied;

(e) an opinion of Bond Counsel substantially to the effect that (i) the Indenture and all Supplemental Indentures have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Authority, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State), (ii) such Additional Bonds constitute valid and binding special obligations of the Authority and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate

cases and subject to the limitations on legal remedies against political subdivisions in the State), and (iii) the issuance of such Additional Bonds, in and of itself, will not adversely affect the exclusion of interest on the Bonds Outstanding prior to the issuance of such Additional Bonds from gross income for federal income tax purposes;

(f) the proceeds of the sale of such Additional Bonds; and

(g) such further documents or money as are required by the provisions of the Joint Acquisition Agreement or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

## **Covenants**

***Collection of Installment Payments.*** The Trustee shall collect and cause to be paid to it all Installment Payments promptly as such Installment Payments become due and payable, and shall enforce and cause to be enforced all rights of the Trustee under and with respect to the Joint Acquisition Agreement.

***Punctual Payment.*** The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of the Installment Payments and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

***Extension of Payment of Bonds.*** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this paragraph shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

***Against Encumbrances; Defense of Pledge.*** The Authority shall not create, or permit the creation of, any pledge of, lien on, security interest in or charge or other encumbrance upon the assets pledged under the Indenture, except as permitted by the Indenture. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of such assets, and the lien thereon and security interest therein created by the Indenture, against all claims and demands of all Persons whomsoever.

***Tax Covenants.*** (a) The Authority shall not 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 Series 2014 Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority shall comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth in the Indenture. This covenant shall survive payment in full or defeasance of the Series 2014 Bonds.

(b) In the event that at any time the Authority is of the opinion that for purposes of the tax covenant provisions of the Indenture it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under the

Indenture, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any tax covenant provisions of the Indenture, if the Authority shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under the tax covenant provisions of the Indenture is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2014 Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the tax covenant provisions of the Indenture and of the Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

***Continuing Disclosure.*** Each of the Authority and the Trustee shall comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it. Notwithstanding any other provision of the Indenture, failure of the Authority or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2014 Bonds, and upon receipt of indemnification reasonably satisfactory to the Trustee, shall) or any Owner or Beneficial Owner of the Series 2014 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

***State Reporting.*** If at any time the Trustee fails to pay principal or interest due on any scheduled payment date for the Bonds, the Trustee shall notify the Authority and the Community Facilities Districts in writing of such failure and the Authority shall notify the California Debt and Investment Advisory Commission of such failure within ten days of the failure to make such payment.

***Further Assurances.*** The Authority shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Indenture.

## **Events of Default and Remedies**

***Events of Default.*** The following events shall be Events of Default:

(a) failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise;

(b) failure to pay any installment of interest on any Bonds when and as the same shall become due and payable;

(c) failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such 30 day period, the Insurer consents in writing

to an extended period of time and the Authority thereafter diligently and in good faith cures such failure in such extended period of time;

(d) the occurrence and continuance of a JAA Event of Default;

(e) the commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

***Remedies Under Joint Acquisition Agreement.*** If any JAA Event of Default shall occur then, and in each and every such case during the continuance of such JAA Event of Default, the Trustee may, or at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, and upon being indemnified to its satisfaction therefor, shall, exercise any and all rights and pursue any and all remedies available pursuant to law or granted pursuant to the Joint Acquisition Agreement.

***Other Remedies.*** If an Event of Default shall have occurred and be continuing, the Trustee shall have the right:

(a) by mandamus, suit, action or proceeding, to compel the Authority and its officers, agents or employees to perform each and every term, provision and covenant contained in the Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Authority and the fulfillment of all duties imposed upon it by the Indenture;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the rights of the Trustee or the Owners; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the Authority and its officers and employees to account as if it and they were the trustees of an express trust.

***Remedies Not Exclusive.*** No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

***Application of Amounts After Default.*** If an Event of Default shall occur and be continuing, all Installment Payments and any other funds thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners and payment of reasonable fees, charges and expenses of the Trustee (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 and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

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

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

(c) any remaining funds shall be transferred by the Trustee to the Bond Fund.

***Power of Trustee to Enforce.*** All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

***Owners' Direction of Proceedings.*** Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee; provided, however, that such direction shall not be otherwise than in accordance the provisions of the Indenture and other applicable law and, provided, further, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

***Limitation on Owners' Right to Sue.*** No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture or any other applicable law with respect to such Bond, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners shall have any right in any manner whatever by such Owner's or Owners' action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners, or to enforce any right under the Bonds, the Indenture or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Owners, subject to the provisions of the Indenture.

***Absolute Obligation.*** Nothing in the Indenture or the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners at their respective dates of maturity, or upon call for redemption, as in the Indenture provided, but only out of the Installment Payments and other assets in the Indenture pledged

therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

***Termination of Proceedings.*** In case any proceedings taken by the Trustee or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Owners, then in every such case the Authority, the Trustee and the Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Owners shall continue as though no such proceedings had been taken.

***No Waiver of Default.*** No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient.

## **Trustee**

***Duties and Liabilities of Trustee.*** The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

***Qualifications; Removal and Resignation; Successors.*** (a) The Trustee initially a party to the Indenture and any successor thereto shall at all times be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, which is (or if such trust company, national banking association or bank is a member of a bank holding company system, its parent bank holding company is) (i) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (ii) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (iii) otherwise approved by the Insurer in writing. If such trust company, national banking association or bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of the provisions described in this paragraph, the combined capital and surplus of such trust company, national banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Authority may, by an instrument in writing, upon at least 30 days' notice to the Trustee, remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if (i) at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), or (ii) the Trustee shall cease to be eligible in accordance with paragraph (a) above, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee.



(c) The Trustee may at any time resign by giving written notice of such resignation by first-class mail, postage prepaid, to the Authority, and to the Owners at the respective addresses shown on the Registration Books. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of paragraph (a) above, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

(d) Upon removal or resignation of the Trustee, the Authority shall promptly appoint a successor Trustee by an instrument in writing, which appointment shall be subject to the prior written approval of the Insurer. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that any successor Trustee shall be qualified as provided in paragraph (a) above. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions in the Indenture set forth. Upon acceptance of appointment by a successor Trustee as provided in this paragraph (d), the successor Trustee shall, within 15 days after such acceptance, mail, by first-class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to the Owners at the addresses shown on the Registration Books.

(e) Any trust company, national banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, national banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, national banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such trust company, national banking association or bank shall be eligible under the provisions described in paragraph (a) above, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

***Liability of Trustee.*** (a) The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same or incur any responsibility in respect thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds.

(b) The Trustee makes no representations as to the validity or sufficiency of the Indenture or of any Bonds, or in respect of the security afforded by the Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds for value, the application of the proceeds thereof except to the extent that such

proceeds are received by it in its capacity as Trustee, or the application of any moneys paid to the Authority or others in accordance with the Indenture.

(c) The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct.

(d) No provision of the Indenture or any other document related thereto shall require the Trustee to risk or advance its own funds.

(e) The Trustee may execute any of its powers or duties under the Indenture through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(f) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(g) The immunities and protections extended to the Trustee also extend to its directors, officers, employees and agents.

(h) Before taking action under the provisions of the Indenture described under the headings “– Event of Default and Remedies,” “– Trustee” or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

(i) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(j) The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

(k) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(l) The Trustee shall not be liable for the failure to take any action required to be taken by it under the Indenture if and to the extent that the Trustee’s taking such action is prevented by reason of an act of God, terrorism, war, riot, strike, fire, flood, earthquake, epidemic or other, similar occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care.

(m) The Trustee shall not be deemed to have knowledge of an Event of Default under the Indenture unless it has actual knowledge thereof.

(n) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

***Right to Rely on Documents and Opinions.*** (a) The Trustee shall be protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Whenever in the administration of the duties imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be in the Indenture specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Authority, and such Written Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(c) The Trustee may consult with counsel, who may be counsel to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

***Accounting Records and Financial Statements.*** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds, the Installment Payments and other amounts received by it and all funds and accounts established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the Authority a monthly accounting of the funds and accounts it holds under the Indenture; provided, however, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero, and (b) has not had any activity since the last reporting date.

***Preservation and Inspection of Documents.*** All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the Authority, the Owners and their agents and representatives duly authorized in writing.

***Compensation and Indemnification.*** The Authority shall pay to the Trustee from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture. The Authority shall, to the extent permitted by law, indemnify and save the Trustee harmless against any costs, claims, expenses and liabilities which it may incur in the exercise and performance of its powers and duties under the Indenture (including reasonable legal fees and expenses of counsel retained by the Trustee in connection with the performance of its duties under the Indenture), including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty of the Authority to indemnify the Trustee shall survive the resignation or removal of the Trustee and the termination and discharge of the Indenture.

## **Supplemental Indentures**

***Supplemental Indentures.*** (a) The Indenture and the rights and obligations of the Authority, the Trustee and the Owners under the Indenture may be modified or amended from time to time and at any

time by a Supplemental Indenture, which the Authority and the Trustee may enter into when there are filed with the Trustee the written consents of the Insurer (so long as no Insurer Default shall have occurred and be continuing) and the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture. No such modification or amendment shall (i) extend the fixed maturity of any Bond, reduce the amount of principal thereof or the rate of interest thereon, extend the time of payment thereof or alter the redemption provisions thereof, without the consent of the Owner of each Bond so affected, (ii) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under the Indenture prior to or on a parity with the pledge contained in, and the lien and security interest created by, the Indenture or deprive the Owners of the pledge contained in, and the lien and security interest created by, the Indenture, except as expressly provided in the Indenture, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) modify or amend the provisions summarized under this heading (“– Supplemental Indentures”) without the written consents of the Insurer (so long as no Insurer Default shall have occurred and be continuing) and the Owners of all Bonds then Outstanding.

(b) The Indenture and the rights and obligations of the Authority, the Trustee and the Owners under the Indenture may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into with the written consent of the Insurer (so long as no Insurer Default shall have occurred and be continuing), but without the consent of any Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture that the Authority and the Trustee may deem desirable or necessary and not inconsistent with the Indenture;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(iv) to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect;

(v) to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(vi) in any other respect whatsoever as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners under the Indenture.

(c) Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority), by first-class mail, postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

***Effect of Supplemental Indenture.*** Upon the execution of any Supplemental Indenture pursuant to the provisions of the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and the Owners shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

***Endorsement of Bonds; Preparation of New Bonds.*** Bonds delivered after the effective date of any Supplemental Indenture pursuant to the provisions of the Indenture summarized herein under the heading “– Supplemental Indentures” may and, if the Authority so determines, shall bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date and presentation of such Bond for such purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, such a new Bond in equal principal amount of the same Series, interest rate and maturity shall be exchanged for such Owner’s Bond so surrendered.

***Amendment of Particular Bonds.*** The provisions of the Indenture described under the heading “– Supplemental Indentures” shall not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by it, provided that due notation thereof is made on such Bond.

## **Defeasance**

***Discharge of Indenture.*** (a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture and therein, then the Owners shall cease to be entitled to the pledge of the Installment Payments and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority under the Indenture shall thereupon cease, terminate and become void and the Indenture shall be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on the Bonds.

(b) Subject to the provisions described in paragraph (a) above, when any Bond shall have been paid and if, at the time of such payment, the Authority shall have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bond and such Bond shall cease to be entitled to the pledge of the Installment Payments and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied as to such Bond.

(c) Notwithstanding the discharge and satisfaction of the Indenture or the discharge and satisfaction of the Indenture in respect of any Bond, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement

of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners of such Bond, and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on such Bond, and to pay to the Owner of such Bond the funds so held by the Trustee as and when such payment becomes due.

***Bonds Deemed To Have Been Paid.*** (a) If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bond and the payment of the interest thereon to the maturity or redemption date thereof, such Bond shall be deemed to have been paid within the meaning and with the effect provided in the Indenture as described under the heading “– Defeasance – Discharge of Indenture.” Any Outstanding Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the provisions of the Indenture described under the heading “– Defeasance – Discharge of Indenture” if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the redemption provisions of the Indenture, notice of redemption of such Bond on said redemption date, said notice to be given in accordance with the Indenture, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, together with the money, if any, deposited therewith, will provide moneys which shall be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bond, and (iii) in the event such Bond is not by its terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Bond that the deposit required by clause (ii) above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with the provisions described under this heading (“– Bonds Deemed To Have Been Paid”) and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bond.

(b) No Bond shall be deemed to have been paid pursuant to clause (ii) of paragraph (a) above unless the Authority shall have caused to be delivered to the Authority, the Trustee and the Insurer (i) an executed copy of a Verification Report with respect to such deemed payment, addressed to the Authority, the Trustee and the Insurer, in form and in substance acceptable to the Authority, the Trustee and the Insurer, (ii) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of paragraph (a) above resulting in such deemed payment, which escrow agreement shall be in form and in substance acceptable to the Authority, the Trustee and the Insurer and which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities, upon delivery of a new Verification Report and with the prior written consent of the Insurer, and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report and with the prior written consent of the Insurer, and (iii) a copy of an opinion of Bond Counsel, dated the date of such deemed payment and addressed to the Authority, the Trustee and the Insurer, in form and in substance acceptable to the Authority, the Trustee and the Insurer, to the effect that such Bond has been paid within the meaning and with the effect expressed in the Indenture, the Indenture has been discharged in respect of such Bond and all agreements, covenants and other obligations of the Authority under the Indenture as to such Bond have ceased, terminated, become void and been completely discharged and satisfied.

(c) The Authority shall not exercise any prior optional redemption of Series 2014 Bonds deemed to have been paid pursuant to paragraph (a) above 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 pursuant to which such Series 2014 Bonds are defeased 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 of Series 2014 Bonds there shall be provided to the Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption. The Authority shall not amend the escrow agreement pursuant to which Series 2014 Bonds are defeased or enter into a forward purchase agreement or other agreement with respect to rights in the defeasance escrow therefor without the prior written consent of the Insurer.

***Unclaimed Moneys.*** Subject to the escheat laws of the State, any moneys held by the Trustee in trust for the payment and discharge of the principal of, or premium or interest on, any Bond which remain unclaimed for two years after the date when such principal, premium or interest has become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when such principal, premium or interest become payable, shall be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owner of such Bond shall look only to the Authority for the payment of such principal, premium or interest.

### **Insurance Policy Provisions**

***Rights of the Insurer.*** (a) The provisions of the Indenture summarized herein under the heading “– Insurance Policy Provisions” shall control and supersede any conflicting or inconsistent provision in the Indenture so long as no Insurer Default has occurred and is continuing.

(b) In the event of any reorganization or liquidation of the Authority, the Insurer shall, so long as no Insurer Default shall have occurred and be continuing, have the right to vote in such proceeding on behalf of all Owners of the Series 2014 Bonds.

(c) Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an Event of Default under the Indenture, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted under the Indenture to the Owners of the Series 2014 Bonds or the Trustee for the benefit of the Owners of the Series 2014 Bonds. The Trustee shall not waive any default or Event of Default affecting the Series 2014 Bonds without the Insurer’s written consent.

(d) Upon the occurrence and continuance of a default or an Event of Default under the Indenture, the Insurer shall be deemed to be the sole Owner of the Series 2014 Bonds for all purposes under the Indenture, including, without limitations, for purposes of exercising remedies and approving Supplemental Indentures and amendments to the Joint Acquisition Agreement.

(e) If an Insurer Default shall have occurred and be continuing, then, notwithstanding anything in the Indenture to the contrary (i) if at any time prior to or following such Insurer Default, the Insurer has made payment under the Insurance Policy, to the extent of such payment the Insurer shall be treated like any other Owner of the Series 2014 Bonds for all purposes, including giving of consents, and (ii) if the Insurer has not made any payment under the Insurance Policy, the Insurer shall have no further consent rights until such Insurer Default is no longer continuing or the Insurer makes a payment under the Insurance Policy, in which event, the foregoing clause (i) shall control.

(f) Unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default under the Indenture or an event which with notice or lapse of time would constitute an Event of Default under the Indenture, amounts on deposit in the Improvement Fund that represent proceeds of the

Series 2014 Bonds, or investment earnings thereon, shall not be disbursed, but shall instead be applied to the payment of debt service on or the Redemption Price of the Series 2014 Bonds.

(g) The rights granted to the Insurer under the Indenture to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit of or on behalf of the Owners of the Series 2014 Bonds and such action does not evidence any position of the Insurer, affirmative or negative, as to whether consent of the Owners of the Series 2014 Bonds or any other person is required in addition to consent of the Insurer.

(h) The Insurer shall be entitled to pay principal of or interest on the Series 2014 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy), whether or not the Insurer has received a claim upon the Insurance Policy.

(i) The Insurer is explicitly recognized as being a third-party beneficiary under the Indenture and may enforce the provisions of the Indenture as if it were a party to the Indenture.

(j) From and after the date on which all of the Series 2014 Bonds have been paid in full and all amounts owed to the Insurer under the Indenture or under the Joint Acquisition Agreement have been paid in full, all references to the Insurer and the Insurance Policy contained in the Indenture shall be null and void and of no force and effect.

***Payment Procedure Under the Insurance Policy.*** (a) In the event that on the second Business Day prior to any payment date on the Series 2014 Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Series 2014 Bonds due on such payment date, the Trustee shall immediately notify the Insurer or its designee on the same Business Day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Insurer or its designee.

(b) If the Trustee has notice that any Owner of an Series 2014 Bond has been required to disgorge payments of principal of or interest on such Series 2014 Bond pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

(c) The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the Series 2014 Bonds as follows:

(i) if there is a deficiency in amounts required to pay interest on any Series 2014 Bond, the Trustee shall (A) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for the Owner of such Series 2014 Bond in any legal proceeding related to the payment of such interest and assignment to the Insurer of the claims for interest on such Series 2014 Bond, (B) receive as designee of the such Owner in accordance with the tenor of the Insurance Policy payment from the Insurer with respect to the claims for interest so assigned, and (C) disburse the same to such Owner; and



(ii) if there is a deficiency in amounts required to pay principal of any Series 2014 Bond, the Trustee shall (A) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for the Owner of such Series 2014 Bond in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Series 2014 Bonds surrendered to the Insurer, (B) receive as designee of such Owner in accordance with the tenor of the Insurance Policy payment therefor from the Insurer, and (C) disburse the same to such Owner.

(d) The Trustee shall designate any portion of payment of principal of any Series 2014 Bond paid by the Insurer, whether by virtue of mandatory sinking fund redemption or maturity, on its books as a reduction in the principal amount of such Series 2014 Bond registered to the then current Owner thereof, whether the Depository or its Nominee or otherwise, and shall issue a replacement Series 2014 Bond to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided, however, that the Trustee's failure to so designate any payment or issue any replacement Series 2014 Bond shall have no effect on the amount of principal or interest payable by the Authority on any Series 2014 Bond or the subrogation or assignment rights of the Insurer.

(e) Payments with respect to claims for principal of or interest on an Series 2014 Bond disbursed by the Trustee from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the Authority with respect to such Series 2014 Bond, and the Insurer shall become the Owner of such unpaid Series 2014 Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions described under this heading (“–Payment Procedure Under the Insurance Policy”) or otherwise. Irrespective of whether any such assignment is executed and delivered, the Authority and Trustee agree for the benefit of the Insurer that:

(i) they recognize that to the extent the Insurer makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal of or interest on an Series 2014 Bond, the Insurer will be subrogated to the rights of the Owner thereof to receive the amount of such principal and interest from the Authority, with interest thereon, as provided and solely from the sources provided in the Indenture; and

(ii) they will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the Indenture, but only from the sources and in the manner provided in the Indenture for the payment of principal of and interest on the Series 2014 Bonds to Owners, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(f) In the event that principal of or interest on an Series 2014 Bond shall be paid by the Insurer pursuant to the terms of the Insurance Policy, such Series 2014 Bond shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, the pledge of the assets contained in the Indenture and all covenants, agreements and other obligations of the Authority to the Owner of such Series 2014 Bond shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall, to the extent permitted by law, be subrogated to the rights of such Owner of such Series 2014 Bond, including, without limitation, any rights that such Owner may have in respect of securities law violations arising from the offer and sale of such Series 2014 Bond.

(g) So long as a default or Event of Default has occurred and is continuing under the Indenture or the Joint Acquisition Agreement with respect to the Series 2014 Bonds, neither the Authority nor the Community Facilities Districts shall be eligible for a dividend or any other economic benefit under the Insurer's organizational documents

**Reporting Requirements.** (a) The Authority shall provide the Insurer with all notices and other information it is obligated to provide (i) under the Continuing Disclosure Agreement, and (ii) to the Owners of the Series 2014 Bonds or to the Trustee under the Indenture.

(b) The Trustee shall, as soon as practicable after the effective date thereof, provide (i) the Insurer, and (ii) Moody's, if the Series 2014 Bonds are then rated by Moody's, and S&P, if the Series 2014 Bonds are then rated by S&P, with copies of any Supplemental Indenture and any amendment to the Joint Acquisition Agreement.

## **Miscellaneous**

**Limitation of Rights.** Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Trustee, the Authority and the Owners, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or in the Indenture contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Trustee, the Authority and the Owners.

**Evidence of Rights of Owners.** Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in the provisions of the Indenture described under this heading (“– Evidence of Rights of Owners”).

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books. Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

**Disqualified Bonds.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority, or by any other obligor on the Bonds, or by any Person (other than the Trustee) directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the provisions described in this paragraph if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority shall specify in a certificate to the Trustee those Bonds disqualified pursuant to the provisions described in this paragraph and the Trustee may conclusively rely on such certificate.

**Money Held for Particular Bonds.** The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners entitled thereto, subject, however, to the provisions of the Indenture described under the heading “– Defeasance – Unclaimed Moneys” but without any liability for interest thereon.

**Funds and Accounts.** Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with prudent corporate trust industry standards to the extent practicable, and with due regard for the requirements of the Indenture and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish any such additional funds or accounts as it deems necessary to perform its obligations under the Indenture.

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

**Waiver of Personal Liability.** No member, officer, agent or employee of the Authority or the School District shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing in the Indenture contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by any applicable provision of law or by the Indenture.

**Governing Laws.** The Indenture shall be governed by and construed in accordance with the laws of the State.

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## APPENDIX D

### CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and entered into as of February 1, 2014, by and between the Poway Unified School District Public Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the Constitution and of the laws of the State of California (the “Authority”) and Zions First National Bank, a national banking association organized and existing under and by virtue of the laws of the United States of America in its capacity as Trustee (the “Trustee”), under this Disclosure Agreement in connection with the issuance of the Poway Unified School District Public Financing Authority Special Tax Revenue Bonds, Series 2014 (the “Bonds”);

#### WITNESSETH:

**WHEREAS**, pursuant to the Indenture, dated as of February 1, 2014 (the “Authority Indenture”), by and between the Authority and the Trustee, the Authority has issued the Bonds in the aggregate principal amount of \$40,000,000; and

**WHEREAS**, the Bonds are payable solely from Installment Payments (the “Installment Payments”) to be made pursuant to the Joint Acquisition Agreement, dated as of February 1, 2014 (the “Joint Acquisition Agreement”), by and among the Authority, ten Community Facilities Districts (the “Community Facilities Districts”) and Zions First National Bank, as Fiscal Agent (the “Fiscal Agent”);

**WHEREAS**, the Installment Payments are payable from “Net Available Special Tax Revenues” (as defined in the Joint Acquisition Agreement) and certain funds and accounts created under the Authority Indenture. “Net Available Special Tax Revenues” consist generally of the amounts received by the Fiscal Agent under the Joint Acquisition Agreement as the payment derived from “Available Special Tax Revenues” (as defined herein) received with respect to the Community Facilities Districts, as more fully described herein, less Administrative Expenses;

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

Section 1. Purpose of the Disclosure Agreement. The Disclosure Agreement is being executed and delivered by the Authority for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

“Annual Report” shall mean any Annual Report provided by the Authority 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 Authority’s fiscal year, which fiscal year ends, as of the date of this Disclosure Agreement, are June 30.

“Disclosure Representative” shall mean the Superintendent of the School District, acting on behalf of the Authority, or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean Dolinka Group, LLC, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

“Community Facilities District” or “Community Facilities Districts” means the following:

- (i) Community Facilities District No. 2 (Subarea IV – Torrey Highlands) of the Poway Unified School District;
- (ii) Community Facilities District No. 4 (Black Mountain Ranch) of the Poway Unified School District;
- (iii) Community Facilities District No. 6 (4S Ranch) of the Poway Unified School District;
- (iv) Community Facilities District No. 8 (Black Mountain Ranch Phase II) of the Poway Unified School District with respect to Improvement Area B;
- (v) Community Facilities District No. 9 (Portswood) of the Poway Unified School District;
- (vi) Community Facilities District No. 10 (Subarea IV – Torrey Highlands) of the Poway Unified School District;
- (vii) Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters) of the Poway Unified School District;
- (viii) Community Facilities District No. 13 (The Lakes) of the Poway Unified School District;
- (ix) Community Facilities District No. 14 (Del Sur) of the Poway Unified School District; and
- (x) Community Facilities District No. 15 (Del Sur East) of the Poway Unified School District, as applicable.

“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 Stifel, Nicolaus & Company, Incorporated.

“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 Authority shall, or, shall cause the Dissemination Agent to, not later than the Annual Report Date commencing January 31, 2015, 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 Trustee and the Fiscal Agent an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Agreement. Not later than fifteen (15) Business Days prior to the Annual Report Date, the Authority shall provide the Annual Report to the Dissemination Agent. An Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; *provided* that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report provided by the Authority and later than the Annual Report Date if not available by that date. If the Authority's fiscal year changes, it 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 Authority of such failure to receive the applicable Annual Report. The Authority shall provide a written certification with the 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 Authority and shall have no duty or obligation to review such Annual Report.

(b) If the Authority is unable to provide to the MSRB through the EMMA System and to the Trustee and the Fiscal Agent the Annual Report by the Annual Report Date, the Dissemination Agent shall send a notice to the MSRB through the EMMA System, if any, 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, the Trustee and the Fiscal Agent as provided herein; and

(iii) if the Dissemination Agent is other than the Authority and to the extent it can confirm such filing of an Annual Report, file a report with the Authority, the Trustee, the Fiscal Agent and the Participating Underwriter certifying that an Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

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

(a) Audited Financial Statements of the Authority prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If audited financial statements are not available, at the time required for filing, unaudited financial statements shall be submitted with the Annual Report, and audited financial statements shall be submitted once available. For purposes of this section, the financial statements of the School District shall be deemed to be the financial statements of the Authority.

(b) The following information regarding the Bonds and any Additional Bonds:

(1) Principal amount of Bonds and any Additional Bonds outstanding as of a date within 60 days preceding the date of the Annual Report;

(2) Balance in the Bond Fund as of a date within 60 days preceding the date of the Annual Report; and

(3) Balance in the Reserve Fund, a statement of the Reserve Requirement as of a date within 60 days preceding the date of the Annual Report and the balance in any other funds or accounts held under the Authority Indenture.

(c) With respect to each Community Facilities District, the Annual Report shall provide the following information with respect to each Community Facilities District:

i. Balance in the Available Special Tax Revenue Fund, the Net Available Special Tax Revenue Fund, the Administrative Expense Fund and the Coverage Stabilization Fund as of a date within 60 days preceding the date of the Annual Report.

ii. A table summarizing assessed value-to-lien ratios for the property in the Community Facilities District and by applicable Rate and Method of Apportionment of Special Taxes land use categories. The assessed values in such table will be determined by reference to the value of the parcels within 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 30 next preceding the Annual Report Date. The lien values in such table will include an estimated share of the Authority Bonds apportioned based on the percentage of Net Available Special Tax Revenues projected to be contributed by the Community Facilities Districts in the applicable fiscal year, Senior CFD Bonds, Senior CFD Refunding Bonds, parity obligations payable from Special Tax Revenues (as defined in the Joint Acquisition Agreement) with respect to the applicable Community Facilities District, but need not include other debt secured by a tax or assessments levied on parcels within such Community Facilities District and estimated debt service on all Installment Payments, Senior CFD Bonds, Senior CFD Refunding Bonds, parity obligations payable from Special Tax Revenues of the Community Facilities District for the related bond year.

iii. Information regarding the annual special taxes levied with respect to the applicable Community Facilities District, whether in the case of Developed Property the amounts are the maximum available levy under the Rate and Method of Apportionment of Special Tax, the amount collected, delinquent amounts and percent delinquent for the most recent fiscal year and the amount of Net Available Special Tax Revenues with respect to each Community Facilities District;

iv. Status of foreclosure proceedings of parcels within the applicable Community Facilities District and summary of results of foreclosure sales, if available;

v. A land ownership summary listing property owners in each Community Facilities District, if any, responsible for more than 5% of the Special Tax levy in such Community Facilities District 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 applicable Community Facilities District owned by such property owners, and the assessed value of such property, as shown on such assessment roll;

vi. Concerning delinquent parcels as of the immediately preceding August 15;



- number of parcels in the applicable 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 applicable Community Facilities District;

vii. Concerning identity of any delinquent taxpayer obligated for greater than 5% of the annual Special Tax levy as of the immediately preceding August 15, plus:

- assessed value of applicable properties, and
- summary of results of foreclosure sales, if available,

viii. A copy of any report for or concerning a Community Facilities District with respect to the applicable Community Facilities District as of the immediately preceding October 31 required under State law;

ix. Any changes to the Rate and Method of Apportionment of Special Tax with respect to the applicable Community Facilities District approved or submitted to the qualified electors of the applicable Community Facilities District for approval prior to the filing of the Annual Report; and

x. With respect to each applicable Community Facilities District, the following information:

- The Net Available Special Tax Revenues in the applicable fiscal year; and
- The amount of Senior CFD Bonds outstanding.

(d) In addition to any of the information expressly required to be provided under paragraphs (a), (b) and (c) of this Section, the Authority, shall provide such further information, if any, as may be necessary to make the statements required under Section 4(b), 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 Authority, a 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 Authority 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 Authority shall give, or cause to be given in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to its Bonds:

- (i) Principal and interest payment delinquencies;

- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;<sup>(1)</sup>
- (xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Dissemination Agent shall, within three business days of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Authority 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.

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<sup>(1)</sup> For the purposes of the event identified in subparagraph (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(c) As soon as practicable so as to satisfy the notice requirements of Section 5(a), the Authority 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 Authority 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 Authority determines that a Listed Event subject to a materiality requirement referenced in clauses (a) (ii), (vii), (viii), (x), (xiii) or (xiv) would not be material under applicable federal securities law, the Authority 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 Authority to report the occurrence of a Listed Event and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System and shall provide a copy of such notice to the Participating Underwriter.

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

Section 7. Dissemination Agent. The Authority 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 Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Dolinka Group, LLC. The Dissemination Agent may resign by providing thirty days' written notice to the Authority, the Trustee (if the Trustee is not the Dissemination Agent) and the Fiscal Agent. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Authority in a timely manner and in a form suitable for filing.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the Authority, so long as such amendment does not adversely affect the rights or obligations of the Trustee 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 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 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 Bonds in the manner provided in the Authority Indenture for amendments to the Authority 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 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 Authority 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 Authority 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 Authority 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 Authority 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 Authority or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of the Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee) or any owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority, the Trustee 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 Authority Indenture or the Joint Acquisition Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee; Dissemination Agent. Sections 8.01, 8.03, 8.04 and Section 8.07 of the Authority Indenture are hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Authority Indenture, and the Trustee shall be entitled to the protections, limitations from liability and indemnities afforded to the Trustee thereunder. The Dissemination Agent and the Trustee 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 Authority. The Dissemination Agent shall have no obligation to make any disclosure concerning the Bonds, the Installment Payments, the Authority or any other matter except as expressly set forth herein, provided that no provision of this Disclosure Agreement shall limit the duties or obligations of the Trustee under the Authority 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 Trustee has or may have any banking, fiduciary or other relationship with the Authority, a Community Facilities District or any other party,

apart from the relationship created by the Authority Indenture and this Disclosure Agreement, shall not be construed to mean that the Trustee has knowledge or notice of any event or condition relating to the Bonds, the Installment Payments, the Authority or a 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 Authority as to the materiality of any event for purposes of Section 5 hereof. Neither the Trustee nor the Dissemination Agent make any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Dissemination Agent shall be paid compensation by the Authority 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 Authority'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 Bonds shall be third party beneficiaries under this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the 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 Authority or a Community Facilities District:	Poway Unified School District Public Financing Authority 15250 Avenue of Science San Diego, California 92128-3406 Telephone: 858/679-2501 Telecopier: 858/513-0967 Attention: Association Superintendent, Business Support Services
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With a copy to:	Poway Unified School District Planning Department 13626 Twin Peaks Road Poway, California 92064-3034 Telephone: 858/679-2570 Telecopier: 858/668 -2711 Attention: Planning Director
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If to the Dissemination Agent:	Dolinka Group, LLC 20 Pacifica, Suite 900 Irvine, California 92618 Telephone: 949/250-8300 Telecopier: 949/250-8301
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If to the Trustee:	Zions First National Bank 550 South Hope Street, Suite 2650 Los Angeles, California 90071 Telephone: 213/593-3150 Telecopier: 213/593-3160
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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 a Community Facilities District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the Authority to meeting 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 Authority to disclose information concerning any owner of land within a Community Facilities District except as required as part of the information required to be disclosed 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.

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

POWAY UNIFIED SCHOOL DISTRICT PUBLIC  
FINANCING AUTHORITY

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

ZIONS FIRST NATIONAL BANK,  
as Trustee

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

Agreed to and Accepted By:  
DOLINKA GROUP, LLC,  
as Dissemination Agent

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

[EXECUTION PAGE OF CONTINUING DISCLOSURE AGREEMENT

**EXHIBIT A**

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

Name of Issuer: Poway Unified School District Public Financing Authority

Name of Bond Issue: Poway Unified School District Public Financing Authority  
Special Tax Revenue Bonds, Series 2014

Date of Issuance: February 27, 2014

NOTICE IS HEREBY GIVEN that Poway Unified School District Public Financing Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of February 1, 2014, by and among the Poway Unified School District Public Financing Authority, Zions First National Bank, as Trustee, and Dolinka Group, LLC, as Dissemination Agent. [\_\_\_\_\_ anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_, 20\_\_

Dolinka Group, LLC, as Dissemination Agent, on behalf  
of the Poway Unified School District Public Financing  
Authority

cc: Poway Unified School District Public Financing Authority  
Community Facilities District No. 2  
Community Facilities District No. 4  
Community Facilities District No. 6  
Community Facilities District No. 8  
Community Facilities District No. 9  
Community Facilities District No. 10  
Community Facilities District No. 12  
Community Facilities District No. 13  
Community Facilities District No. 14  
Community Facilities District No. 15  
Stifel, Nicolaus & Company, Incorporated  
Zions First National Bank



## APPENDIX E

### PROPOSED FORM OF OPINION OF BOND COUNSEL

*Upon delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:*

[Date of Delivery]

Poway Unified School District  
Public Financing Authority  
San Diego, California

Poway Unified School District Public Financing Authority  
Special Tax Revenue Bonds, Series 2014  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Poway Unified School District Public Financing Authority (the “Authority”) in connection with the issuance of \$40,000,000 aggregate principal amount of Poway Unified School District Public Financing Authority Special Tax Revenue Bonds, Series 2014 (the “Bonds”), issued pursuant to the Indenture, dated as of February 1, 2014 (the “Indenture”), by and between the Authority and Zions First National Bank, as trustee (the “Trustee”).

In such connection, we have reviewed the Indenture, the Joint Acquisition Agreement, dated as of February 1, 2014 (the “Joint Acquisition Agreement”), 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 The 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) (collectively, the “Community Facilities Districts”), the Tax Certificate of the Authority, dated as of the date hereof (the “Tax Certificate”), opinions of counsel to the Authority, the Community Facilities Districts, the Poway Unified School District (the “School District”) and the Trustee, certificates of the Authority, the Community Facilities Districts, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized undefined terms used herein have the meanings ascribed thereto in the Indenture or, if not defined therein, in the Joint Acquisition Agreement.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such

actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the Community Facilities Districts. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Joint Acquisition Agreement and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Joint Acquisition Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against governmental entities such as the Authority and the Community Facilities Districts in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the plans, specifications, maps, reports or other engineering or financial details of the proceedings with respect to a Community Facilities District, or upon the Rate and Method of any Community Facilities District or the validity of the Special Taxes of any Community Facilities District levied upon any individual parcel. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special obligations of the Authority payable, as provided in the Indenture, solely from the Installment Payments and the other assets pledged therefor under the Indenture.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority.
3. The Joint Acquisition Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, each Community Facilities District and the Authority.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

## APPENDIX F

### BOOK-ENTRY-ONLY PROVISIONS

*The following description of the “Procedures and Record Keeping” with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the Authority which the Authority believes to be reliable, but the Authority, the Community Facilities Districts 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 Bonds. The 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 Bond will be issued for each maturity of the 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](http://www.dtcc.com). *The information on such website is not incorporated herein by such reference or otherwise.*

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

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the 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 Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District or the Trustee, 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 Trustee or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District or the Trustee, 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 service as depository with respect to the Bonds at any time by giving reasonable notice to the School District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Bond certificates are required to be printed and delivered.

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

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

### **Discontinuance of DTC Services**

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

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

*The School District and the Trustee 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 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 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 Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Bonds or the Indenture. The School District and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The School District and the Trustee 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 Bonds or any error or delay relating thereto.*

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**APPENDIX G**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

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

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

Annual Installment Premiums: see attached Schedule

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 teletype 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, whether for failure to pay any Annual Installment Premium set forth in the attached Schedule or otherwise.

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

## Schedule

In consideration for the issuance of the Policy on the closing date and as provided in the Bond documents, the Member has paid, or caused to be paid, an Initial Premium comprised of the Initial Risk Premium and a Member Surplus Contribution. Beginning on \_\_\_\_\_, 2023, and on each one-year anniversary thereafter, the Member shall pay, or cause to be paid, an annual premium on the par amount of Bonds outstanding at the rate corresponding to then applicable Bond Rating shown below (the "Annual Installment Premiums") as further consideration for the issuance of the Policy. No portion of the Initial Risk Premium, the Member Surplus Contribution, or any paid Annual Installment Premium is refundable for any reason, including without limitation any legal defeasance or payment on the Bonds prior to maturity.

### Annual Installment Premiums

Installment Premium Rate	Underlying Standard & Poor's Bond Rating
BBB (or below or unrated)	%
BBB+	%
A-	%
A or better	%

### Notices (Unless Otherwise Specified by BAM)

Email:

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

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-235-\_\_\_\_ (attention: Claims)



**BAM**

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

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