

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

\$89,405,000

**POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS, SERIES 2015A**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The Poway Unified School District Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2015A (the “Bonds”) are being issued pursuant to an Indenture of Trust (the “Authority Indenture”), dated as of April 1, 2015, by and between Poway Unified School District Public Financing Authority (the “Authority”) and Zions First National Bank, as trustee (the “Trustee”) (i) to purchase two separate series of CFD Bonds (each a “Series of CFD Bonds” or collectively, the “CFD Bonds,” as more specifically defined herein), (ii) to fund the Reserve Fund for the Bonds in an amount equal to the Reserve Requirement and (iii) to pay costs of issuance of the Bonds and the CFD Bonds. Proceeds of the CFD Bonds will be used, together with other available funds, to refund the outstanding Poway Unified School District Community Facilities District No. 14 (Del Sur) 2006 Special Tax Bonds and Poway Unified School District Community Facilities District No. 14 (Del Sur) Improvement Area A 2006 Special Tax Bonds (collectively, the “Prior Special Tax Bonds”).

The Bonds will be issued in the denominations of \$5,000 or any integral multiple thereof. Interest is payable semiannually on March 1 and September 1 each year, commencing September 1, 2015. The Bonds will be initially issued only in book-entry form and registered to Cede & Co., as nominee of The Depository Trust Company (“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 G – “BOOK-ENTRY-ONLY PROVISIONS.”

The Bonds are subject to optional redemption and special mandatory redemption from proceeds of redemption of CFD Bonds as a result of prepayment of Special Taxes (as defined herein).

The Bonds are limited obligations of the Authority. The Bonds are payable solely from Revenues (as defined herein) of the Authority and from certain other amounts on deposit in the funds and accounts under the Authority Indenture, other than the Program Fund (as defined herein), the Authority Administrative Expense Fund (as defined herein) or the Rebate Fund (as defined herein). Revenues consist generally of the amounts received by the Trustee as the payment of each Series of CFD Bonds, which payments are to be derived from Special Taxes received with respect to Community Facilities District No. 14 (Del Sur) (the “District”) or Improvement Area A (the “Improvement Area”) of the District, as applicable, as more fully described herein. The payments on the CFD Bonds 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 CFD Bonds are made when due. A default in the payment of one Series of CFD Bonds does not constitute a default under the other and each Series of CFD Bonds is secured by a separate source of revenues. An event of default under one Series of CFD Bonds or insufficient payments from Special Taxes from one Series of CFD Bonds may result in insufficient Revenues with which to pay the principal of and interest on the Bonds. 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 CERTAIN REVENUES AND CERTAIN AMOUNTS DEPOSITED BY THE AUTHORITY IN THE REVENUE FUND, BOND FUND AND RESERVE FUND AS MORE FULLY DESCRIBED HEREIN.

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 Best Best & Krieger LLP, San Diego, California, Bond Counsel and subject to certain other conditions. Certain legal matters will be passed on for the Authority, the District and the School District by Best Best & Krieger LLP, San Diego, California, as special legal counsel for said entities. Certain matters will be passed upon for the Authority and the District 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 April 22, 2015.

STIFEL

\$89,405,000
POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS, SERIES 2015A

MATURITY SCHEDULE
\$89,405,000 SERIAL BONDS
Base CUSIP[®] No. 73885Q[†]

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[®] No.[†]</u>	<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[®] No.[†]</u>
2015	\$1,855,000	2.00%	0.45%	100.554	FH7	2027	\$1,000,000	3.25%	3.30%	99.493	FV6
2016	1,530,000	2.00	0.71	101.740	FJ3	2027	3,150,000	5.00	3.01	117.592 ^C	FW4
2017	1,670,000	3.00	1.03	104.577	FK0	2028	4,485,000	5.00	3.17	116.046 ^C	FX2
2018	1,850,000	3.00	1.40	105.230	FL8	2029	4,855,000	5.00	3.24	115.378 ^C	FY0
2019	2,020,000	4.00	1.74	109.444	FM6	2030	5,245,000	5.00	3.31	114.714 ^C	FZ7
2020	2,220,000	4.00	1.97	110.273	FN4	2031	1,000,000	3.50	3.65	98.161	GA1
2021	2,430,000	5.00	2.12	117.044	FP9	2031	4,665,000	5.00	3.37	114.148 ^C	GB9
2022	2,680,000	5.00	2.32	118.030	FQ7	2032	6,085,000	5.00	3.41	113.773 ^C	GC7
2023	2,950,000	5.00	2.49	118.831	FR5	2033	6,545,000	5.00	3.45	113.399 ^C	GD5
2024	3,215,000	5.00	2.61	119.727	FS3	2034	7,030,000	5.00	3.49	113.027 ^C	GE3
2025	3,510,000	5.00	2.75	120.157	FT1	2035	7,535,000	5.00	3.52	112.749 ^C	GF0
2026	3,825,000	5.00	2.90	118.669 ^C	FU8	2036	8,055,000	5.00	3.54	112.564 ^C	GH6

^C Priced to the first optional redemption date of September 1, 2025.

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

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

SCHOOL DISTRICT ADMINISTRATION

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

SPECIAL SERVICES

**BOND COUNSEL AND GENERAL COUNSEL TO THE
AUTHORITY, THE DISTRICT AND THE SCHOOL DISTRICT**

Best Best & Krieger LLP
San Diego, California

DISCLOSURE COUNSEL

McFarlin & Anderson LLP
Laguna Hills, California

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

APPRAISER

Stephen G. White, MAI
Fullerton, California

SPECIAL TAX CONSULTANT, CFD ADMINISTRATOR & DISSEMINATION AGENT

Dolinka Group, LLC
Irvine, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

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

Authorized Information. No dealer, broker, salesperson or other person has been authorized by the 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 District or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 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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Poway Unified School District Public Financing Authority Community Facilities District No. 14 (Del Sur)



Note: Boundaries of CFD 14 and Improvement Area A are coterminous

— Z — AirViews February 14, 2015

OFFICIAL STATEMENT

\$89,405,000

POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS, SERIES 2015A

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 Refunding Bonds, Series 2015A (the “Authority” and the “Bonds,” respectively).

The Bonds are being issued pursuant to an Indenture of Trust (the “Authority Indenture”), dated as of April 1, 2015, 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 Poway Unified School District Community Facilities District No. 14 (Del Sur) (the “District” or “CFD No. 14”).

Purpose of Issue

Proceeds of the CFD Bonds (as defined below) will be used to refund and defease bonds previously issued with respect to the District and Improvement Area A of the District (the “Improvement Area”), all as further described under “THE FINANCING PLAN,” and “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS.” Proceeds of the Bonds will be used as follows: (i) to finance the acquisition by the Authority of two Series of CFD Bonds (as defined below); (ii) to fund the Reserve Fund for the Bonds in an amount equal to the Reserve Requirement and (iii) to pay costs of issuance of the Bonds and the CFD Bonds. The Bonds shall constitute special obligations of the Authority.

The two series of Special Tax Bonds (each a “Series of CFD Bonds” or collectively, the “CFD Bonds,” as applicable), consist of the following: (i) Poway Unified School District Community Facilities District No. 14 (Del Sur) Special Tax Refunding Bonds, Series 2015 (the “District CFD Bonds”); and (ii) Poway Unified School District Community Facilities District No. 14 (Del Sur) Improvement Area A Special Tax Refunding Bonds, Series 2015 (“Improvement Area CFD Bonds”).

The District and the Improvement Area

The District and the Improvement Area 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 District and the Improvement Area are specified areas in which a separate special tax (the “Special Taxes” or the “Special Tax”) may be levied in accordance with the applicable Rate and Method of Apportionment of Special Tax (the “District Rate and Method” with respect to the District, the “Improvement Area Rate and Method” with respect to the Improvement Area, and together the “Rates and Methods,” as applicable). The District and the Improvement Area are coterminous. 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 or improvement area therein, as applicable, may issue bonds and may levy and collect special taxes to repay such bonded indebtedness.

The District was established, and the Improvement Area designated therein, as applicable, and the levy of Special Taxes on the real property within the boundaries of the District and the Improvement Area, as applicable, and the incurrence by the District of bonded indebtedness with respect to the District and with respect to the Improvement Area, were authorized pursuant to the Act. The District has previously issued special tax bonds with respect to the District and with respect to the Improvement Area as described herein.

The qualified electors in the District authorized the District to incur up to \$75,000,000 of bonded indebtedness to finance the acquisition and construction of school facilities and up to \$75,000,000 of bonded indebtedness to finance the acquisition and construction of certain public improvements of the other public agencies (the “Infrastructure Improvements”) and approved the levy of Special Taxes therefore. The District issued an aggregate of \$51,515,000 of bonds payable from Special Taxes levied under the District Rate and Method for school facilities in 2006 (the “2006 District Bonds”) and the District issued an aggregate of \$51,495,000 of bonds payable from Special Taxes levied under the Improvement Area Rate and Method for infrastructure improvements in 2006 (the “2006 Improvement Area Bonds” and collectively, with the 2006 District Bonds, the “Prior Special Tax Bonds”).

Principal of and interest on the CFD Bonds is not payable from the general fund of the School District. The annual payments for the CFD Bonds 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 District or the Improvement Area, as applicable, and are not debts of the School District. See Table 1 under the section entitled “THE FINANCING PLAN.”

The District is contiguous and is generally located west of Interstate 15, north of Rancho Peñasquitos, and east of San Dieguito Road, situated off State Route 56 between Interstate 5 and Interstate 15, seven miles from the coast and 20 miles from downtown San Diego. The District lies within the area of the master-planned community known as “Del Sur” and is part of the area known as “Black Mountain Ranch.” The District is anticipated to be built out in Fiscal Year 2015-16 and is comprised of approximately 143.11 net residential acres. As of February 10, 2015, of 1,148 planned units, there were 958 detached units, 60 attached units (duplexes) and 125 condominium units classified as Developed Property and 5 vacant lots with recently issued building permits. Two homeowners have prepaid their Special Taxes with respect to the District Special Taxes but not the Special Taxes with respect to the Improvement Area. There is also a K-5 school in an area of Black Mountain Ranch referred to herein as the western area of the “North Village.” See “THE DISTRICT – 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 educational instruction for grades TK-12 within an approximately 100 square mile area in the central portion of the County of San Diego (the “County”) and includes the City of Poway and portions of the City of San Diego and the County, including the communities of 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz, StoneBridge Estates and Torrey Highlands. The School District currently operates 25 elementary schools (K-5), six middle schools (6-8), one K-8 school, five high schools (9-12), and one continuation high school. The School District’s second period report (P-2, the period from July 1 to April 15) of average daily attendance (“ADA”) computed in accordance with State law for the 2013-14 academic year was 34,450.65 and for the 2014-15 academic year, is 34,543.66 (estimated). The estimated population within the School District’s boundaries was approximately 195,516 as of January 1, 2014. The School District reported 35,498 students enrolled at the California Basic Educational Data System (“CBEDS”) for Fiscal Year 2013-14 and 35,629 students enrolled at the CBEDS during Fiscal Year 2014-15. See APPENDIX A – “General Information About the Poway Unified School District” herein.

Authority for Issuance and Additional Bonds

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 Authority Indenture. The Authority Indenture permits the issuance of additional debt on a parity with the Bonds for refunding purposes only. The District may issue bonds on a parity with the CFD Bonds for refunding purposes only. The Prior Special Tax Bonds are being redeemed in connection with issuance of the Bonds. See “SOURCES OF PAYMENT FOR THE BONDS – Additional CFD Bonds” and “SOURCES OF PAYMENT FOR THE BONDS – Estimated Schedule of CFD Bonds Debt Service.”

Security for the Bonds

The Bonds. The Bonds are secured by the Revenues of the Authority and by any other amounts held in any fund or account established by the Trustee pursuant to the Authority Indenture, other than the Program Fund (including the Costs of Issuance Account therein), the Authority Administrative Expense Fund and the Rebate Fund. The Trustee will also establish a Reserve Fund for the Bonds pursuant to the Authority Indenture. See “– Reserve Fund” below.

Generally, “Revenues” are (i) all amounts derived by the Authority from the CFD Bonds; (ii) all moneys originally deposited with the Trustee for application for payment of principal of or interest on the Bonds and all moneys held by the Trustee in the funds and accounts established in the Authority Indenture for payment of the Bonds, excluding the Program Fund, the Authority Administrative Expense Fund and the Rebate Fund, and (iii) investment income with respect to the funds and accounts established under the Authority Indenture except for investment earnings on moneys held in the Program Fund, the Authority Administrative Expense Fund and the Rebate Fund. The Authority Indenture permits the issuance of additional Bonds secured by Revenues only to effect a refunding of Bonds in whole or in part under certain circumstances described in the Authority Indenture. The District may issue special tax bonds with respect to the District and the Improvement Area on a parity with the applicable CFD Bonds for refunding purposes only. The issuance of such CFD Bonds is subject to compliance with the provisions of the applicable CFD Bond Indenture (as defined below). See “SOURCES OF PAYMENT FOR THE BONDS – General,” “SOURCES OF PAYMENT FOR THE BONDS – Additional CFD Bonds,” “SOURCES OF PAYMENT FOR THE BONDS – Estimated Schedule of CFD Bonds Debt

Service” and APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS.”

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.

Neither the faith and credit nor the taxing power of the School District, the District, the State or any political subdivision thereof is pledged to the payment of the Bonds. The Authority has no taxing power. Except for the Revenues, no other revenues or taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the School District, general obligations of the District or general obligations of the Authority but are limited obligations of the Authority payable solely from Revenues and, certain amounts held under the Authority Indenture as more fully described herein.

The CFD Bonds. The District CFD Bonds are being issued by the District to refund and defease the 2006 District Bonds and the Improvement Area CFD Bonds are being issued by the District to refund and defease the 2006 Improvement Area Bonds (as such terms are defined in “THE FINANCING PLAN” below) previously issued pursuant to the Act. The CFD Bonds are being issued under separate Bond Indentures (each a “CFD Bond Indenture”), each dated as of April 1, 2015, each by and between the District and Zions First National Bank, as Fiscal Agent (the “Fiscal Agent”), for each Series of CFD Bonds. The 2006 District Bonds and the 2006 Improvement Area Bonds were issued by the District pursuant to separate Bond Indentures (each a “2006 CFD Bond Indenture”), each dated as of May 1, 2006, and each by and between the District and Zions First National Bank, as Fiscal Agent (the “Fiscal Agent”).

The CFD Bonds are limited obligations of the District, payable from the net amount of Special Tax levied on real property within the respective boundaries of the District and the Improvement Area, minus amounts applied to pay the Administrative Expense Requirement. The Special Taxes are collected on the regular property tax bills sent to the owners of real property within the District and the Improvement Area, as applicable. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD Bonds.” See “THE DISTRICT – General” below.

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. See “SOURCES OF PAYMENT OF THE BONDS – Estimated Schedule of CFD Bonds Debt Service,” “THE DISTRICT – Rates and Methods of Apportionment of Special Tax” and APPENDIX B – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX.” The District has covenanted for the benefit of the Authority that, under certain circumstances described herein, the District will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within the District or the Improvement Area, as applicable, and will diligently pursue such proceedings to completion. See “SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure.”

The District has covenanted in the applicable CFD Bond Indenture to levy in each Fiscal Year the Special Taxes on parcels of land within the District or the Improvement Area, as applicable, pledged to the repayment of the respective CFD Bonds in an amount sufficient to pay annual debt service on the respective CFD Bonds and to pay the administrative expenses related to the District or the Improvement Area, as applicable, subject to the limitation of the Maximum Annual Special Tax that may be levied on such land within the District or the Improvement Area, as applicable. The District has also agreed to pay a portion of the administrative expenses of the Authority, subject to the limitation of the Maximum Annual Special Tax that may be levied on such land within the District or the Improvement Area, as applicable. See “THE DISTRICT” for a description of the District and a description of the Special Tax

within the District and the Improvement Area. See also “SOURCES OF PAYMENT FOR THE BONDS” and “BOND OWNERS’ RISKS” herein.

The CFD Bonds are special obligations of the District with respect to the District or the Improvement Area, as applicable. The CFD Bonds do not constitute a debt or liability of the School District, the State or of any political subdivision thereof, other than the District with respect to the District or the Improvement Area, as applicable. The District shall only be obligated to pay the principal of the applicable CFD Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the School District, the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the CFD Bonds. The District has no *ad valorem* taxing power. See “SOURCES OF PAYMENT FOR THE BONDS” and “BOND OWNERS’ RISKS” herein.

Reserve Fund

Pursuant to the Authority Indenture, the Authority has established with the Trustee the Reserve Fund. If the amounts in the Interest Account or the Principal Account of the Bond Fund (as such terms are defined herein), are insufficient to pay the principal of or interest on the Bonds when due, the Trustee will withdraw from the Reserve Fund moneys for deposit in the Interest Account and/or the Principal Account, as applicable, necessary for such purposes. Initially the Reserve Fund will be funded, and the Reserve Requirement satisfied, from proceeds of the Bonds. The Reserve Requirement required by the Authority Indenture results in an amount, as of any date of calculation, equal to the least of (i) Maximum Annual Debt Service for the Bonds, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Bonds, or (iii) ten percent (10%) of the issue price (as defined in the Regulations) of the Bonds; *provided, however*, the Reserve Requirement shall not exceed the maximum amount then permitted to be funded from the proceeds of tax-exempt obligations under the Tax Code. A separate “Reserve Fund Credit Amount” is established with respect to each series of CFD Bonds, such amount being, as of the date of delivery \$4,200,000 with respect to the District CFD Bonds and \$4,257,750 with respect to the Improvement Area CFD Bonds. In the event of redemption of any of the District CFD Bonds or Improvement Area CFD Bonds and a redemption of Authority Bonds which results in a change in the Reserve Requirement, the amount shall equal such Reserve Requirement multiplied by a fraction with the numerator equal to the total debt service due on the District CFD Bonds or Improvement Area CFD Bonds, as applicable, through the final maturity date of the District CFD Bonds or Improvement Area CFD Bonds, as applicable, and the denominator equal to the total aggregate debt service of the CFD Bonds through final maturity. The Trustee shall, pursuant to a Written Certificate of the Authority, disburse or transfer from the cash amount then on deposit in the Reserve Fund on the final maturity date of each series of CFD Bonds, an amount equal to the CFD Bonds Reserve Fund Credit Amount applicable to such series of CFD Bonds, minus the amount, if any, of any transfer previously necessitated as a result of a deficiency in the scheduled payment of principal of or interest on such series of CFD Bonds which has not previously been reimbursed, and such amount shall be transferred to the Interest Account and the Principal Account as a credit against the payments due on such series of CFD Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on such CFD Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of such CFD Bonds on such date. See “SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund” and APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture of Trust.”

Sources of Payment for the CFD Bonds

The CFD Bonds will be secured by the applicable Net Special Tax Revenues received with respect to the District or the Improvement Area, as applicable, and pledged to repay such CFD Bonds and by moneys in the applicable Bond Service Fund and Redemption Fund as established under the applicable

CFD Bond Indenture. “Net Special Tax Revenues” are comprised of Special Taxes levied and received on parcels of real property in the District or the Improvement Area, as applicable, including net amounts collected from the redemption of delinquent Special Taxes, less the Administrative Expense Requirement as defined in the applicable CFD Bond Indenture. The Special Taxes are included on the *ad valorem* property tax bills sent by the County each year to the owner of record for each property within the District or the Improvement Area, as applicable.

The District has covenanted for the benefit of the Authority, as the owner of the CFD Bonds, that the District will take action with respect to delinquencies in the payment of Special Taxes, including commencing foreclosure action, all as set forth in the applicable CFD Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – Covenant for Superior Court Foreclosure.”

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 CFD Bonds. Except for the Net Special Tax Revenues, no other taxes are pledged to the payment of the CFD Bonds. The CFD Bonds are not general or special obligations of the School District nor general obligations of the District but are limited obligations of the District payable solely from certain amounts deposited by such District in the applicable Bond Service Fund and applicable Redemption Fund as more fully described herein.

No Direct Cross-Collateralization Among CFD Bonds. The Special Taxes levied to pay debt service on the District CFD Bonds are not available to pay debt service on the Improvement Area CFD Bonds and the Special Taxes levied to pay debt service on the Improvement Area CFD Bonds are not available to pay debt service on the District CFD Bonds. An event of default under one Series of CFD Bonds does not constitute a default under the other Series of CFD Bonds, and each Series of CFD Bonds is secured by a separate source of revenues. An event of default under one Series of CFD Bonds or insufficient payments from Special Taxes from one Series of CFD Bonds may result in insufficient Revenues with which to pay the principal of and interest on the Bonds. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD Bonds” and “BOND OWNERS’ RISKS.” However, it is currently anticipated that annual Net Special Tax Revenues available for debt service on the CFD Bonds will exceed the debt service on the CFD Bonds. An increase in Special Taxes up to the maximum Special Tax with respect to the District to cure delinquencies with respect to the District is not available to cure delinquencies with respect to the Improvement Area. An increase in Special Taxes up to the maximum Special Tax with respect to the Improvement Area to cure delinquencies with respect to the Improvement Area is not available to cure delinquencies with respect to the District.

Appraisal Report

An appraisal of the taxable properties categorized as Developed Property within the District/Improvement Area (the “Appraisal Report”) was prepared by Stephen G. White, MAI of Fullerton, California (the “Appraiser”) in connection with issuance of the Bonds.

The purpose of the appraisal was to estimate the separate aggregate market values on a mass appraisal basis of the 12 different product types of homes within the District/Improvement Area. The appraisal of the 10 built-out/sold-out product types reflects all individually owned completed homes (964), but the appraisal of the 2 active product types separately considered the completed-sold homes (closed builder sales to individual owners (157) and the remaining builder ownership consisting of the completed-unsold homes (6) and/or homes under construction (16 homes) and vacant lots (5). The Appraisal Report is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, as of February 10, 2015, the Appraiser estimated that the aggregate market value of the completed-sold homes, homes under construction and five vacant lots within the

District was \$900,265,000. The Appraisal includes two completed sold homes for which the District Special Taxes have been prepaid but not the Special Taxes with respect to the Improvement Area.

See “THE DISTRICT – Estimated Property Values and Estimated Value-to-Lien Ratios,” “THE DISTRICT – Direct and Overlapping Debt” and “BOND OWNERS’ RISKS – The CFD Bonds – *Value-to-Lien Ratios*” herein and APPENDIX C – “APPRAISAL REPORT” appended hereto for further information on the Appraisal Report and for limiting conditions relating to the Appraisal Report.

Value-to-Lien Ratios

The aggregate appraised values of the property within the District or within the Improvement Area, as applicable (excluding Exempt Property (as defined in each Rate and Method) and including two parcels for which District Special Taxes have been prepaid but not the Special Taxes with respect to the Improvement Area), are set out in Tables 9A and 9B in “THE DISTRICT – Estimated Property Values and Estimated Value-to-Lien Ratios.”

The appraised values results in an estimated aggregate value-to-lien ratio of 10.06:1 and combined value-to-lien ratios within the District ranging from 4.60:1 to 10.71:1 based on the appraised values, and in an estimated aggregate value-to-lien ratio of 10.07:1 and combined value-to-lien ratios within the Improvement Area ranging from 4.60:1 to 21.53:1 based on the appraised values. There is no direct and overlapping tax and assessment debt on the parcels constituting Developed Property in Fiscal Year 2014-15 as of the estimated closing date other than the CFD Bonds. The value-to-lien ratios of individual parcels will differ from the foregoing aggregate values. See “THE DISTRICT – Estimated Property Values and Estimated Value-to-Lien Ratios,” and “– Direct and Overlapping Debt,” and “BOND OWNERS’ RISKS – The CFD Bonds – *Value-to-Lien Ratios*” herein for further information on the appraised values and assessed values and for assumptions and limiting conditions relating to the Appraisal Report. The appraised value or assessed value of a property does not necessarily represent the market value for such property.

Additional Bonds and Additional CFD Bonds for Refunding Purposes Only

The Authority Indenture permits the issuance of additional debt on a parity with the Bonds for refunding purposes only. Subject to compliance with the provisions of the applicable CFD Bond Indenture, the District may issue special tax bonds on a parity with the District CFD Bonds and the Improvement Area CFD Bonds for refunding purposes only.

Description of the Bonds

The Bonds. The net proceeds of the Bonds will be used to acquire the CFD Bonds, to fund the Reserve Fund in the amount equal to the Reserve Requirement and to pay costs of issuance of the Bonds and the CFD Bonds. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE DISTRICT” herein.

Payments. Interest is payable on September 1, 2015, and semiannually thereafter on March 1 and September 1 each year. Principal of and premium, if any, on the Bonds shall be payable by the Trustee, as registrar, transfer agent and trustee. See “THE BONDS” and APPENDIX G – “BOOK-ENTRY-ONLY PROVISIONS” herein.

Redemption. The Bonds are subject to optional redemption, special mandatory redemption from proceeds of redemption of CFD Bonds as a result of prepayment of Special Taxes (as defined 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 (“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 G – “BOOK-ENTRY-ONLY PROVISIONS.”

Tax Exemption

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

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

Professionals Involved in the Offering

Zions First National Bank, Los Angeles, California will serve as the Trustee for the Bonds and as the Fiscal Agent for the CFD Bonds and will perform the functions required of it under the Authority Indenture and each CFD Bond Indenture for the payment of the principal of and interest and any premium on the Bonds and the CFD Bonds and all activities related to the redemption of the Bonds. Best Best & Krieger LLP, San Diego, California, is serving as Bond Counsel to the Authority and the District and general counsel to the School District. McFarlin & Anderson LLP, Laguna Hills, California, is acting as Disclosure Counsel. Fieldman, Rolapp & Associates, Inc., Irvine, California is acting as Financial Advisor. 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. Causey Demgen & Moore P.C., Denver, Colorado, is acting as Verification Agent.

The Appraisal Report was prepared by Stephen G. White, MAI, of Fullerton, California. Dolinka Group, LLC, Irvine, California, is acting Special Tax Consultant, CFD Administrator and Dissemination Agent to the Authority and the District.

Except for the Appraiser fees and some Special Tax Consultant fees paid from Special Taxes, payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Underwriter, the Special Tax Consultant, the Trustee and the Fiscal Agent is contingent upon the issuance of the Bonds.

Continuing Disclosure

The District has covenanted in the Continuing Disclosure Agreement, the form of which is set forth in APPENDIX E – “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 CFD Bonds, the Authority, the School District, the District and the Improvement Area. The Annual Report will be delivered by not later than January 31 in each year, commencing with January 31, 2016 (the “Annual Report”), and to provide notices of the occurrence of certain listed events.

The Annual Report will either be filed by the District or Dolinka Group, LLC, as Dissemination Agent on behalf of the District, 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, the Fiscal Agent and the Underwriter. Any notice of a listed event will be filed by District, or the Dissemination Agent on behalf of the District, 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 District 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 Authority Indenture or the applicable CFD Bond Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with the Continuing Disclosure Agreement will be an action to compel performance.

District Prior Disclosure Compliance. A review of compliance with disclosure undertakings for filings required by the District, indicates that the District has been in material compliance with its prior continuing disclosure undertakings under the Rule.

Authority, School District and Other Community Facilities District Prior Disclosure Compliance. A review of compliance with disclosure undertakings for filings required by the Authority, the School District or by community facilities districts formed by the School District (other than the District), since March 15, 2010, indicates that the School District or a community facilities district formed by the School District may not have fully complied with its prior continuing disclosure undertakings under the Rule. Identification of the below described events does not constitute a representation by the District, the Authority, the School District or any community facilities district formed by the School District that the late filings were material. For example, with respect to two lease revenue bond financings by the Authority for which the School District was the party to the continuing disclosure undertakings, the School District audited financial statements and budgets were in some cases incorporated by reference to the EMMA website in the Annual Reports filed by the School District. The School District has since filed the audit reports and budgets specifically with respect to the Authority’s 2007 Lease Revenue Bonds and the 2008 Lease Revenue Bonds. In addition, annual reports or audited financial statements filed with respect to various financings by the School District or by a community facilities district formed by the School District were filed after the filing due date by a range of a few days

to approximately one month and in some cases specific information to be included in an annual report was not included in the annual report filed.

Additionally, notices of rating changes were not always filed with respect to financings by the School District, Community Facilities District No. 1, Community Facilities District No. 6 and the Authority. The School District believes that notices listing all ratings changes for existing continuing disclosure undertakings have since been filed by the applicable entities and such applicable entities are currently in compliance with their respective undertakings.

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

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 Authority Indenture, the CFD Bond Indentures, security for the Bonds, special risk factors, the Authority, the District, the School District, the development in the District and the Improvement Area 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 Authority Indenture, the CFD Bond Indentures and other resolutions and documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Authority Indenture, the CFD Bond Indentures, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of such documents may be obtained from the 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 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, which was amended and restated by an Amended and Restated Joint Exercise of Powers Agreement, dated as of May 14, 2007. The Authority is governed by a five-member Board of Directors which consists of three members of the Board, the Superintendent and the Associate Superintendent, Business Support Services. 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 CFD Bonds. 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 Authority to purchase the CFD Bonds. On March 10, 2015, by the adoption of a resolution, the Authority authorized the issuance of the Bonds, the execution of the Authority Indenture and the purchase of the CFD Bonds.

THE AUTHORITY IS NOT OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS, EXCEPT FROM REVENUES RECEIVED BY THE AUTHORITY.

THE SCHOOL DISTRICT HAS NO LIABILITY WITH RESPECT TO THE PAYMENT OF THE BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR THE SCHOOL DISTRICT IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

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 Authority Indenture and the Bonds. The owners 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.

THE FINANCING PLAN

Refunding Plan. The Bonds are being issued for the purpose of providing funds to the Authority to purchase the CFD Bonds. A portion of the proceeds of the District CFD Bonds will be used to refund and defease all of the 2006 District Bonds currently outstanding in the aggregate principal amount of \$48,995,000. A portion of the proceeds of the Improvement Area Bonds will be used to refund and defease all of the 2006 Improvement Area Bonds currently outstanding in the aggregate principal amount of \$49,165,000.

Proceeds from the sale of each series of CFD Bonds, together with certain available moneys on hand, including moneys held in certain funds relating to the 2006 District Bonds and 2006 Improvement Area Bonds, respectively, will be deposited into separate escrow funds established under separate escrow agreements, each dated as of April 1, 2015 (each an “Escrow Agreement,” and together the “Escrow Agreements”), and each by and between the District and Zions First National Bank, as escrow agent (the “Escrow Agent”), and used to refund and defease the 2006 District Bonds and 2006 Improvement Area Bonds, respectively, as of the date of issuance of the CFD Bonds.

Amounts deposited under each Escrow Agreement will be held in an escrow fund and may be invested in State and Local Government Series, open market treasury securities and/or in cash. Causey Demgen & Moore P.C., Denver, Colorado (the “Verification Agent”), will verify that the amounts deposited, together with investment earnings thereon, if any, will be sufficient to pay the principal of and interest on the 2006 District Bonds or 2006 Improvement Area Bonds, as applicable, to and including September 1, 2015, and a redemption premium of 1% of the principal amount thereof for 2006 District Bonds and 2006 Improvement Area Bonds, maturing on and after September 1, 2016.

Upon issuance of the CFD Bonds, the Verification Agent will verify the arithmetical accuracy of certain computations included in the schedules provided by the Underwriter and the Fiscal Agent for the 2006 Special Tax Bonds relating to: (i) the adequacy of forecasted receipts of principal and interest on the cash to be held pursuant to each Escrow Agreement; (ii) forecasted payments of principal and interest with respect to the 2006 Special Tax Bonds on September 1, 2015; and (iii) yields with respect to the 2006 Special Tax Bonds. Such verification will be based solely upon information and assumptions supplied to the Verification Agent by the Underwriter and the Fiscal Agent for the 2006 Special Tax Bonds.

Table 1
Poway Unified School District Public Financing Authority
Special Tax Revenue Refunding Bonds, Series 2015A
Prior CFD Bonds Issued and Outstanding and 2015 CFD Bonds
as of March 26, 2015

District or Improvement Area	Formation Date	Authorized Aggregate Principal Amount of Bonds	Aggregate Prior CFD Bonds Issued	Prior CFD Bonds Outstanding for the District/ Improvement Area	2015 CFD Bonds⁽¹⁾
CFD No. 14⁽²⁾	January 17, 2006	\$75,000,000	\$51,515,000	\$48,995,000	\$44,630,000
Improvement Area A⁽³⁾	January 17, 2006	75,000,000	51,495,000	49,165,000	44,775,000

- (1) Proceeds of the District CFD Bonds and the Improvement Area CFD Bonds will be used to refund and discharge all of the outstanding 2006 District Bonds and 2006 Improvement Area Bonds, respectively.
- (2) The District has pledged Special Taxes of the District to payment of installment payments due under a Joint Acquisition Agreement, dated as of February 1, 2014. Such pledge is subordinated to the payments due with respect to the 2006 District Bonds and the District CFD Bonds which refund the 2006 District Bonds.
- (3) The District has pledged Special Taxes of the Improvement Area to payment of base rental payments due under a Lease Agreement, dated as of September 1, 2012. Such pledge is subordinated to the payments due with respect to the 2006 Improvement Area Bonds and the Improvement Area CFD Bonds which refund the 2006 Improvement Area Bonds.

Source: Dolinka Group, LLC.

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

The Bonds. The estimated sources and uses of Bond proceeds are as follows:

Sources:

Authority Bond Principal Amount	\$89,405,000.00
Less Underwriter's Discount	(748,766.88)
Plus Net Original Issue Premium	<u>12,169,853.25</u>
Total	\$100,826,086.37

Uses:

Acquisition of CFD Bonds ⁽¹⁾	\$92,043,235.00
Reserve Fund ⁽²⁾	8,457,750.00
Costs of Issuance ⁽³⁾	<u>325,101.37</u>
Total	\$100,826,086.37

- (1) A portion of the proceeds of each Series of CFD Bonds will be deposited by the District in the Escrow Funds. See " – CFD Bonds" below.
- (2) Initially, the Reserve Fund will be funded through proceeds of the Bonds. See the description of the sources and uses of each Series of CFD Bonds below for the contribution with respect to the District and the Improvement Area.
- (3) A portion of the proceeds of the Bonds will be deposited in the Costs of Issuance Account within the Authority Program Fund. See the description of the sources and uses of the District's CFD Bonds below. Costs of Issuance includes, among other things, the fees and expense of Bond Counsel, Disclosure Counsel, the Financial Advisor, the cost of printing the preliminary and final Official Statements, fees and expenses of the Trustee, the Fiscal Agent, the Escrow Agent, the Verification Agent, the cost of the Appraisal Report and the fees of the Special Tax Consultant.

Costs of issuance will be paid by the Authority and include legal fees, Bond Counsel fees, Disclosure Counsel Fees, the cost of the Special Tax Consultant fees, Appraiser fees, Trustee fees, Fiscal Agent fees, Escrow Agent fees, printing costs and other costs associated with issuance of the Bonds and the CFD Bonds. See the applicable description of the uses of CFD Bonds below. See "SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund."

CFD Bonds. The estimated sources and uses from proceeds from the CFD Bonds is provided below:

	CFD No. 14	CFD No. 14 Improvement Area A	Total
<i>Sources:</i>			
CFD Bonds Principal Amount	\$44,630,000.00	\$44,775,000.00	\$89,405,000.00
Plus Net Authority Premium ⁽¹⁾	5,701,410.50	5,719,675.87	11,421,086.37
Less Amounts Allocated to Reserve Fund	(4,200,000.00)	(4,257,750.00)	(8,457,750.00)
Less Amounts allocated to Costs of Issuance	(166,293.00)	(158,808.37)	(325,101.37)
Funds Relating to Prior CFD Bonds ⁽²⁾	4,783,612.50	4,846,762.50	9,630,375.00
Total	<u>\$50,748,730.00</u>	<u>\$50,924,880.00</u>	<u>\$101,673,610.00</u>
<i>Uses:</i>			
Escrow Funds ⁽³⁾	<u>\$50,748,730.00</u>	<u>\$50,924,880.00</u>	<u>\$101,673,610.00</u>
Total	<u>\$50,748,730.00</u>	<u>\$50,924,880.00</u>	<u>\$101,673,610.00</u>

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- (1) Represents the District's and the Improvement Area's proportionate share of a portion of (i) the Underwriter's discount with respect to the Authority Bonds, and (ii) the original issue premium with respect to the Authority Bonds.
- (2) Represents funds on deposit in the Special Tax Funds and the Reserve Funds for the Prior CFD Bonds.
- (3) As indicated above, amounts deposited under each Escrow Agreement will be held in an Escrow Fund and may be invested in State and Local Government Series, open market treasury securities and/or in cash. Amounts shown reflect gross funding of the Escrow Fund. In the event open market treasury securities or State and Local Government Series are purchased, the amounts deposited may be reduced to reflect net funding of amounts required to refund and defease the 2006 District Bonds and the 2006 Improvement Area Bonds.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Joint Powers Act, a Resolution of Issuance and the Authority Indenture. The Bonds are issued upon and primarily secured by certain Revenues derived from debt service payments on the CFD Bonds. The CFD Bonds are issued upon and primarily secured by certain Special Taxes levied against parcels of land within the District and the Improvement Area, as applicable.

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 March 1 and September 1, commencing September 1, 2015 (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 G – “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 surrender of the Bonds at the principal corporate trust office of 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 registered Owners as shown on the Trustee’s books as of the first day of the calendar month of each interest payment date (whether or not such day is a business day) (the “Record Date”) or by wire transfer to an account within the United States of America made on such Interest Payment Date to any Owner of \$1,000,000 or more in an aggregate principal amount of Bonds who shall have requested such transfer pursuant to written notice filed with the Trustee on or before the preceding Record Date. Interest on the Bonds shall 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 it shall bear interest from such Interest Payment Date; (2) a Bond is authenticated on or before the first Record Date, in which event interest thereon shall 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 shall be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date shall be payable 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 for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to such Owner not less than fifteen (15) days prior to such Special Record Date.

Redemption

Optional Redemption. The Bonds maturing on or prior to September 1, 2025, are not subject to optional redemption before maturity. The Bonds maturing on or after September 1, 2026, are subject to redemption in whole or in part, pro rata among maturities and by lot within a maturity, at the option of the Authority from any source of funds deposited into the Redemption Account, and not otherwise allocated, on any date on or after September 1, 2025, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date, without premium.

Special Mandatory Redemption. The Bonds are subject to special mandatory redemption prior to maturity from proceeds received by the Authority as a result of the mandatory redemption of CFD Bonds caused by the prepayment of Special Taxes. The Bonds are subject to redemption in whole or in part, on any March 1 or September 1, beginning September 1, 2015, upon payment of the redemption price thereof (computed upon the principal amount of the Bonds to be redeemed), plus accrued interest to the redemption date as specified below:

Redemption Date	Redemption Price
Any Interest Payment Date through and including March 1, 2023	103%
September 1, 2023 and March 1, 2024	102
September 1, 2024 and March 1, 2025	101
September 1, 2025 and each Interest Payment Date thereafter	100

Selection of Bonds for Redemption. If less than all of the Outstanding Bonds of a maturity are to be redeemed, the Trustee shall 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 shall deem 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.

Purchase of Bonds In Lieu of Redemption. In lieu of the redemption of the Bonds as described above, Revenues on deposit in the Revenue Fund, which are to be transferred to the Redemption Account or moneys on deposit in the Redemption Account may also be used and withdrawn by the Trustee at any time, upon the written request of the Authority, for the purchase of the Bonds at public or private sale as and when and at such prices (which, including brokerage and other charges, shall not be in excess of the principal amount thereof of the Bonds being purchased) as the Authority may in its discretion determine. The principal amount of the Bonds so purchased by the Authority in any twelve-month period ending on July 1 in any year shall be credited towards and shall reduce the principal amount of the Bonds required to be paid on September 1 in such year; *provided* that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said July 1.

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 G) 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. Notice of redemption, containing the information required by the Authority Indenture will be mailed by first-class mail, postage prepaid, by the Trustee at least 30 days but not more than 60 days prior to the redemption date. The Trustee must also give notice of redemption to each of certain Securities Depositories and Information Services specified in the Authority Indenture. The notice of redemption shall state the redemption date, the place or places of redemption, the CUSIP® numbers and bond numbers of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective denominations of the principal amount thereof to be redeemed. Neither the failure of any Bond Owner to receive such notice so mailed nor any defect in the notice so mailed will affect the sufficiency or the validity of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date.

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

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

Effect of Notice of Redemption. If on the date of redemption, moneys for the redemption of the Bonds to be redeemed, together with interest to said date of redemption, shall be held by the Trustee so as to be available therefor on such date of redemption, and, if notice of redemption has been given and not canceled, then, from and after the date of redemption, interest represented by such Bonds shall 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 to be redeemed without liability for interest thereon. All liability of the Authority with respect to such Bonds will cease, terminate and be completely discharged, and the Owners thereof will thereafter be entitled only to payment out of such money or securities deposited with the Trustee for their payment.

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 the District;
- (ii) Redemption of CFD Bonds which cause a special mandatory redemption of the Bonds;
- (iii) Issuance of refunding bonds – pursuant to the Joint Powers Act, the Authority may issue refunding bonds for the purpose of redeeming the Bonds; and
- (iv) Accumulation of investment income in the Bond Fund or the Bond Service 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 his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. The Authority may charge a reasonable sum for each new bond issued upon any exchange and the Trustee will require the Bond Owner requesting a transfer or exchange to pay any tax or other governmental charge required to be paid with respect to a transfer. A new Bond or Bonds of like aggregate principal amount and maturity shall be delivered in exchange for any Bond or Bonds thus surrendered. The Trustee may decline to make such transfers or exchanges (i) during the period selected by the Trustee for the selection of Bonds for redemption or (ii) with respect to any Bond which has been selected for redemption.

The Trustee

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

Book-Entry and DTC

The Depository Trust Company (“DTC”), 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 G – “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 2
Poway Unified School District Public Financing Authority
Special Tax Revenue Refunding Bonds, Series 2015A
Annual Debt Service Schedule

Year Ending (September 1)	Principal	Interest	Total
2015	\$1,855,000	\$1,513,385	\$3,368,385
2016	1,530,000	4,186,300	5,716,300
2017	1,670,000	4,155,700	5,825,700
2018	1,850,000	4,105,600	5,955,600
2019	2,020,000	4,050,100	6,070,100
2020	2,220,000	3,969,300	6,189,300
2021	2,430,000	3,880,500	6,310,500
2022	2,680,000	3,759,000	6,439,000
2023	2,950,000	3,625,000	6,575,000
2024	3,215,000	3,477,500	6,692,500
2025	3,510,000	3,316,750	6,826,750
2026	3,825,000	3,141,250	6,966,250
2027	4,150,000	2,950,000	7,100,000
2028	4,485,000	2,760,000	7,245,000
2029	4,855,000	2,535,750	7,390,750
2030	5,245,000	2,293,000	7,538,000
2031	5,665,000	2,030,750	7,695,750
2032	6,085,000	1,762,500	7,847,500
2033	6,545,000	1,458,250	8,003,250
2034	7,030,000	1,131,000	8,161,000
2035	7,535,000	779,500	8,314,500
2036	8,055,000	402,750	8,457,750
Total	\$89,405,000	\$61,283,885	\$150,688,885

Source: Underwriter.

SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are secured by the Revenues of the Authority and by any other amounts held in any fund or account established pursuant to the Authority Indenture, other than the Program Fund, the Authority Administrative Expense Fund or the Rebate Fund. Revenues will be obtained primarily from all payments received by the Authority pursuant to the CFD Bonds and all investment income with respect to moneys held by the Trustee in the funds and accounts established under the Authority Indenture with respect to the Bonds, other than the Program Fund, the Authority Administrative Expense Fund and the Rebate Fund.

The CFD Bonds are secured by a pledge of and lien on the Special Taxes with respect to the District and the Improvement Area, all as further described herein.

Each series of CFD Bonds are independent obligations and the security for one obligation does not constitute security for the other. The Special Taxes levied to pay debt service on one series of CFD Bonds are not available to pay debt service on any other series of CFD Bonds. The aggregate payments due on each of the CFD Bonds are scheduled to be sufficient, in the aggregate, to pay the principal of, premium, if any, and interest on, the Bonds, as they become due. A default in the payment of any Series of CFD Bonds or insufficient payments from Special Taxes from one Series of CFD Bonds may result in insufficient Revenues with which to pay the principal of and interest on the Bonds when due.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED THEREFOR IN THE AUTHORITY INDENTURE, FROM AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS UNDER THE AUTHORITY INDENTURE OTHER THAN THE PROGRAM FUND, THE AUTHORITY ADMINISTRATIVE EXPENSE FUND AND THE REBATE FUND. THE BONDS ARE NOT A DEBT OF THE DISTRICT, THE SCHOOL DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AUTHORITY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, 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 DISTRICT, 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."

Revenue Fund

Flow of Funds. Subject only to the provisions of the Authority Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues, and any other amounts held in any fund or account established pursuant to the Authority Indenture (excluding the Program Fund (including the Costs of Issuance Account therein), the Authority Administrative Expense Fund and the Rebate Fund), have been pledged by the Authority to secure the full and timely payment of the principal of and interest and premium, if any, of the Bonds in accordance with their terms and the provisions of the Authority Indenture. The Authority is to collect and receive, or cause to be collected and received by the Trustee, all such Revenues, and Revenues collected or received by the Authority, or collected and received by the Trustee on behalf of the Authority, shall be deemed to be held, and to have been collected or received, by the Authority, in trust, and shall be paid to the Trustee as set forth in the Authority Indenture. All Revenues, other than Principal Repayment (which shall be

directly deposited to the Redemption Account), shall be promptly transferred to the Trustee by the Authority and deposited by the Trustee upon receipt thereof in the Revenue Fund established under the Authority Indenture which the Trustee shall maintain and hold in trust. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Authority Indenture.

The Authority shall establish with the Trustee a special fund designated the "Bond Fund" which the Trustee shall maintain and hold in trust. Within the Bond Fund, the Trustee shall establish special accounts designated as the "Principal Account," the "Interest Account" and the "Redemption Account." Such fund and accounts shall be held and maintained as separate and distinct funds and accounts.

On each Interest Payment Date, the Trustee shall transfer Revenues then in the Revenue Fund into the following funds and accounts in the following amounts, and the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required transfer) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

- (a) The Trustee shall transfer to the Interest Account, if necessary, an amount which, together with the amounts then on deposit therein, is sufficient to cause the aggregate amount on deposit in the Interest Account, to equal the amount of interest coming due and payable on the Bonds on such Interest Payment Date and any amounts of interest previously due and unpaid. On any Interest Payment Date on which the amount on deposit in the Revenue Fund is inadequate to make the transfers described in this paragraph (a) as a result of a default in the scheduled payment of principal of and/or interest on a CFD Bond, the Trustee shall immediately notify the Associate Superintendent, Business Support Services of the amount of such payment default.
- (b) The Trustee shall, on each September 1 of each year during the term of the Bonds, transfer to the Principal Account, if necessary, an amount which together with the amounts then on deposit therein, is sufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal coming due and payable on the Bonds on such September 1 and any amount of principal previously due and unpaid. On any September 1 on which the amount on deposit in the Revenue Fund is inadequate to make the transfers described in this paragraph (b) as a result of a default in the scheduled payment of principal of and/or interest on a CFD Bond, the Trustee shall immediately notify the Associate Superintendent, Business Support Services of the amount of such payment default.
- (c) On each Interest Payment Date on which the balance in the Reserve Fund is less than the Reserve Requirement, the Trustee shall transfer to the Reserve Fund an amount sufficient to increase the balance in the Reserve Fund to the Reserve Requirement.
- (d) On any Interest Payment Date on which the amount on deposit in the Revenue Fund is inadequate to make the transfers described in (a) and (b) above as a result of a default in the scheduled payment of principal of and/or interest on the Bonds, the Trustee shall immediately notify the Associate Superintendent, Business Support Services of the amount of such payment default. In the event that the Trustee receives all or any portion of the principal of and/or interest on the Bonds the payment of which is in default, the Trustee shall disburse or transfer such funds in the following order of priority: (i) for deposit in the Reserve Fund such amount as shall be necessary to replenish the amount of any transfers of cash from the Reserve Fund to the Interest Account or the Principal

Account resulting from such payment default; and (ii) for deposit in the Revenue Fund any amount remaining following the transfer required pursuant to (i).

- (e) The Trustee shall transfer to the Rebate Fund an amount, if any, to increase the amount on deposit in the Rebate Fund to the Rebate Requirement as the Authority may direct by Written Certificate.
- (f) The Trustee shall transfer to the Authority Administrative Expense Fund such amount as the Authority may direct by Written Certificate as necessary to pay Authority Administrative Costs.
- (g) On each September 1 after making the transfers and deposits in paragraphs (a) through (f) above, the Trustee shall notify the Authority of any moneys remaining on deposit in the Revenue Fund and shall, in the absence of a written certificate of the Authority directing the Trustee to transfer such moneys from the Revenue Fund in order to conform to the requirements of the Authority Indenture, retain such amounts in the Revenue Fund to be applied as described in paragraphs (a) through (f) above.

Costs of Issuance. Moneys in the Costs of Issuance Account in the Program Fund will be disbursed to pay costs of issuance of the Bonds and the CFD Bonds. Any amounts remaining in the Costs of Issuance Account upon the earlier of (i) payment in full of costs of issuance or (ii) six months after issuance of the Bonds will be transferred to the Authority Revenue Fund.

Authority Rebate Fund. The Authority is required to calculate “Excess Investment Earnings” in accordance with the requirements set forth in the Authority Indenture. The Authority shall calculate and deposit the same into the Authority Rebate Fund to the extent funds are available from any revenues which are legally available for such purpose. The Trustee is then required to use such amounts to make any required rebate payments to the United States Treasury which are necessary for the Authority to comply with the requirements of Section 148(f) of the Code. Moneys in the Authority Rebate Fund are not pledged to the payment of the Bonds.

Reserve Fund

The Authority Indenture provides that a Reserve Fund must be maintained in an amount equal to the Reserve Requirement. The Authority Indenture provides that the Reserve Requirement means, as of the date of calculation, an amount equal to the least of (i) Maximum Annual Debt Service for the Bonds; (ii) 125% of Average Annual Debt Service for the Bonds, or (iii) 10% of the “issue price” (as defined in the Treasury Regulations) of the Bonds; *provided, however*, that the Reserve Requirement shall not exceed the maximum amount then permitted to be funded from the proceeds of tax-exempt obligations under the Code. Initially, the Reserve Requirement is equal to \$8,457,750.

On the Closing Date there shall be deposited in the Reserve Fund proceeds of the Bonds representing the Reserve Requirement as of such date. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture of Trust – Reserve Fund.”

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

The Trustee shall, pursuant to a Written Certificate of the Authority, disburse or transfer from the amount then on deposit in the Reserve Fund on the final maturity date of each series of CFD Bonds, an amount equal to the CFD Bonds Reserve Fund Credit Amount applicable to such series of CFD Bonds, minus the amount, if any, of any transfer previously made necessitated as a result of a deficiency in the scheduled payment of principal of or interest on such series of CFD Bonds which has not previously been reimbursed, and such amount shall be transferred to the Interest Account and the Principal Account as a credit against the payments due on such series of CFD Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on such CFD Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of such CFD Bonds on such date.

Ownership of CFD Bonds

Notwithstanding anything in the Authority Indenture to the contrary, the Authority may cause the Trustee to sell, from time to time, all or a portion of the CFD Bonds (as shall be designated by the Authority at the time) and use the proceeds of such sale to purchase or redeem Outstanding Bonds, *provided* that the Authority shall deliver to the Trustee:

- (1) a certificate from an Independent Accountant or Independent Financial Consultant to the effect that, following the disposition of such CFD Bond(s), the Revenues to be paid to the Trustee (assuming the timely payment of the amounts due thereon with regard to any CFD Bonds not then in default), together with interest and principal due on any Permitted Investments identified in Paragraph 1 of the term “Permitted Investments” pledged to the repayment of the Bonds or the Revenues then on deposit in the Funds and Accounts established thereunder (valuing any Permitted Investments held thereunder at the fair market value thereof), will be sufficient to pay the principal of and interest on the Bonds when due; and
- (2) an opinion of Bond Counsel to the effect that such sale of the CFD Bond(s) is authorized under the provisions of the Authority Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of State or federal income taxation.

Upon compliance with the foregoing conditions, the Trustee shall sell such designated CFD Bonds in accordance with the written request of the Authority and disburse the proceeds of such sale at the direction of the Authority to be applied to the redemption, purchase or defeasance of Bonds or upon the request of the Authority shall deposit such proceeds in the Revenue Fund or Redemption Account to be applied to the redemption, purchase or defeasance of Bonds, as appropriate.

The CFD Bonds

General. The CFD Bonds and the interest thereon are secured and payable primarily from the Special Taxes to be levied and collected on all the real property within the District and the Improvement Area subject to the Special Taxes, including certain net proceeds, if any, of any foreclosure actions brought following a delinquency in the payment of the Special Tax, less the Administrative Expense Requirement (“Net Special Tax Revenues”), and amounts held in certain funds pursuant to the applicable CFD Bond Indenture.

The amount of Special Taxes that the District may levy in the boundaries of the District and in the boundaries of the Improvement Area in any year is strictly limited by the maximum rates approved by the qualified electors within the District at the time of formation of the District and the Improvement Area, including the limitation imposed by Section 53321 of the Act as applied to the District. The District is legally authorized under the Act, and has covenanted in the applicable CFD Bond Indenture, 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 District and the Improvement Area, as applicable, as more particularly described therein. See “THE DISTRICT – Rates and Methods of Apportionment of Special Tax” and APPENDIX B – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX” hereto.

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, the Special Taxes of the District and with respect to the Improvement Area 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 the District. Consequently, the 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 District have approved. See “*Special Taxes*” below. However, Article XIII C of the California Constitution may allow the voters in the 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 CFD Bonds – *Right to Vote on Taxes Act*” and “BOND OWNERS’ RISKS – The CFD Bonds – *Ballot Initiatives and Legislative Measures.*” See “THE DISTRICT – 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 CFD BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE CFD BONDS. THE CFD BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE DISTRICT BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND OTHER AMOUNTS PLEDGED UNDER THE APPLICABLE CFD BOND INDENTURE AS MORE FULLY DESCRIBED HEREIN.

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

The CFD Bonds are secured by, among other things, a pledge of Net Special Tax Revenues. Net Special Tax Revenues include the Special Taxes levied by the District and any prepayments of Special Taxes received by the District with respect to the District and the Improvement Area, as applicable, and net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of Special Taxes, less the Administrative Expense Requirement as established pursuant to the applicable CFD Bond Indenture. Administrative Expenses include the cost of calculation and collection of the Special Taxes in each Fiscal Year and any other costs relating to the CFD Bonds and the Bonds, including the fees and costs of the Fiscal Agent and the Trustee.

The District has covenanted in the applicable CFD Bond Indenture to levy the Special Taxes in each Fiscal Year that the applicable Series of CFD Bonds are outstanding. The Special Taxes are to be apportioned, levied and collected each year according to the applicable Rate and Method approved by the qualified electors of the District and of the Improvement Area, as applicable, including amounts sufficient to cover debt service on the CFD Bonds and to pay Administrative Expenses. See “THE DISTRICT – Rates and Methods of Apportionment of Special Tax.”

The following tables provide information regarding the Fiscal Year 2015-16 Special Tax Levy with respect to the District and the Improvement Area.

Table 3
Poway Unified School District Public Financing Authority
Special Tax Revenue Refunding Bonds, Series 2015A
Combined Fiscal Year 2015-16 Special Tax Levy

CFD No./Improvement Area	Units Levied⁽¹⁾	Special Taxes Levied⁽¹⁾	Fiscal Year 2015-16 Levy as Percent of CFD/Improvement Area Total	Fiscal Year 2015-16 Levy as Percent of Total
<i>CFD No. 14</i>				
Individual Homeowner	1,119	\$3,983,773.06	96.86%	50.55%
Brookfield, LLC	24	113,836.98	2.77	1.44
Standard Pacific Corp.	3	15,242.28	0.37	0.19
Total CFD No. 14	1,146	\$4,112,852.32	100.00%	52.18%
<i>CFD No. 14, Improvement Area A</i>				
Individual Homeowner	1,121	\$3,657,460.64	97.05%	46.41%
Brookfield, LLC	24	97,940.92	2.60	1.24
Standard Pacific Corp.	3	13,297.56	0.35	0.17
	1,148	\$3,768,699.12	100.00%	47.82%
Total⁽²⁾		\$7,881,551.44		100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of January 1, 2015, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Exempt Property and parcels which have prepaid their Special Tax obligation.

⁽²⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 4A
Community Facilities District No. 14
of the Poway Unified School District
Fiscal Year 2015-16 Special Tax Levy

Tax Class	Unit Type	Building Square Feet	Average Per Unit Levy	Units Levied⁽¹⁾	Special Taxes Levied	Fiscal Year 2015-16 Levy as Percent of Total
Individual Homeowner						
1	Detached	< 1,800	\$2,576.55	77	\$198,394.36	4.82%
2	Detached	1,800 - 2,000	2,879.03	153	440,492.08	10.71
3	Detached	2,001 - 2,200	3,378.67	71	239,885.38	5.83
4	Detached	2,201 - 2,400	3,401.33	55	187,073.42	4.55
5	Detached	2,401 - 2,600	3,315.39	111	368,008.34	8.95
6	Detached	2,601 - 2,800	3,553.60	77	273,626.90	6.65
7	Detached	2,801 - 3,000	3,828.82	96	367,566.48	8.94
8	Detached	3,001 - 3,200	4,224.36	115	485,800.98	11.81
9	Detached	3,201 - 3,450	4,966.10	65	322,796.20	7.85
10	Detached	> 3,450	5,098.15	114	581,189.14	14.13
11	Attached	< 1,900	2,447.59	65	159,093.36	3.87
12	Attached	1,900 - 2,100	2,605.74	10	26,057.40	0.63
13	Attached	> 2,100	3,034.45	110	333,789.02	8.12
14	Affordable	NA	0.00	0	0.00	0.00
15	Senior Citizen	NA	0.00	0	0.00	0.00
16	Commercial/Industrial	NA	0.00	0	0.00	0.00
Individual Homeowner Total				1,119	\$3,983,773.06	96.86%
Developer						
1	Detached	< 1,800	NA	0	\$0.00	0.00%
2	Detached	1,800 - 2,000	NA	0	0.00	0.00
3	Detached	2,001 - 2,200	NA	0	0.00	0.00
4	Detached	2,201 - 2,400	NA	0	0.00	0.00
5	Detached	2,401 - 2,600	NA	0	0.00	0.00
6	Detached	2,601 - 2,800	\$3,829.76	6	22,978.54	0.56
7	Detached	2,801 - 3,000	NA	0	0.00	0.00
8	Detached	3,001 - 3,200	NA	0	0.00	0.00
9	Detached	3,201 - 3,450	5,017.01	14	70,238.12	1.71
10	Detached	> 3,450	5,123.23	7	35,862.60	0.87
11	Attached	< 1,900	NA	0	0.00	0.00
12	Attached	1,900 - 2,100	NA	0	0.00	0.00
13	Attached	> 2,100	NA	0	0.00	0.00
14	Affordable	NA	0.00	0	0.00	0.00
15	Senior Citizen	NA	0.00	0	0.00	0.00
16	Commercial/Industrial	NA	0.00	0	0.00	0.00
Developer Total				27	\$129,079.26	3.14%
Undeveloped Total				0	\$0.00	0.00
Total⁽²⁾				1,146	\$4,112,852.32	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of January 1, 2015, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Exempt Property and parcels which have prepaid their Special Tax obligation.

⁽²⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 4B
Community Facilities District No. 14 Improvement Area A
of the Poway Unified School District
Fiscal Year 2015-16 Special Tax Levy

Tax Class	Unit Type	Building Square Feet	Assigned Per Unit Levy	Units Levied ⁽¹⁾	Special Taxes Levied	Fiscal Year 2015-16 Levy as Percent of Total
Individual Homeowner						
1	Detached	< 1,800	\$2,440.42	77	\$187,912.34	4.99%
2	Detached	1,800 - 2,000	2,717.76	153	415,817.28	11.03
3	Detached	2,001 - 2,200	3,064.40	71	217,572.40	5.77
4	Detached	2,201 - 2,400	3,156.86	55	173,627.30	4.61
5	Detached	2,401 - 2,600	3,179.96	111	352,975.56	9.37
6	Detached	2,601 - 2,800	3,295.52	77	253,755.04	6.73
7	Detached	2,801 - 3,000	3,503.50	96	336,336.00	8.92
8	Detached	3,001 - 3,200	3,892.66	116	451,548.56	11.98
9	Detached	3,201 - 3,450	4,316.98	66	284,920.68	7.56
10	Detached	> 3,450	4,432.52	114	505,307.28	13.41
11	Attached	< 1,900	2,186.24	65	142,105.60	3.77
12	Attached	1,900 - 2,100	2,544.42	10	25,444.20	0.68
13	Attached	> 2,100	2,819.44	110	310,138.40	8.23
14	Affordable	NA	0.00	0	0.00	0.00
15	Senior Citizen	NA	0.00	0	0.00	0.00
16	Commercial/Industrial	NA	0.00	0	0.00	0.00
Individual Homeowner Total				1,121	\$3,657,460.64	97.05%
Developer						
1	Detached	< 1,800	\$2,440.42	0	\$0.00	0.00%
2	Detached	1,800 - 2,000	2,717.76	0	0.00	0.00
3	Detached	2,001 - 2,200	3,064.40	0	0.00	0.00
4	Detached	2,201 - 2,400	3,156.86	0	0.00	0.00
5	Detached	2,401 - 2,600	3,179.96	0	0.00	0.00
6	Detached	2,601 - 2,800	3,295.52	6	19,773.12	0.52
7	Detached	2,801 - 3,000	3,503.50	0	0.00	0.00
8	Detached	3,001 - 3,200	3,892.66	0	0.00	0.00
9	Detached	3,201 - 3,450	4,316.98	14	60,437.72	1.60
10	Detached	> 3,450	4,432.52	7	31,027.64	0.82
11	Attached	< 1,900	2,186.24	0	0.00	0.00
12	Attached	1,900 - 2,100	2,544.42	0	0.00	0.00
13	Attached	> 2,100	2,819.44	0	0.00	0.00
14	Affordable	NA	0.00	0	0.00	0.00
15	Senior Citizen	NA	0.00	0	0.00	0.00
16	Commercial/Industrial	NA	0.00	0	0.00	0.00
Developer Total				27	\$111,238.48	2.95%
Undeveloped Total				0	\$0.00	0.00
Total ⁽²⁾				1,148	\$3,768,699.12	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of January 1, 2015, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Exempt Property and parcels which have prepaid their Special Tax obligation.

⁽²⁾ 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 the District and for the Improvement Area. See “BOND OWNERS’ RISKS – The CFD Bonds – *Exempt Properties.*” The annual levy of Special Taxes on each parcel within the District is constrained by the maximum Special Tax rate applicable to such parcel. See “THE DISTRICT – Rates and Methods of Apportionment of Special Tax” and “BOND OWNERS’ RISKS – The CFD Bonds – *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. Generally, the District levies on Developed Property at the applicable Special Tax under the applicable Rate and Method. In any case where the maximum Special Tax for an Assessor’s Parcel of Developed Property of residential property is greater than the Assigned Special Tax, the District would not expect delinquencies to be such as to require a levy at the maximum Special Tax. A portion of the Special Tax Requirement is utilized for acquisition and/or construction of School Facilities. In the event the 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 District, under no circumstances will the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within the District or the Improvement Area, as applicable, by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. 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. See “BOND OWNERS’ RISKS” herein.

The Special Taxes imposed by the District with respect to the District and with respect to the Improvement Area are customarily billed with *ad valorem* property taxes and collected by the County. When received, such Special Taxes will be transferred by the District to the applicable Fiscal Agent and deposited by such Fiscal Agent in the applicable Special Tax Fund with respect to the applicable Series of CFD Bonds to be held as specified in “*Special Tax Fund*” below.

Although the Special Tax, when levied, will constitute a lien on parcels subject to taxation within the District and the Improvement Area, as applicable, it does not constitute a personal indebtedness of the owners of property within the District or Improvement Area, as applicable. There is no assurance that the owners of real property in the 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.

Special Tax Fund. Net Special Tax Revenues include all scheduled payments and prepaid Special Taxes received by the District with respect to the District and the Improvement Area, as applicable, and the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of Special Taxes. As received, the Special Tax Revenues will be deposited in the applicable Special Tax Fund held by the Fiscal Agent.

No later than 10 business days after the District’s receipt of Special Taxes and in any event not later than February 15 and August 15 of each year, the District shall transfer such Special Taxes to the applicable Fiscal Agent for deposit into the Special Tax Fund under the applicable CFD Bond Indenture and (except Special Tax Revenues representing prepayments of Special Taxes) from the applicable Special Tax Fund, the Fiscal Agent shall transfer the amounts equal to the applicable Administrative Expense Requirement received first to the Administrative Expense Fund; next to the Interest Account of the Bond Service Fund an amount such that the aggregate amount on deposit in the Interest Account on each Interest Payment Date and date for redemption of the applicable CFD Bonds equals the amount of interest due or becoming due on such Interest Payment Date or to be paid on the applicable CFD Bonds being redeemed on such date; next, to the Principal Account of the Bond Service Fund, an amount

required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the CFD Bonds coming payable on such Interest Payment Date.

After making the foregoing transfers, the Fiscal Agent for each Series of CFD Bonds shall transfer to the Trustee the amount, if any, necessary to restore the Reserve Fund to the Reserve Requirement but only to the extent that any draw on the Reserve Fund was attributable to a deficiency in the amount of debt service received by the Authority on the CFD Bonds.

On September 2 of each year after making the deposits and transfers required above or after September 2, if funds become available after September 2, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Trustee the District's proportionate share with respect to the District or the Improvement Area, as applicable, of any Excess Authority Rebate Obligation that is or will be due and payable during the Bond Year commencing on such September 2.

On or after September 2 of each year after making the deposits and transfers required under the foregoing or after September 2, if funds become available after September 2, the Fiscal Agent will transfer from the Special Tax Fund to the Administrative Expense Fund and to the Authority Administrative Expense Fund in the priority set forth in the applicable CFD Bond Indenture the amounts specified in such request to pay Administrative Expenses which the District and the Authority reasonably determine will become due and payable during such Bond Year or the costs of which Administrative Expense have previously been incurred and paid by the District from funds other than the Administrative Expense Fund.

With respect to the CFD Bond Indenture relating to the District CFD Bonds, if, on or after September 2 of each year, after making the deposits and transfers required above, moneys remain in the Special Tax Fund, such moneys shall be deemed to be Available Special Tax Revenues as defined in the Joint Acquisition Agreement (the "Joint Acquisition Agreement"), dated as of February 1, 2014, by and among the Authority, the District, a number of other community facilities districts formed by the School District and Zions First National Bank, as fiscal agent thereunder, and shall be transferred to the Joint Acquisition Agreement Fiscal Agent for deposit in the CFD No. 14 Available Special Tax Revenue Account.

With respect to the CFD Bond Indenture relating to the Improvement Area CFD Bonds, if on or after September 2 of each year, after making the deposits and transfers required above, any moneys remain on deposit in the Special Tax Fund, such moneys remaining on deposit in the Special Tax Fund shall remain therein and be used for the purposes specified above, provided, however, that if at any time and from time to time, the District determines, pursuant to the Supplement to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement (the "Supplement to Mitigation Agreement") made and entered into as of January 1, 2006, by and among the School District, the District and Black Mountain Ranch Limited Partnership, as it may be amended or supplemented from time to time, that all or any portion of such moneys constitute the proceeds of Surplus Special Taxes (being, in any Fiscal Year, the amount by which the Annual Special Taxes levied on Developed Property within the Improvement Area exceeds the Minimum Annual Special Tax Requirement (as defined in the Improvement Area Rate and Method) for such Fiscal Year), the District shall, by written instructions executed by an Authorized Representative, direct the Fiscal Agent to transfer that amount constituting Surplus Special Taxes to the 2012 Certificates of Participation Trustee to be utilized to make Rental Payments pursuant to the 2012 Lease Agreement during the term thereof. From and after the termination of the 2012 Lease Agreement or the prepayment of the 2012 Certificates of Participation in full, the District shall, by written instructions executed by an Authorized Representative, direct the Fiscal Agent to transfer that amount constituting Surplus Special Taxes to the District Custodial Account.

To the extent that there are prepaid Special Taxes with respect to the District or the Improvement Area, as applicable, the District shall determine the portion attributable to the applicable CFD Bonds and such amounts shall be used to redeem the applicable CFD Bonds.

Administrative Expense Fund. The Fiscal Agent will receive the transfer of Special Taxes with respect to the District or the Improvement Area, as applicable, from the applicable Special Tax Fund and deposit in the Administrative Expense Fund an amount equal to the Administrative Expense Requirement (i.e. that amount specified by the District as necessary to meet Administrative Expenses until collection of Special Taxes in the next Fiscal Year). Such amounts include a proportionate share of the Authority's administrative expenses relating to the Bonds.

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

The initial annual Administrative Expense Requirement for Fiscal Year 2015-16 under the CFD Bond Indentures is \$60,949.71 with respect to the District CFD Bonds and \$60,949.71 with respect to the Improvement Area CFD Bonds.

Under each CFD Bond Indenture, the Administrative Expense Requirement may increase by 2% of the Administrative Expense Requirement in effect for the preceding fiscal year.

Bond Service Fund. The principal of and interest due on the CFD Bonds until maturity, excluding redemptions of CFD Bonds, shall be paid by the Fiscal Agent from the Principal Account and the Interest Account of the applicable Bond Service Fund, respectively. For the purpose of assuring that the payment of principal and interest on the applicable CFD Bonds will be made when due, after making the transfer to the applicable Administrative Expense Fund, on each March 1 and September 1, the Fiscal Agent will transfer amounts to pay interest and principal of the applicable CFD Bonds from the applicable Special Tax Fund first to the Interest Account and then to the Principal Account as described above in "*Special Tax Fund.*"

Redemption Fund. The Fiscal Agent shall upon receipt of Special Tax Revenues representing Prepayments together with written instructions of the District executed by an Authorized Representative, immediately transfer such Prepayment in the Interest Account of the applicable Bond Service Fund and the Redemption Fund, as applicable, and utilize such funds to pay the interest and premium, if any, on and principal of CFD Bonds to be redeemed pursuant to the applicable CFD Bond Indenture. Following the redemption of any CFD Bonds, if any funds remain in the Redemption Fund, such funds shall be transferred to the Special Tax Fund. Proceeds from the redemption of CFD Bonds will be used by the Authority to redeem the Bonds. See "THE BONDS – Redemption."

District Payment to Authority Rebate Fund. On or after September 2 of each year, the Fiscal Agent will transfer from the applicable Special Tax Fund to the Trustee the District's proportionate share of the Excess Authority Rebate Obligations that is or will be due and payable during the Bond Year commencing on such September 2.

Covenant for Superior Court Foreclosure

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

Under each CFD Bond Indenture, on or before June 1 of each Fiscal Year, the District will review the public records of the County, to determine the amount of Special Taxes actually collected in such Fiscal Year and proceed as follows:

Individual Delinquencies. If the District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of all or a portion of four semi-annual installments of Special Taxes, the District shall, not later than forty-five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this Section and for which the Special Taxes remain delinquent.

Aggregate Delinquencies. If the District determines that it has collected less than 95% of the Special Taxes levied in the such Fiscal Year, then the District shall, not later than forty-five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The District will cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this Section and for which the 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 CFD Bonds – *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 CFD Bonds – *Bankruptcy and Foreclosure Delay.*” If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the 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 CFD Bonds Outstanding.

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

If delinquencies in the payment of Special Taxes exist, there could be a default or delay in payments to the Authority on the applicable Series of CFD Bonds, 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 District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method for the District or the Improvement Area, as applicable, the District may adjust the Special Taxes levied on all property within the District or the Improvement Area, as applicable, in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the applicable

Series of CFD Bonds. There is, however, no assurance that the maximum Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the applicable Series of CFD Bonds by the applicable CFD Bond Indenture.

Authorized Investments

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

Any income realized or loss resulting from such Permitted Investments shall be credited or charged to the fund from which such investment was made.

Additional CFD Bonds

Subject to the satisfaction of the specific conditions set forth in the applicable CFD Bond Indenture, the District may at any time after the issuance and delivery of the CFD Bonds issue Parity Bonds (as defined in the applicable CFD Bond Indenture). The District with respect to the District or with respect to the Improvement Area may issue bonds on a parity with the applicable CFD Bonds for refunding purposes only. Parity Bonds may be issued to refund Outstanding Bonds where the issuance of such Parity Bonds results in a reduction of Annual Debt Service on all outstanding CFD Bonds following the issuance of such Parity Bonds. Parity Bonds will be payable from Net Special Tax Revenues and other amounts deposited in the funds and accounts created under the applicable Supplemental Indenture (other than in the Administrative Expense Fund and any rebate fund that may be established for any Series of Parity Bonds) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the applicable CFD Bond Indenture or under any Supplemental Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – CFD Bond Indentures – Issuance of Parity Bonds.”

No Acceleration

The principal of the Bonds will not be subject to acceleration under the provisions of the Authority Indenture. The principal of the CFD Bonds will not be subject to acceleration under the provisions of the applicable CFD Bond Indenture.

Sale of CFD Bonds

Upon satisfaction of certain conditions set forth in the Authority Indenture, the Trustee, at the direction of the Authority, may sell, from time to time, all or a portion of an issue of CFD Bonds and the proceeds of the sale of such CFD Bonds shall be disbursed to the Authority or, upon the request of the Authority, deposited in the Revenue Fund or Redemption Account to be applied to the redemption, purchase or defeasance of Bonds, as appropriate. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Indenture of Trust – Covenants of the Authority – Sale of CFD Bonds.”

Estimated Schedule of CFD Bonds Debt Service

Table 5 below illustrates that scheduled CFD Bonds debt service provides coverage for the debt service on the Bonds and Table 6 below illustrates the aggregate estimated Net Special Tax Revenues of the District for the debt service on the CFD Bonds. Tables 7A and 7B below illustrate the estimated coverage of CFD Bonds debt service in relation to estimated Net Special Tax Revenues of the District and

the Improvement Area, as applicable. In the event of delinquencies in Special Tax payments received with respect to the District or the Improvement Area, the estimated coverage ratio with respect to the CFD Bonds relating to the District or the Improvement Area will not be achieved. Tables 7A and 7B assume there are no prepayments of any CFD Bonds or Bonds or delinquencies in the payment of Special Taxes. As set forth below in Tables 7A and 7B, the expected debt service coverage from Developed Property on each series of CFD Bonds will be in excess of 129% based on (i) debt service on the CFD Bonds and (ii) Net Special Tax Revenues expected to be available in the District or the Improvement Area, as applicable, on September 2 of each year. See “THE BONDS – Estimated Debt Service Schedule.” See the tables entitled “Special Tax Delinquency History” under “THE DISTRICT – Special Tax Delinquency” herein for information of historical Special Tax delinquencies in the District.

Table 5
Poway Unified School District Public Financing Authority
Scheduled Annual Debt Service on CFD Bonds

Year Ending Sept. 1	District CFD Bonds Debt Service	Improvement Area CFD Bonds Debt Service	Aggregate CFD Bonds Debt Service	Authority Bonds Debt Service	Estimated Debt Service Coverage from CFD Bonds
2015	\$1,680,420.42	\$1,687,964.58	\$3,368,385.00	\$3,368,385.00	100.00%
2016	2,854,650.00	2,861,650.00	5,716,300.00	5,716,300.00	100.00
2017	2,909,350.00	2,916,350.00	5,825,700.00	5,825,700.00	100.00
2018	2,974,300.00	2,981,300.00	5,955,600.00	5,955,600.00	100.00
2019	3,031,550.00	3,038,550.00	6,070,100.00	6,070,100.00	100.00
2020	3,091,150.00	3,098,150.00	6,189,300.00	6,189,300.00	100.00
2021	3,151,750.00	3,158,750.00	6,310,500.00	6,310,500.00	100.00
2022	3,216,000.00	3,223,000.00	6,439,000.00	6,439,000.00	100.00
2023	3,284,000.00	3,291,000.00	6,575,000.00	6,575,000.00	100.00
2024	3,340,250.00	3,352,250.00	6,692,500.00	6,692,500.00	100.00
2025	3,410,000.00	3,416,750.00	6,826,750.00	6,826,750.00	100.00
2026	3,477,250.00	3,489,000.00	6,966,250.00	6,966,250.00	100.00
2027	3,541,750.00	3,558,250.00	7,100,000.00	7,100,000.00	100.00
2028	3,617,000.00	3,628,000.00	7,245,000.00	7,245,000.00	100.00
2029	3,690,000.00	3,700,750.00	7,390,750.00	7,390,750.00	100.00
2030	3,763,750.00	3,774,250.00	7,538,000.00	7,538,000.00	100.00
2031	3,842,750.00	3,853,000.00	7,695,750.00	7,695,750.00	100.00
2032	3,918,750.00	3,928,750.00	7,847,500.00	7,847,500.00	100.00
2033	3,996,750.00	4,006,500.00	8,003,250.00	8,003,250.00	100.00
2034	4,073,250.00	4,087,750.00	8,161,000.00	8,161,000.00	100.00
2035	4,142,750.00	4,171,750.00	8,314,500.00	8,314,500.00	100.00
2036	4,200,000.00	4,257,750.00	8,457,750.00	8,457,750.00	100.00
Total	\$75,207,420.42	\$75,481,464.58	\$150,688,885.00	\$150,688,885.00	100.00%

Source: Dolinka Group, LLC.

Table 6
Poway Unified School District Public Financing Authority
Debt Service Coverage from Net Special Tax Revenues

Year Ending Sept. 1	Net Special Tax Revenues⁽¹⁾	Aggregate CFD Bonds Debt Service	Surplus Special Taxes	Estimated Debt Service Coverage
2015	\$4,831,529.24	\$3,368,385.00	\$1,463,144.24	143.44%
2016	7,759,652.00	5,716,300.00	2,043,352.00	135.75
2017	7,914,845.04	5,825,700.00	2,089,145.04	135.86
2018	8,073,141.94	5,955,600.00	2,117,541.94	135.56
2019	8,234,604.78	6,070,100.00	2,164,504.78	135.66
2020	8,399,296.87	6,189,300.00	2,209,996.87	135.71
2021	8,567,282.81	6,310,500.00	2,256,782.81	135.76
2022	8,738,628.47	6,439,000.00	2,299,628.47	135.71
2023	8,913,401.04	6,575,000.00	2,338,401.04	135.57
2024	9,091,669.06	6,692,500.00	2,399,169.06	135.85
2025	9,273,502.44	6,826,750.00	2,446,752.44	135.84
2026	9,458,972.49	6,966,250.00	2,492,722.49	135.78
2027	9,648,151.94	7,100,000.00	2,548,151.94	135.89
2028	9,841,114.98	7,245,000.00	2,596,114.98	135.83
2029	10,037,937.27	7,390,750.00	2,647,187.27	135.82
2030	10,238,696.02	7,538,000.00	2,700,696.02	135.83
2031	10,443,469.94	7,695,750.00	2,747,719.94	135.70
2032	10,652,339.34	7,847,500.00	2,804,839.34	135.74
2033	10,865,386.13	8,003,250.00	2,862,136.13	135.76
2034	11,082,693.85	8,161,000.00	2,921,693.85	135.80
2035	11,304,347.73	8,314,500.00	2,989,847.73	135.96
2036	11,530,434.68	8,457,750.00	3,072,684.68	136.33
Total	\$204,901,098.06	\$150,688,885.00	\$54,212,213.06	

(1) Total Special Taxes levied less Administrative Expenses and the March 1, 2015 debt service payments on the Prior Special Tax Bonds as provided by the Dolinka Group, LLC.

Source: Dolinka Group, LLC.

Table 7A
Poway Unified School District Public Financing Authority
Scheduled Annual Debt Service Coverage
Community Facilities District No. 14

Year Ending Sept 1	Special Tax Revenue from Individual Homeowners	Less: Administrative Expenses	Net Special Tax Revenue from Individual Homeowners⁽¹⁾	Special Tax Revenues from Builder Owner Units	Net Special Tax Revenues from Developed Property	District CFD Bonds Debt Service	Estimated Coverage from Individual Homeowners	Estimated Coverage from Developed Property
2015 ⁽²⁾	\$2,609,266.62	(\$59,754.63)	\$2,549,511.99	\$28,475.12	\$2,577,987.11	\$1,680,420.42	151.72%	153.41%
2016 ⁽³⁾	3,983,773.06	(60,949.72)	3,922,823.34	129,079.26	4,051,902.60	2,854,650.00	137.42	141.94
2017	4,063,448.52	(62,168.72)	4,001,279.81	131,660.85	4,132,940.65	2,909,350.00	137.53	142.06
2018	4,144,717.49	(63,412.09)	4,081,305.40	134,294.06	4,215,599.46	2,974,300.00	137.22	141.73
2019	4,227,611.84	(64,680.33)	4,162,931.51	136,979.94	4,299,911.45	3,031,550.00	137.32	141.84
2020	4,312,164.08	(65,973.94)	4,246,190.14	139,719.54	4,385,909.68	3,091,150.00	137.37	141.89
2021	4,398,407.36	(67,293.42)	4,331,113.94	142,513.93	4,473,627.88	3,151,750.00	137.42	141.94
2022	4,486,375.51	(68,639.29)	4,417,736.22	145,364.21	4,563,100.43	3,216,000.00	137.37	141.89
2023	4,576,103.02	(70,012.07)	4,506,090.95	148,271.50	4,654,362.44	3,284,000.00	137.21	141.73
2024	4,667,625.08	(71,412.31)	4,596,212.77	151,236.93	4,747,449.69	3,340,250.00	137.60	142.13
2025	4,760,977.58	(72,840.56)	4,688,137.02	154,261.66	4,842,398.68	3,410,000.00	137.48	142.01
2026	4,856,197.13	(74,297.37)	4,781,899.76	157,346.90	4,939,246.66	3,477,250.00	137.52	142.04
2027	4,953,321.07	(75,783.32)	4,877,537.76	160,493.84	5,038,031.59	3,541,750.00	137.72	142.25
2028	5,052,387.49	(77,298.98)	4,975,088.51	163,703.71	5,138,792.22	3,617,000.00	137.55	142.07
2029	5,153,435.24	(78,844.96)	5,074,590.28	166,977.79	5,241,568.07	3,690,000.00	137.52	142.05
2030	5,256,503.95	(80,421.86)	5,176,082.09	170,317.34	5,346,399.43	3,763,750.00	137.52	142.05
2031	5,361,634.03	(82,030.30)	5,279,603.73	173,723.69	5,453,327.42	3,842,750.00	137.39	141.91
2032	5,468,866.71	(83,670.91)	5,385,195.80	177,198.16	5,562,393.97	3,918,750.00	137.42	141.94
2033	5,578,244.04	(85,344.32)	5,492,899.72	180,742.13	5,673,641.85	3,996,750.00	137.43	141.96
2034	5,689,808.92	(87,051.21)	5,602,757.71	184,356.97	5,787,114.68	4,073,250.00	137.55	142.08
2035	5,803,605.10	(88,792.23)	5,714,812.87	188,044.11	5,902,856.98	4,142,750.00	137.95	142.49
2036	5,919,677.20	(90,568.08)	5,829,109.13	191,804.99	6,020,914.12	4,200,000.00	138.79	143.36
						<u>\$75,207,420.42</u>		

⁽¹⁾ Total Special Taxes levied less Administrative Expenses as provided by Dolinka Group, LLC.

⁽²⁾ Less the March 1, 2015 debt service payment on the Prior Special Tax Bonds.

⁽³⁾ The Special Taxes shown here reflect Developed Property as of January 1, 2015, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Exempt Property and two parcels which have prepaid their District Special Tax obligation.

Source: Dolinka Group, LLC.

Table 7B
Poway Unified School District Public Financing Authority
Scheduled Annual Debt Service Coverage
Community Facilities District No. 14 Improvement Area A

Year Ending Sept 1	Special Tax Revenue from Individual Homeowners	Less: Administrative Expenses	Net Special Tax Revenue from Individual Homeowners⁽¹⁾	Special Tax Revenues from Builder Owner Units	Net Special Tax Revenues from Developed Property	Improvement Area CFD Bonds Debt Service	Estimated Coverage from Individual Homeowners	Estimated Coverage from Developed Property
2015 ⁽²⁾	\$2,288,564.32	(\$59,754.63)	\$2,228,809.69	\$24,732.44	\$2,253,542.13	\$1,687,964.58	132.04%	133.51%
2016 ⁽³⁾	3,657,460.64	(60,949.72)	3,596,510.92	111,238.48	3,707,749.40	2,861,650.00	125.68	129.57
2017	3,730,609.85	(62,168.72)	3,668,441.14	113,463.25	3,781,904.39	2,916,350.00	125.79	129.68
2018	3,805,222.05	(63,412.09)	3,741,809.96	115,732.51	3,857,542.47	2,981,300.00	125.51	129.39
2019	3,881,326.49	(64,680.33)	3,816,646.16	118,047.16	3,934,693.32	3,038,550.00	125.61	129.49
2020	3,958,953.02	(65,973.94)	3,892,979.08	120,408.11	4,013,387.19	3,098,150.00	125.65	129.54
2021	4,038,132.08	(67,293.42)	3,970,838.66	122,816.27	4,093,654.93	3,158,750.00	125.71	129.60
2022	4,118,894.72	(68,639.29)	4,050,255.44	125,272.60	4,175,528.03	3,223,000.00	125.67	129.55
2023	4,201,272.62	(70,012.07)	4,131,260.55	127,778.05	4,259,038.59	3,291,000.00	125.53	129.41
2024	4,285,298.07	(71,412.31)	4,213,885.76	130,333.61	4,344,219.37	3,352,250.00	125.70	129.59
2025	4,371,004.03	(72,840.56)	4,298,163.47	132,940.28	4,431,103.75	3,416,750.00	125.80	129.69
2026	4,458,424.11	(74,297.37)	4,384,126.74	135,599.09	4,519,725.83	3,489,000.00	125.66	129.54
2027	4,547,592.59	(75,783.32)	4,471,809.28	138,311.07	4,610,120.34	3,558,250.00	125.67	129.56
2028	4,638,544.45	(77,298.98)	4,561,245.46	141,077.29	4,702,322.75	3,628,000.00	125.72	129.61
2029	4,731,315.33	(78,844.96)	4,652,470.37	143,898.84	4,796,369.21	3,700,750.00	125.72	129.61
2030	4,825,941.64	(80,421.86)	4,745,519.78	146,776.81	4,892,296.59	3,774,250.00	125.73	129.62
2031	4,922,460.47	(82,030.30)	4,840,430.17	149,712.35	4,990,142.52	3,853,000.00	125.63	129.51
2032	5,020,909.68	(83,670.91)	4,937,238.78	152,706.60	5,089,945.37	3,928,750.00	125.67	129.56
2033	5,121,327.88	(85,344.32)	5,035,983.55	155,760.73	5,191,744.28	4,006,500.00	125.70	129.58
2034	5,223,754.43	(87,051.21)	5,136,703.22	158,875.94	5,295,579.17	4,087,750.00	125.66	129.55
2035	5,328,229.52	(88,792.23)	5,239,437.29	162,053.46	5,401,490.75	4,171,750.00	125.59	129.48
2036	5,434,794.11	(90,568.08)	5,344,226.03	165,294.53	5,509,520.56	4,257,750.00	125.52	129.40
						<u>\$75,481,464.58</u>		

⁽¹⁾ Total Special Taxes levied less Administrative Expenses as provided by Dolinka Group, LLC.

⁽²⁾ Less the March 1, 2015 debt service payment on the Prior Special Tax Bonds.

⁽³⁾ The Special Taxes shown here reflect Developed Property as of January 1, 2015, as confirmed by Dolinka Group, LLC, with the City of San Diego.

Source: Dolinka Group, LLC.

Levy of Special Taxes to Applicable Maximum Rates

The ability of the District to make annual debt service payments on its CFD Bonds is strengthened by its ability to levy Special Taxes up to its maximum rates in the event of delinquencies in the District or the Improvement Area, as applicable. Generally, the 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 the District or the Improvement Area, as applicable, in any fiscal year, the District may increase the Special Tax levy with respect to the District or the Improvement Area, as applicable, 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 on the applicable CFD Bonds. There may be little or no difference between the Assigned Special Tax rate and the maximum rates where the property within the District or the Improvement Area, as applicable, is all categorized as Developed Property. In the event the 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 District, under no circumstances will the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within the District or the Improvement Area, as applicable, 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.

The District is only obligated to pay principal and interest on the CFD Bonds it issues with respect to the District or the Improvement Area, as applicable. If Special Taxes with respect to the District are not received in the requisite amount, the Special Tax rate may be escalated only in the District, and not in the Improvement Area. If Special Taxes with respect to the Improvement Area are not received in the requisite amount, the Special Tax rate may be escalated only in the Improvement Area and not in the District. Purchasers of the Bonds should not assume that maximum Special Taxes may be levied in the District and in the Improvement Area 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 DISTRICT – Rates and Methods of Apportionment of Special Tax” and APPENDIX B hereto for a description of the District’s procedures for increasing the amount of Special Tax in the District or the Improvement Area, as applicable, and “BOND OWNERS’ RISKS – The CFD Bonds – Insufficiency of Special Taxes.” In the District and in the Improvement Area, 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 the District to cure delinquencies with respect to such District is not available to cure delinquencies with respect to the other community facilities districts within the School District.

THE DISTRICT

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 the District, adopted a Resolution stating its intent to establish such District, to establish the Improvement Area therein, to authorize the levy of Special Taxes within the boundaries of the District and the Improvement Area, as applicable, (to pay principal of and interest on the CFD Bonds), to fund some of the facilities directly and to incur bonded indebtedness within the District and the Improvement Area.

Following public hearings conducted pursuant to the provisions of the Act, the Board adopted a resolution establishing the District and the Improvement Area therein 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 the District or the Improvement Area, as applicable.

Under the Act, when less than twelve registered voters reside within the proposed boundaries of a community facilities district or an improvement area therein, each landowner of lands located within the boundaries of the proposed community facilities district or improvement area, as applicable, 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 or the improvement area therein.

CFD No. 14. The District 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 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 the District. In connection with the formation of the District, the owners of property within the District requested that the School District form the Improvement Area which is coterminous with the District, and to authorize the issuance of bonds to finance the Infrastructure Improvements in the aggregate principal amount of approximately \$75,000,000, such amount to be payable from special taxes levied pursuant to the Improvement Area Rate and Method with respect to the Improvement Area. See “INTRODUCTION – The District,” “THE FINANCING PLAN,” “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS” and “THE DISTRICT – Direct and Overlapping Debt.”

Location and Description

The District is contiguous and is generally located west of Interstate 15, north of Rancho Peñasquitos, and east of San Dieguito Road, situated off State Route 56 between Interstate 5 and Interstate 15, seven miles from the coast and 20 miles from downtown San Diego. The District lies within the area of the master-planned community known as “Del Sur” and is part of the area known as “Black Mountain Ranch.” The District is anticipated to be built out in Fiscal Year 2015-16 and is comprised of approximately 143.11 net residential acres. As of February 10, 2015, of 1,148 planned units, there were 958 detached units, 60 attached units (duplexes) and 125 condominium units classified as Developed Property and 5 vacant lots with recently issued building permits. Two homeowners have

prepaid their Special Taxes with respect to the District Special Taxes but not the Special Taxes with respect to the Improvement Area. There is also a K-5 school in an area of Black Mountain Ranch referred to herein as the western area of the “North Village.”

Appraisal Report

An appraisal of the taxable properties categorized as Developed Property within the District/Improvement Area (the “Appraisal Report”) was prepared by Stephen G. White, MAI of Fullerton, California (the “Appraiser”) in connection with issuance of the Bonds.

The purpose of the appraisal was to estimate the separate aggregate market values on a mass appraisal basis of the 12 different product types of homes within the District/Improvement Area. The market value reflects the status of completed-sold homes (1,121 homes), completed-unsold homes (6 homes), homes under construction (16 homes) and vacant lots (5). The Appraisal Report is subject to a number of assumptions and limiting conditions. Subject to these assumptions and limiting conditions, as of February 10, 2015, the Appraiser estimated that the aggregate market value of the completed-sold homes, completed-unsold homes, homes under construction and vacation lots within the District was \$900,265,000. The Appraisal includes two completed sold homes for which the District Special Taxes have been prepaid but not Special Taxes with respect to the Improvement Area. See “THE DISTRICT – Estimated Property Values and Estimated Value-to-Lien Ratios,” “THE DISTRICT – Direct and Overlapping Debt” and “BOND OWNERS’ RISKS – The CFD Bonds – *Value-to-Lien Ratios*” herein and APPENDIX C – “APPRAISAL REPORT” appended hereto for further information on the Appraisal Report and for limiting conditions relating to the Appraisal Report.

Appraisal. Subject to the assumptions and limiting conditions, the following sets forth the conclusions of market value in the Appraisal. The homes consist of attached and detached homes.

Table 8
Poway Unified School District Public Financing Authority
Appraisal Report

Merchant Builder which Developed Tract	Tract Name	Current Ownership	No. of Units/Lots	Market Value ⁽¹⁾⁽²⁾
Standard Pacific Homes	Bridgeway	Individual Owners	153	\$99,450,000
Hearthstone Multi-Asset Entity B, L.P./				
William Lyon Homes	Alcala	Individual Owners	83	65,155,000
Davidson Communities	Kensington	Individual Owners	70	57,400,000
Shea Homes	Madeira	Individual Owners	136	98,600,000
Standard Pacific Homes	Cabrillo	Individual Owners	82	65,190,000
Standard Pacific Homes	Cassero	Individual Owners	60	39,600,000
Standard Pacific Homes	Carleton	Individual Owners	70	59,500,000
California West Communities	Valencia	Individual Owners	96	85,920,000
William Lyon Homes	Pasado	Individual Owners	89	63,190,000
Shea Homes	Mandolin	Individual Owners	125	77,500,000
		Individual Owners (105)		
Standard Pacific Homes	Presidio	Builder (3 completed)	108	118,800,000
		Individual Owners (52 ⁽²⁾)		
Laing Luxury Homes/ Davidson		Builder (3 completed; 16 under		
Communities and Brookfield Homes ⁽³⁾	Sentinels	construction; 5 vacant lots)	<u>76</u>	<u>69,960,000</u>
	Total		1,148	\$900,265,000

⁽¹⁾ The market values are based on the Appraisal Report. See “APPENDIX C – Appraisal Report.”

⁽²⁾ The Appraisal includes two completed sold homes for which the District Special Taxes have been prepaid.

⁽³⁾ Laing Luxury Homes built 8 homes, Davidson Communities built 17 homes and Brookfield Homes is building 51 homes.

The market value of \$900,265,000 for the completed-sold homes (1,121 homes), completed-unsold homes (6 homes), homes under construction (16 homes) and vacant lots (5) valued in the Appraisal Report results in an estimated aggregate value-to-lien ratio of 10.07 to 1, calculated with respect to the District CFD Bonds and the Improvement Area CFD Bonds. There is no direct and overlapping tax and assessment debt on the parcels constituting Developed Property in Fiscal Year 2014-15 as of the estimated closing date other than the CFD Bonds. See Tables 9A and 9B and 10A and 10B in the section entitled “ – Estimated Property Values and Estimated Value-to-Lien Ratios” below as of the estimated date of issuance of the Bonds. The value-to-lien ratio of individual parcels will differ from the foregoing aggregate values.

The Authority, the School District and the Underwriter make no representation as to the accuracy or completeness of the Appraisal Report. See APPENDIX C hereto for more information relating to the Appraisal Report.

Estimated Property Values and Estimated Value-to-Lien Ratios

Tables 9A and 9B and 10 below set forth Value-to-Lien category ranges for the parcels subject to the levy of Special Taxes, utilizing the appraised values. The appraised values of the property within the District, which is subject to the levy of Special Taxes in Fiscal Year 2015-16 (excluding Exempt Property (as defined in the applicable Rate and Method) and including two parcels for which District Special Taxes have been prepaid), are set forth below. The appraised values, direct and overlapping debt and total tax burden on individual parcels vary among parcels within the District. (The Fiscal Year 2015-16 assessed values are not available until after July 1, 2015.) The value of individual parcels is significant because in the event of a delinquency in the payment of Special Taxes, the District may foreclose only against delinquent parcels of the District or Improvement Area, as applicable. All information in this section is based on the direct and overlapping debt reports prepared in December 2014, as set forth in the tables below in the Section captioned "Direct and Overlapping Debt."

Table 9A
Poway Unified School District Public Financing Authority
Estimated Average Appraised Value-to-Lien of Parcels
Parcels Constituting Developed Property in Fiscal Year 2015-16

Owner	Number of Parcels	Fiscal Year 2015-16 CFD No. 14 Special Taxes ⁽¹⁾	Fiscal Year 2015-16 Improvement Area Special Taxes ⁽¹⁾	Appraised Value ⁽²⁾	Bonds ⁽³⁾	Additional Land Secured Debt ⁽⁴⁾	Total Lien	Combined Value- to-Lien
Individual Homeowner ⁽⁵⁾	1,121	\$3,983,773.06	\$3,657,460.64	\$881,605,000.00	\$86,682,718.38	\$0.00	\$86,682,718.38	10.17:1
Brookfield, LLC	24	113,836.98	97,940.92	15,360,000.00	2,398,897.22	0.00	2,398,897.22	6.40:1
Standard Pacific Corp.	3	15,242.28	13,297.56	3,300,000.00	323,384.40	0.00	323,384.40	10.20:1
Total⁽⁶⁾	1,148	\$4,112,852.32	\$3,768,699.12	\$900,265,000.00	\$89,405,000.00	\$0.00	\$89,405,000.00	10.07:1

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of January 1, 2015, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Exempt Property and parcels which have prepaid their Special Tax obligation.

⁽²⁾ Source: Appraisal Report dated February 20, 2015.

⁽³⁾ Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2014-15 Special Tax levy.

⁽⁴⁾ Source: Detailed Direct and Overlapping Debt Report provided by National Tax Data, Inc.

⁽⁵⁾ The total number of parcels for individual homeowners for CFD No. 14 subject to the levy of District Special Taxes is 1,119 due to two (2) parcels prepaying their Special Tax obligation.

⁽⁶⁾ Total may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 9B
Poway Unified School District Public Financing Authority
Estimated Average Combined Fiscal Year 2014-15 Appraised Value and Value-to-Lien Ratio of
Parcels Constituting Developed Property in Fiscal Year 2015-16

Value-to-Lien Category	Number of Parcels⁽¹⁾	CFD Bonds⁽²⁾	Appraised Value⁽³⁾	Value-to-Lien Burden Ratio	Fiscal Year 2014-15 Special Tax⁽¹⁾	Percentage Share of Special Tax
20:1 and above	2	\$97,536.74	\$2,100,000.00	21.53:1	\$8,209.64	0.10%
15:1 to 20:1	0	0.00	0.00	N/A	0.00	0.00
10:1 to 15:1	707	52,239,572.79	559,735,000.00	10.71:1	4,603,883.54	58.41
7:1 to 10:1	420	35,121,993.69	327,560,000.00	9.33:1	3,097,669.42	39.30
5:1 to 7:1	15	1,519,983.11	8,910,000.00	5.86:1	134,188.08	1.70
3:1 to 5:1	4	425,913.67	1,960,000.00	4.60:1	37,600.76	0.48
3:1 and below	0	0.00	0.00	N/A	0.00	0.00
Total⁽⁴⁾	1,148	\$89,405,000.00	\$900,265,000.00	10.07:1	\$7,881,551.44	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of January 1, 2015, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Exempt Property and includes two parcels which have prepaid their District Special Tax obligation.

⁽²⁾ There is no direct and overlapping tax and assessment debt on the parcels constituting Developed Property in Fiscal Year 2014-15 as of the estimated closing date other than the CFD Bonds. See “Direct and Overlapping Debt” below for a description of overlapping liens; the combined overlapping liens include the District Bonds and Improvement Area Bonds. Community facilities district debt has been proportionately allocated to all parcels based on the Fiscal Year 2014-15 Special Tax levy.

⁽³⁾ Source: Appraisal Report dated February 20, 2015.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

See “– Direct and Overlapping Debt,” and “BOND OWNERS’ RISKS – The CFD Bonds – Assessed Values and Appraised Values” herein for further information on the assessed values and appraised values and for assumptions and limiting conditions relating to the assessed values and appraised values.

Table 10A
Community Facilities District No. 14
of the Poway Unified School District
Combined Appraised Value and Value-to-Lien Ratio
Based on Fiscal Year 2015-16 Special Tax Levy

Value-to-Lien Category	Number of Parcels⁽¹⁾	District CFD Bonds	Combined Overlapping Liens⁽²⁾	Appraised Value⁽³⁾	Combined Value-to-Lien Burden Ratio	Fiscal Year 2015-16 Special Tax⁽¹⁾	Percentage Share of Special Tax
20:1 and above	0	\$0.00	\$0.00	\$0.00	NA	\$0.00	0.00%
15:1 to 20:1	0	0.00	0.00	0.00	NA	0.00	0.00
10:1 to 15:1	707	25,911,187.30	26,328,385.49	559,735,000.00	10.71:1	2,387,830.76	58.06
7:1 to 10:1	420	17,716,490.42	17,405,503.26	327,560,000.00	9.33:1	1,632,653.12	39.70
5:1 to 7:1	15	782,937.27	737,045.83	8,910,000.00	5.86:1	72,151.14	1.75
3:1 to 5:1	4	219,385.00	206,528.67	1,960,000.00	4.60:1	20,217.30	0.49
3:1 and below	0	0.00	0.00	0.00	NA	0.00	0.00
Total⁽⁴⁾	1,146	\$44,630,000.00	\$44,677,463.26	\$898,165,000.00	10.06:1	\$4,112,852.32	100.00%

(1) The Special Taxes shown here reflect Developed Property as of January 1, 2015, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Exempt Property and two parcels which have prepaid their District Special Tax obligation.

(2) There is no direct and overlapping tax and assessment debt on the parcels constituting Developed Property in Fiscal Year 2014-15 as of the estimated closing date other than the CFD Bonds. See "Direct and Overlapping Debt" below for a description of overlapping liens; the combined overlapping liens include the CFD Bonds. Community facilities district debt has been proportionately allocated to all parcels based on the estimated Fiscal Year 2015-16 Special Tax levy.

(3) Source: Appraisal Report dated February 20, 2015.

(4) Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Table 10B
Community Facilities District No. 14 Improvement Area A
of the Poway Unified School District
Combined Appraised Value and Value-to-Lien Ratio
Based on Fiscal Year 2015-16 Special Tax Levy

Value-to-Lien Category	Number of Parcels⁽¹⁾	Improvement Area CFD Bonds	Combined Overlapping Liens⁽²⁾	Appraised Value⁽³⁾	Combined Value-to-Lien Burden Ratio	Fiscal Year 2015-16 Special Tax⁽¹⁾	Percentage Share of Special Tax
20:1 and above	2	\$97,536.74	\$0.00	\$2,100,000.00	21.53:1	\$8,209.64	0.22%
15:1 to 20:1	0	0.00	0.00	0.00	N/A	0.00	0.00
10:1 to 15:1	707	26,328,385.49	25,911,187.30	559,735,000.00	10.71:1	2,216,052.78	58.80
7:1 to 10:1	420	17,405,503.26	17,716,490.42	327,560,000.00	9.33:1	1,465,016.30	38.87
5:1 to 7:1	15	737,045.83	782,937.27	8,910,000.00	5.86:1	62,036.94	1.65
3:1 to 5:1	4	206,528.67	219,385.00	1,960,000.00	4.60:1	17,383.46	0.46
3:1 and below	0	0.00	0.00	0.00	N/A	0.00	0.00
Total⁽⁴⁾	1,148	\$44,775,000.00	\$44,630,000.00	\$900,265,000.00	10.07:1	\$3,768,699.12	100.00%

⁽¹⁾ The Special Taxes shown here reflect Developed Property as of January 1, 2015, as confirmed by Dolinka Group, LLC, with the City of San Diego. Excludes Exempt Property. No parcels have prepaid their Improvement Area Special Tax obligation.

⁽²⁾ There is no direct and overlapping tax and assessment debt on the parcels constituting Developed Property in Fiscal Year 2014-15 as of the estimated closing date other than the CFD Bonds. See "Direct and Overlapping Debt" below for a description of overlapping liens; the combined overlapping liens include the CFD Bonds. Community facilities district debt has been proportionately allocated to all parcels based on the estimated Fiscal Year 2015-16 Special Tax levy.

⁽³⁾ Source: Appraisal Report dated February 20, 2015.

⁽⁴⁾ Totals may not sum due to rounding.

Source: Dolinka Group, LLC.

Direct and Overlapping Debt

Tables 11A and 11B below set forth the existing authorized indebtedness payable from taxes and assessments that may be levied within the District and the Improvement Area prepared by National Tax Data, Inc. in December 2014 (the “Debt Report”). The Debt Reports are 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 the District increase due to development. The Authority and the District 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 District.

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

Property in the 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 District varies. The tables below indicate the median tax rates for Fiscal Year 2014-15 of 1.94% for detached property and 2.11% for attached property with respect to the District. The tax rate in excess of the standard 1% general purpose *ad valorem* levy is attributable to various public agencies, including, the Metropolitan Water District and San Diego County Water Authority. The portions of these outstanding general obligation bonds allocable to the District are shown in the tables below.

The Authority and the District have not undertaken to commission annual appraisals of the market value of property in such District 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 E – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto.

The overlapping debt reports in Tables 11A and 11B below includes the assessed value of all parcels within the District.

**Table 11A
Community Facilities District No. 14
of the Poway Unified School District
Detailed Direct and Overlapping Debt**

I. Assessed Value

2014-2015 Secured Roll Assessed Value **\$749,337,776**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	965,258	\$4,012,247,357.39	0.18531%	1,155	\$7,435,190.44
Voter Approved Debt	VOTER	965,159	474,601,339.07	0.03349	1,155	158,951.23
County of San Diego Vector Control, Zone A	VECTOR	534,497	1,501,737.60	0.00020	1	3.00
County of San Diego Vector Control, Zone B	VECTOR	362,189	755,644.64	0.34820	1,154	2,631.12
County of San Diego Vector Disease Control	VECTOR	951,239	5,290,230.88	0.11717	1,155	6,198.48
Metropolitan Water District of Southern Calif. Standby Charge	STANDBY	357,689	4,372,368.42	0.32642	1,151	14,272.18
Palomar Pomerado Health GOB 2004	GOB	189,972	15,271,767.30	1.14412	1,155	174,727.83
Poway Unified School District CFD No. 14	CFD	1,269	3,912,336.60	100.00000	1,120	3,912,336.60
Poway Unified School District CFD No. 14 Imp Area A	CFD	1,122	3,591,858.40	100.00000	1,122	3,591,858.40
San Diego County Water Authority Standby Charge	STANDBY	364,602	3,831,676.95	0.32546	1,155	<u>12,470.70</u>
2014-2015 TOTAL PROPERTY TAX LIABILITY						\$15,308,639.98
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2014-2015 ASSESSED VALUATION						2.04%

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	\$48,996,000	100.00000%	1,120	\$48,995,000
Poway Unified School District CFD No. 14 Imp Area A	CFD	51,495,000	49,165,000	100.00000	1,122	<u>49,165,000</u>
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$98,160,000
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$98,160,000

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	\$196,545,000	0.05269%	1,149	\$42,817
Palomar Community College District GOB 2006	GOB	334,998,901	318,573,901	1.22702	1,149	2,425,775
Palomar Pomerado Health GOB 2004	GOB	495,999,997	474,631,554	0.39351	1,149	<u>5,325,895</u>
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$7,794,486
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$7,794,486
TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT						\$105,954,486.01

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

Source: National Tax Data, Inc.

**Table 11B
Community Facilities District No. 14
Improvement Area A
of the Poway Unified School District
Detailed Direct and Overlapping Debt**

I. Assessed Value

2014-2015 Secured Roll Assessed Value **\$749,337,776**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	965,258	\$4,012,247,357.39	0.18531%	1,155	\$7,435,190.44
Voter Approved Debt	VOTER	965,159	474,601,339.07	0.03349	1,155	158,951.23
County of San Diego Vector Control, Zone A	VECTOR	534,497	1,501,737.60	0.00020	1	3.00
County of San Diego Vector Control, Zone B	VECTOR	362,189	755,644.64	0.34820	1,154	2,631.12
County of San Diego Vector Disease Control	VECTOR	951,239	5,290,230.88	0.11717	1,155	6,198.48
Metropolitan Water Distr. of So. Calif. Standby Charge	STANDBY	357,689	4,372,368.42	0.32642	1,151	14,272.18
Palomar Pomerado Health GOB 2004	GOB	189,972	15,271,767.30	1.14412	1,155	174,727.83
Poway Unified School District CFD No. 14	CFD	1,269	3,912,336.60	100.00000	1,120	3,912,336.60
Poway Unified School District CFD No. 14 Imp Area A	CFD	1,122	3,591,858.40	100.00000	1,122	3,591,858.40
San Diego County Water Authority Standby Charge	STANDBY	364,602	3,831,676.95	0.32546	1,155	<u>12,470.70</u>
2014-2015 TOTAL PROPERTY TAX LIABILITY						\$15,308,639.98

TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2014-2015 ASSESSED VALUATION

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	\$48,996,000	100.00000%	1,120	\$48,995,000
Poway Unified School District CFD No. 14 Imp Area A	CFD	\$51,495,000	49,165,000	100.00000	1,122	<u>49,165,000</u>
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$98,160,000

TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)

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	\$196,545,000	0.05269%	1,149	\$42,817
Palomar Community College District GOB 2006	GOB	334,998,901	318,573,901	1.22702	1,149	2,425,775
Palomar Pomerado Health GOB 2004	GOB	495,999,997	474,631,554	0.39351	1,149	<u>5,325,895</u>
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$7,794,486

TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT **\$105,954,486.01**

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

Source: National Tax Data, Inc.

The table below sets forth the Fiscal Year 2014-15 overall tax rates applicable to an Attached Unit of the indicated square footage. The table also sets forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

Table 12A
Community Facilities District No. 14
of the Poway Unified School District
Estimated Fiscal Year 2014-15 Tax Rates
(Single Family Residence Attached Unit Containing 2,206 Building Square Feet)

Assessed Valuations and Property Taxes		
Assessed Value ⁽¹⁾	\$555,328	
Homeowner's Exemption	(7,000)	
<hr/>		
Net Assessed Value ⁽²⁾	\$548,328	
Ad Valorem Property Taxes	Percent of	Amount
General Purposes	1.00000%	\$5,483.27
Ad Valorem Tax Overrides		
Palomar Health 2005A - Debt Service	0.02350%	\$128.86
Palomar Community College Prop 2006A	0.00874	47.92
Palomar Community College Prop 2006B	0.00414	22.70
San Diego City Zoological Exhibits Maintenance	0.00500	27.42
Municipal Water District Debt Service	0.00350	19.19
<hr/>		
Total Ad Valorem Property Taxes	1.04488%	\$5,729.36
Assessments, Special Taxes and Parcel Charges ⁽²⁾		
Mosquito Surveillance		\$2.28
Municipal Water District Standby Charge		11.50
Vector Disease Control		4.10
Clean Water Act (CWA) Water Availability		10.00
Poway Unified School District CFD No. 14		3,198.52
Poway Unified School District CFD No. 14 IA A		2,764.16
<hr/>		
		\$5,990.56
Total Assessments, Special Taxes and Parcel Charges		\$11,719.92
<hr/>		
Total Property Taxes		2.11%

(1) Fiscal Year 2014-15 assessed valuation for a single family attached unit containing 2,206 building square feet, selected to represent the median assessed value for a residential unit within the District and within the Improvement Area.

(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.

The table below sets forth the Fiscal Year 2014-15 overall tax rates applicable to a Detached Unit of the indicated square footage. The table also sets forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

Table 12B
Community Facilities District No. 14
of the Poway Unified School District
Estimated Fiscal Year 2014-15 Tax Rates
(Single Family Residence Detached Unit Containing 2,269 Building Square Feet)

Assessed Valuations and Property Taxes		
Assessed Value ⁽¹⁾	\$690,000	
Homeowner's Exemption	(7,000)	
<hr/>		
Net Assessed Value ⁽²⁾	\$683,000	
Ad Valorem Property Taxes	Percent of	Amount
General Purposes	1.00000%	\$6,829.99
Ad Valorem Tax Overrides		
Palomar Health 2005A - Debt Service	0.02350%	\$160.51
Palomar Community College Prop 2006A	0.00874	59.69
Palomar Community College Prop 2006B	0.00414	28.28
San Diego City Zoological Exhibits Maintenance	0.00500	34.15
Municipal Water District Debt Service	0.00350	23.91
<hr/>		
Total Ad Valorem Property Taxes	1.04488%	\$7,136.53
Assessments, Special Taxes and Parcel Charges ⁽³⁾		
Mosquito Surveillance		\$2.28
Municipal Water District Standby Charge		11.50
Vector Disease Control		5.86
Clean Water Act (CWA) Water Availability		10.00
Poway Unified School District CFD No. 14		3,096.14
Poway Unified School District CFD No. 14 IA A		3,094.96
<hr/>		
		\$6,220.74
Total Assessments, Special Taxes and Parcel Charges		\$13,357.27
<hr/>		
Total Property Taxes		1.94%

(1) Fiscal Year 2014-15 assessed valuation for a single family detached unit containing 2,269 building square feet, selected to represent the median assessed value for a detached residential unit within the District and the Improvement Area.

(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 the District are subject to a variety of standby charges, direct assessments, maintenance assessments, special assessments and service charges.

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

Accordingly, the debt on the property within the District or the Improvement Area, as applicable, 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 the 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 CFD Bonds – *Assessed Values and Appraised Values.*”

Rates and Methods of Apportionment of Special Tax

The Board and the qualified electors of the District adopted and approved the District rate and Method and the Improvement Area Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes for the District and the Improvement Area. 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 the District/Improvement Area, as applicable, is generally to be levied as follows: (i) to pay debt service on the indebtedness of the District or the Improvement Area, as applicable; (ii) for the direct cost of authorized facilities; (iii) for the administrative expenses with respect to the District or the Improvement Area, as applicable, incurred in administration of any bonded indebtedness of the District or the Improvement Area, as applicable, 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 the District or Improvement Area, as applicable, were levied on Developed Property as defined in the applicable Rate and Method with respect to such District. The completed homes have been sold to individual owners and, no single taxpayer’s District Special Tax levy exceeds 2% or Improvement Area Special Tax levy exceeds 3%. Information regarding the Fiscal Year 2014-15 Special Tax levy is set forth above in Tables 2 and 3 in SOURCES OF PAYMENT FOR THE BONDS – “The CFD Bonds – *Special Taxes.*”

District Rate and Method. The Board and the qualified elector of the District adopted and approved the District Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes to pay for School Facilities, as applicable. A copy of the District Rate and Method is included herein in APPENDIX B.

Special Taxes may be levied for a period of 35 Fiscal Years after the last series of bonds has been issued; provided that the Annual Special Taxes shall not be levied after Fiscal Year 2050-51 with respect to the District. Commencing with Fiscal Year, 2015-16, all property within the District which is being taxed is classified as Developed Property.

The amount of Special Taxes estimated to be levied on parcels within the District for Fiscal Year 2015-16 are set forth in Table 3 with the amounts subject to escalation at 2% each year. The District Rate and Method provides that the Special Tax may be levied up to the maximum Special Tax that is applicable to each parcel.

Special Taxes may be prepaid by paying the prepayment amount based on the present value of Special Taxes remaining to be paid. 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 applicable CFD Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Series of CFD Bonds under the terms and conditions set forth in the applicable CFD Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD Bonds – *Redemption Fund.*”

Improvement Area Rate and Method. The Board and the qualified electors of the District adopted and approved the Improvement Area Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes to pay for Infrastructure Improvements, as applicable. A copy of the Improvement Area Rate and Method is included herein in APPENDIX B.

The amount of Special Taxes estimated to be levied on parcels within the Improvement Area for Fiscal Year 2015-16 are set forth in Table 3 with the amounts 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; provided that the Annual Special Taxes shall not be levied after Fiscal Year 2050-51 with respect to the Improvement Area. Commencing with Fiscal Year 2015-16, all property within the Improvement Area which is being taxed is classified as Developed Property.

Special Taxes may be prepaid by paying the prepayment amount based on the present value of Special Taxes remaining to be paid. 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 applicable CFD Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Series of CFD Bonds under the terms and conditions set forth in the applicable CFD Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD Bonds – *Redemption Fund.*”

Special Taxes with may be prepaid by paying an amount calculated based on a proportionate amount of the applicable bonds outstanding plus any applicable redemption premium 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 applicable CFD Bond Indenture. Such funds may be used at any time for the call and redemption of the applicable Series of CFD Bonds under the terms and conditions set forth in the applicable CFD Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD Bonds – *Redemption Fund.*”

Special Tax Delinquency

Under each CFD Bond Indenture, the District has the authority and the obligation to increase the levy of Special Taxes against non-delinquent property owners if other owners in the District or Improvement Area, as applicable, are delinquent. However, the 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 District by more than 10%. Thus, the 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 would result in defaults in the payment of principal and interest on the CFD Bonds, which in turn could result in draws on the Reserve Fund held by the Trustee for the Bonds.

Although the District has covenanted under its respective CFD Bond Indenture 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 the 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 the District from Fiscal Year 2008-09, or such later fiscal year as the levy of Special Taxes commenced, to and including the first installment for Fiscal Year 2014-15.

Table 13A
Community Facilities District No. 14
of the Poway Unified School District
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year					February 9, 2015 ⁽¹⁾			
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
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	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	0	0.00	0.00
2014 ⁽²⁾⁽³⁾	3,475,176.48	3,432,199.22	1,045	20	42,977.26	1.24	4	9,620.35	0.28
2015 ⁽⁴⁾	3,907,971.74	1,930,310.08	1,146	14	23,675.79	1.21	14	23,675.79	1.21

(1) Delinquency information is provided to the School District by the County as of February 9, 2015.

(2) Two (2) Assessor's Parcels prepaid the Special Tax obligation.

(3) Reduction in parcels levied due to the levy on Developed Property only.

(4) Represents First Installment only.

Source: Dolinka Group, LLC.

Table 13B
Community Facilities District No. 14 Improvement Area A
of the Poway Unified School District
Special Tax Delinquency⁽¹⁾ History

Fiscal Year Ending June 30	Subject Fiscal Year						February 9, 2015 ⁽¹⁾		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent ⁽¹⁾	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2009	\$2,933,072.62	\$2,849,291.24	1,025	38	\$83,781.38	2.86%	0	\$0.00	0.00%
2010	3,168,748.60	3,120,500.50	1,079	19	48,248.10	1.52	0	0.00	0.00
2011	2,883,956.56	2,880,065.38	1,079	2	3,891.18	0.13	0	0.00	0.00
2012	2,949,449.54	2,925,967.62	1,079	13	23,481.92	0.80	0	0.00	0.00
2013	3,221,610.96	3,197,527.02	1,148	13	24,083.94	0.75	0	0.00	0.00
2014 ⁽²⁾	3,210,463.32	3,170,850.20	1,047	20	39,613.12	1.23	4	10,073.01	0.31
2015 ⁽³⁾	3,587,976.76	1,772,250.75	1,148	14	21,737.63	1.21	14	21,737.63	1.21

(1) Delinquency information is provided to the School District by the County as of February 9, 2015.

(2) Reduction in parcels levied due to the levy on Developed Property only.

(3) 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 of San Diego 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 the District and of the Improvement Area 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 District 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 District or Improvement Area to pay their Special Taxes when due. Any such failure to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the CFD Bonds 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 District or Improvement Area.

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 Revenues from repayment of the CFD Bonds, amounts on deposit in the Reserve Fund and interest earnings on amounts in the funds and accounts for the Bonds established by

the Authority Indenture. A number of risks that could prevent the District from repaying the CFD Bonds are outlined below.

Limited Liability of the Authority. Except as expressly provided in the Authority 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 to the Owners of the Bonds with respect to the payment when due of the debt service on the CFD Bonds by the District or with respect to the observance or performance by the District of other agreements, conditions, covenants and terms required to be observed or performed by the District under each CFD Bond Indenture, or with respect to the performance by the Trustee of any obligation required to be performed by it under the Authority 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 and the District have 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 Fund. The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement (see “SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund” herein). Funds in the Reserve Fund may be used to pay principal of and interest on the Bonds in the event the proceeds of the CFD Bonds debt service are insufficient due to delinquencies in Special Tax payments. If funds in the Reserve Fund for the Bonds are depleted, the funds can be replenished from the applicable CFD Bonds derived from the levy and collection of the Special Taxes that are in excess of the amount required to pay all amounts to be paid to the owners of the applicable CFD Bonds pursuant to the applicable CFD Bond Indenture. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Taxes against property within the District or Improvement Area, as applicable, at the maximum tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the applicable CFD Bonds.

Loss of Tax Exemption. As discussed under the caption “CONCLUDING INFORMATION – Tax Exemption,” 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 District 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 Authority Indenture and the District has covenanted in each CFD Bond Indenture not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the 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 District 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 provisions of the Authority 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 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 Series 2008 Lease Revenue Bonds (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 Series 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 recent years, legislative changes were proposed in Congress, which, if enacted would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the 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. As discussed in this Official Statement under the caption “CONCLUDING INFORMATION - Tax Exemption,” 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 future acts or omissions of the District in violation of its covenants in the Indenture. Should such an event of taxability occur, the Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

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

Limitations on Remedies. Remedies available to the 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 CFD Bonds – 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 Authority Indenture. Pursuant to the Authority 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 D – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS.”

The CFD Bonds

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 District, 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. For example, in May 2014, wildfires occurred in the San Diego area. The wildfires were in the vicinity of the District but there was no damage other than brush which burned.

Economic Uncertainty. In recent years, there has been local economic uncertainty and volatility. Unemployment rates have decreased to approximately 3.0% for the Poway area as of December, 2014 (not seasonally adjusted) as compared to 4.4% for calendar year 2013 and approximately 5.2% (not seasonally adjusted) for San Diego County as compared to 7.5% for calendar year 2013. The Authority and the District cannot predict future economic conditions or whether or to what extent economic conditions may affect the ability of homeowners to pay Special Taxes or the marketability of the 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 District cannot be predicted.

The CFD Bonds are Limited Obligations of the District. The District has no obligation to pay principal of and interest on the CFD Bonds 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 is the District obligated to advance funds to pay such debt service on the CFD Bonds.

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

Assessed Values and Appraised Values. Prospective purchasers of the Bonds should not assume that the land within the District/Improvement Area could be sold for the assessed or appraised 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 the District or Improvement Area, as applicable. 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.

The Appraisal Report estimates the value of the fee simple interest of certain developed residential property. This value is merely the present opinion of the Appraiser and is qualified by the Appraiser as stated in the Appraisal Report. The Authority and the District have not sought the present

opinion of any other appraiser of the value of the Taxable Property. A different present opinion of such value might be rendered by a different appraiser. In addition, the opinion is a present opinion. It is based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised market value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that if any of the Taxable Property in the District should become delinquent in the payment of Special Taxes of the District or the Improvement Area, and be foreclosed upon, that such property could be sold for the assessed value or the appraised value. See “THE DISTRICT – Estimated Property Values and 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 DISTRICT – 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 the District is pledged to the payment of the CFD Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the CFD Bonds. The CFD Bonds are not general or special obligations of the School District, the State or any political subdivision thereof nor general obligations of the District, but are special obligations of the District, payable solely from Net Special Taxes and the other assets pledged therefor under each CFD Bond Indenture.

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 DISTRICT – 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. The District recorded Notices of Special Tax Lien for the territory included in the District and Improvement Area, as applicable, in the Office of the County Recorder of the County as described in “THE DISTRICT – 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.

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

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

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the CFD Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the 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.

The District is only obligated to pay principal and interest on the CFD Bonds it issues with respect to the District or Improvement Area, as applicable. If Special Taxes with respect to the District are not received in the requisite amount, the Special Tax rate may be escalated only under the District Rate and Method and not under the Improvement Area Rate and Method. If Special Taxes with respect to the Improvement Area are not received in the requisite amount, the Special Tax rate may be escalated only under the Improvement Area Rate and Method and not under the District Rate and Method. Purchasers of the Bonds should not assume that maximum Special Taxes may be levied under both the District Rate and Method and the Improvement Area Rate and Method 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 DISTRICT – Rates and Methods of Apportionment of Special Tax" and APPENDIX B hereto for a description of the District's procedures for increasing the amount of Special Tax in the District and the Improvement Area, as applicable, and "BOND OWNERS' RISKS – The CFD Bonds – Insufficiency of Special Taxes." Under the District Rate and Method and the Improvement Area Rate and Method, 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 the District Rate and Method to cure delinquencies with respect to the District CFD Bonds is not available to cure delinquencies with respect to the Improvement Area CFD Bonds. Any increase in Special Taxes up to the maximum Special Tax with respect to the Improvement Area Rate and Method to cure delinquencies with respect to the Improvement Area CFD Bonds is not available to cure delinquencies with respect to the District CFD 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 District is obligated to follow under each CFD Bond Indenture, in the event of delinquencies in the payment of Special Taxes. See "– *Bankruptcy and Foreclosure Delay*" below, for a discussion of limitations on the 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 the 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 new provision of law, in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for *ad valorem* taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. 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 District or the School District. Potential investors should assume that, under current conditions, it is estimated that a judicial foreclosure of the lien of Special Taxes 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 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 the 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 District are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency on a parcel within the District or the Improvement Area 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 the 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, 2014, the FDIC did not own any of the property in the District or the Improvement Area. The Authority and the District 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 the 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 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 District 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 District. 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 District 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 principal of and interest on the CFD Bonds when due and a default will occur with respect to the payment of such principal and interest.

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 CFD Bonds. See “ – *Right to Vote on Taxes Act*” below.

Maximum Rates. Within the limits of the applicable Rate and Method, the District may adjust the Special Tax levied on all property within the District or the Improvement Area, as applicable, to provide an amount required to pay debt service on its CFD Bonds and other obligations of the 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 the 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 each CFD Bond Indenture. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD Bonds” and “THE DISTRICT – 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 District or the Improvement Area, as applicable, 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.”

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 the District, consisting of the landowners within the boundaries of the District, authorized the 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 the District or Improvement Area, as applicable, 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 the 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 the District or the Improvement Area, as applicable, be paid in a timely manner so that debt service on the CFD Bonds is paid in a timely manner. The District has covenanted in the applicable CFD Bond Indenture under certain conditions to institute foreclosure proceedings against property with delinquent Special Taxes in order to obtain funds to pay debt service on the CFD Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the Authority as the owner of the CFD Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the Board 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.”

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

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

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

Hazardous Substances. While government taxes, assessments, and charges are a common claim against the value of a taxed parcel, other less common claims can occur. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Taxes is a claim with regard to hazardous substances. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or “Superfund Act,” is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) 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 District resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly adversely affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

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 retirement of the CFD Bonds.

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

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

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

Section 53359 of the Act provides that:

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

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

Like its antecedents, the Initiative is likely to undergo both judicial and legislative scrutiny before its impact on the Authority and the District and their respective 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. For example, on August 1, 2014, in *City of San Diego. v. Shapiro*, an Appellate Court ruled that an election held by the City of San Diego to authorize the levying of special taxes on hotels City-wide pursuant to a City ordinance which created a convention center facilities district and which specifically defined the electorate to consist solely of (1) the owners of real property in the City on which a hotel is located, and (2) the lessees of real property owned by a governmental entity on which a hotel is located, was invalid under the California Constitution because such landowners and lessees are neither “qualified electors” of the City for purposes of Articles XIII A, Section 4 of the

California Constitution nor do they comprise a proper “electorate” under Article XIII C, Section 2(d). The Court specifically noted that the decision did not require the Court to consider the distinct question of whether landowner voting to impose special taxes pursuant to Section 53326(b) of the Act is constitutional under Article XIII A, Section 4 and Article XIII C, Section 2(d) in districts that lack sufficient registered voters to conduct an election among registered voters, and thus does not affect the validity of the levy of the Special Taxes by a District. In addition, the provisions of the Act described above that establish time limits for initiating any challenge to the validity of the Special Taxes levied pursuant to the Act or the issuance of Bonds pursuant to the Act described above would provide obstacles to any party which sought to present a legal challenge to the validity of the Special Taxes or the Bonds based on the *City of San Diego v. Shapiro* case. The Authority and the District are not able to predict the outcome of any such examination of the Initiative in relation to community facilities districts formed under the Act.

The District covenants in each CFD Bond Indenture that no modification of the maximum Special Taxes authorized under the Rate and Method shall be approved by the District unless it is confirmed in writing, by an Independent Financial Consultant, that, immediately subsequent to such modifications the amount of the maximum Special Taxes is at least equal to the sum of estimated administrative expenses plus 110% of maximum Annual Debt Service. The District further covenants that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the maximum authorized Special Tax rates, it will, to the extent of available District funds therefore, commence and pursue legal actions to preserve the authority and power of the District to levy Special Taxes pursuant to the applicable Rate and Method.

The foregoing discussion of the Initiative should not be considered an exhaustive or authoritative treatment of the issues. The District does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of the Initiative on the CFD Bonds 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.

CONCLUDING INFORMATION

Tax Exemption

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

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds is based upon certain representations of fact and certifications made by the Authority, the District, the Underwriter and others and is subject to the condition that the Authority and the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations adopted pursuant to the Code (the "Treasury Regulations") that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code and the Treasury Regulations might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the District have covenanted to comply with all such requirements.

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally have limited 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. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 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, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

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

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

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

Absence of Litigation

No litigation is pending or threatened concerning the validity of the Bonds or the CFD Bonds. There is no action, suit or proceeding known by the Authority or the District to be pending at the present time restraining or enjoining the delivery of the Bonds or the CFD Bonds, or in any way contesting or affecting the validity of the Bonds or the CFD Bonds or any proceedings of the Authority or the District taken with respect to the execution thereof. No litigation certificates executed by the Authority and the District will be delivered to the Underwriter simultaneously with the delivery of the Bonds.

No General Obligation of Authority, School District or District

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

Legal Opinion

All proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Best Best & Krieger LLP, San Diego, California, Bond Counsel for the Authority and the District in connection with the Bonds and the CFD Bonds. The unqualified opinion of Bond Counsel approving the validity of the Bonds will be attached to each Bond, and the form of such opinion is attached hereto as APPENDIX F. Bond Counsel's employment is limited to a review of legal procedures required for the approval of the Bonds and the CFD Bonds and to rendering an opinion as to the validity of the Bonds and the CFD Bonds and the exemption of interest on the Bonds from income taxation. 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 District as special counsel to these entities. 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.

No Rating

The Authority has not applied for a rating on the Bonds.

Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, (the "Underwriter") at a purchase price of \$100,826,086.37 (which represents the principal amount of the Bonds of \$89,405,000, plus the net premium of 12,169,853.25 and less the Underwriter's discount of \$748,766.88). 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 Best Best & Krieger LLP, as Bond Counsel, McFarlin & Anderson LLP, as Disclosure Counsel, Fieldman, Rolapp & Associates, Inc., as Financial Advisor, 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. From time to time, Disclosure Counsel represents the Underwriter on matters unrelated to the Bonds. The fees of Dolinka Group, LLC, as Special Tax Consultant, and CFD Administrator, are, in part, contingent upon the issuance of the Bonds. The fees of the Appraiser are not contingent upon 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 District 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 and the School District on behalf of and for the District.

POWAY UNIFIED SCHOOL DISTRICT PUBLIC
FINANCING AUTHORITY AND POWAY UNIFIED
SCHOOL DISTRICT ON BEHALF OF AND FOR
POWAY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 14

By: /s/ Malliga Tholandi
Malliga Tholandi, Associate Superintendent,
Business Support Services of the Poway Unified
School District as Auditor and Treasurer of the
Poway Unified School District Public Financing
Authority and on behalf of and for Community
Facilities District No. 14 of the Poway Unified
School District

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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 TK-12 within an approximately 100 square mile area in the central portion of the County of San Diego (the "County") and includes the City of Poway and portions of the City of San Diego and the County, including the communities of 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz, StoneBridge Estates and Torrey Highlands. The School District currently operates 25 elementary schools (K-5), one K-8 school, six middle schools (6-8), five high schools (9-12) and one continuation high school. The School District's second period report (P-2, the period from July 1 to April 15) of average daily attendance ("ADA") computed in accordance with State law for the 2011-12 academic year was 33,553.02, for the 2012-13 academic year was 34,064.45 and for the 2013-14 academic year was 34,450.65 and for the 2014-15 academic year, is 34,543.66 (estimated). The estimated population within the School District's boundaries was approximately 195,516 as of January 1, 2014. The School District reported 35,196 students enrolled at the California Basic Educational Data System ("CBEDS") for Fiscal Year 2012-13 and 35,498 students enrolled at the CBEDS during Fiscal Year 2013-14. The School District reports 35,629 students enrolled at the CBEDS during Fiscal Year 2014-15.

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 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 2014-15 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**

Fiscal Year	CBEDS Enrollment	District Average Daily Attendance	District Base Revenue Limit
2006-07	32,873	31,817	\$5,527
2007-08	33,283	32,075	5,780
2008-09	33,305	32,366	5,631
2009-10	33,797	32,646	5,202
2010-11	34,135	33,054	5,224
2011-12	34,569	33,553	5,170
2012-13	35,196	34,064	5,227
2013-14	35,498	34,451	N/A ⁽²⁾
2014-15	35,629	34,544 ⁽¹⁾	N/A ⁽²⁾

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

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

Source: California Department of Education and the School District.

Labor Relations

As of May 2014, the School District employed approximately 1,837 certificated professionals and approximately 2,007 classified employees. The professionals, except management and some part-time employees, are represented by the bargaining units as noted below:

**Poway Unified School District
District Employees**

Labor Organization	Approximate Number of Employees In Organization¹	Contract Expiration Date
Poway Federation of Teachers (PFT), Local 2357	1,625	6/30/15
Service Employees International Union	468	6/30/15
Poway Schools Employees Association	1,527	6/30/16

¹Excludes 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 in Fiscal Year 2010-11 was \$9,706,048, in Fiscal Year 2011-12 was \$9,946,792, in Fiscal Year 2012-13 was \$10,601,369 and in Fiscal Year 2013-14 was \$11,213,488. The School District’s contribution to STRS for Fiscal Year 2014-15 is estimated to be \$12,516,377. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The School District also participates in the State of California Public Employees’ Retirement System (“PERS”). This plan covers certificated employees who elect and all classified personnel who are employed 1,000 or more hours per fiscal year. The School District’s contribution to PERS in Fiscal Year 2009-10 was \$5,929,446, in Fiscal Year 2010-11 was \$6,380,309, in Fiscal Year 2011-12 was \$6,432,393, in Fiscal Year 2012-13 was \$7,272,505 and in Fiscal Year 2013-14 was \$7,311,483. The School District’s contribution to PERS for Fiscal Year 2014-15 is estimated to be \$8,060,325.

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 for the Fiscal Year ending June 30, 2013, was \$1,763,725 and for the Fiscal Year ending June 30, 2014 was \$1,617,998. The School District’s contribution for these benefits is estimated to be \$1,434,099 for Fiscal Year 2014-15. 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

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**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 1st 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**

Property Type	Unit Type	One-Time Special Tax
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 Inflation.

**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**

Property Type	Unit Type	Building Square Footage	Assigned Annual Special Tax
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_G = 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

Minimum Taxable Acreage
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
IMPROVEMENT AREA NO. A OF
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 Improvement Area No. A ("IA No. A") 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 IA No. A 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 IA No. A of 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 IA No. A 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 IA No. A of CFD No. 14, and reasonable costs otherwise incurred in order to carry out the authorized purposes of IA No. A 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 IA No. A 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 D.

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

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

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

"City" means the City of San Diego.

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

"County" means the County of San Diego.

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

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

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

"Final 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 IA No. A of CFD No. 14.

"Lot" means an individual legal lot created by a Final Subdivision Map for which a Building Permit for residential construction has been or could be issued. Notwithstanding the foregoing, in the case of an individual legal lot created by such a Final Subdivision Map upon which condominium units are entitled to be developed but for which a condominium plan has not been recorded, the number of Lots allocable to such legal lot for purposes of calculating the Backup Special Tax applicable to such Final Subdivision Map shall equal the number of condominium units which are permitted to be constructed on such legal lot as shown on such Final Subdivision Map.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, that can be levied by IA No. A of 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 IA No. A 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 K.

"Net Taxable Acreage" means the total Acreage of all Taxable Property expected to exist in IA No. A of CFD No. 14 after all Final Subdivision Maps are recorded.

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

"Prepayment Administrative Fees" means any fees or expenses of the School District or IA No. A of 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 G.

"Present Value of Taxes" means for any Assessor's Parcel the present value of (i) the unpaid portion, if any, of the Special Tax applicable to such Assessor's Parcel in the current Fiscal Year and (ii) the Annual Special Taxes expected to be levied on such Assessor's Parcel in each remaining Fiscal Year, as determined by the Board, until the termination date specified in Section J. The discount rate used for this calculation shall be equal to the (i) Bond Yield after Bond issuance or (ii) most recently published Bond Index prior to Bond issuance.

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

"Reserve Fund Credit" means an amount equal to the 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" means any of the special taxes authorized to be levied by IA No. A of 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 IA No. A of 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 K.

SECTION C MAXIMUM SPECIAL TAXES

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property for any Fiscal Year shall be the amount determined by the greater of (i) the application of the Assigned Annual Special Tax or (ii) the application of the Backup Annual Special Tax for a given Final Subdivision Map.

2. Undeveloped Property

The Maximum Special Tax for each Assessor's Parcel classified as Undeveloped Property for any Fiscal Year shall be the amount determined by the application of the Assigned Annual Special Tax.

**SECTION D
ASSIGNED ANNUAL SPECIAL TAXES**

1. Developed Property

The Assigned Annual Special Tax in Fiscal Year 2006-07 for each Assessor's Parcel of Developed Property shall be the amount determined by reference to Table 2 subject to increases as described below.

**TABLE 2
ASSIGNED ANNUAL SPECIAL TAX FOR
DEVELOPED PROPERTY
FISCAL YEAR 2006-07**

Property Type	Unit Type	Building Square Footage	Assigned Annual Special Tax
Residential Property	Detached Unit	< 1,800	\$2,042.05 per Unit
Residential Property	Detached Unit	1,800 – 2,000	\$2,274.10 per Unit
Residential Property	Detached Unit	2,001 – 2,200	\$2,564.16 per Unit
Residential Property	Detached Unit	2,201 – 2,400	\$2,641.51 per Unit
Residential Property	Detached Unit	2,401 – 2,600	\$2,660.85 per Unit
Residential Property	Detached Unit	2,601 – 2,800	\$2,757.54 per Unit
Residential Property	Detached Unit	2,801 – 3,000	\$2,931.58 per Unit
Residential Property	Detached Unit	3,001 – 3,200	\$3,257.22 per Unit
Residential Property	Detached Unit	3,201 – 3,450	\$3,612.26 per Unit
Residential Property	Detached Unit	> 3,450	\$3,708.94 per Unit
Residential Property	Attached Unit	< 1,900	\$1,829.34 per Unit
Residential Property	Attached Unit	1,900 – 2,100	\$2,129.07 per Unit
Residential Property	Attached Unit	> 2,100	\$2,359.19 per Unit
Residential Property	Affordable Unit	NA	\$0.00 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 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 \$25,018.20 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 E
BACKUP ANNUAL SPECIAL TAXES**

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. The Backup Annual Special Tax rate for an Assessor's Parcel of Developed Property within a Final Subdivision Map in Fiscal Year 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 K
- L = Lots in the Final Subdivision Map at the time of calculation

Each July 1, commencing the July 1 first following the initial calculation of the Backup Annual Special Tax rate for an Assessor's Parcel of Developed Property with a Final Subdivision Map, the Backup Annual Special Tax for each Lot within such Final Subdivision Map shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

Notwithstanding the foregoing, if all or any portion of the Final Subdivision Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property in such Final Subdivision Map that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Annual Special Taxes anticipated to apply to the changed or modified area in the Final Subdivision Map prior to the change or modification in the current Fiscal Year.

2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified area in the Final Subdivision Map, as reasonably determined by the Board.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified area of the Final Subdivision Map. Each July 1, commencing the July 1 first following the change or modification to be Final Subdivision Map the amount determined by this Section shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

SECTION F METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 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 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.

An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide IA No. A of 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 IA No. A 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 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 IA No. A 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 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, IA No. A of CFD No. 14 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 2050-2051.

**SECTION K
EXEMPTIONS**

The Board shall classify as Exempt Property (i) Assessor’s Parcels owned by the State of California, Federal or other local governments, (ii) Assessor’s Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor’s Parcels owned by a homeowners' association, (iv) Assessor’s Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor’s Parcels developed or expected to be developed exclusively for non-residential use, including any use directly servicing any non-residential property, such as parking, as reasonably determined by the Board, and (vi) any other Assessor’s Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the Net Taxable Acreage to less than the Minimum Taxable Acreage listed in Table 3 below. Notwithstanding the above, the Board shall not classify an Assessor’s Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than the Minimum Taxable Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Minimum Taxable Acreage will 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

Taxable Acres
123.76 Acres

**SECTION L
APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. In order to be considered sufficient, any notice of appeal must: (i) specifically identify the property by address and Assessor's Parcel Number; (ii) state the amount in dispute and whether it is the whole amount or only a portion of the Special Tax; (iii) state all grounds on which the property owner is disputing the amount or application of the Special Tax, including a reasonably detailed explanation as to why the amount or application of such Special Tax is incorrect; (iv) include all documentation, if any, in support of the claim; and (v) be verified under penalty of perjury by the person who paid the Special Tax or his or her guardian, executor or administrator. A representative(s) of IA No. A 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 M
MANNER OF COLLECTION

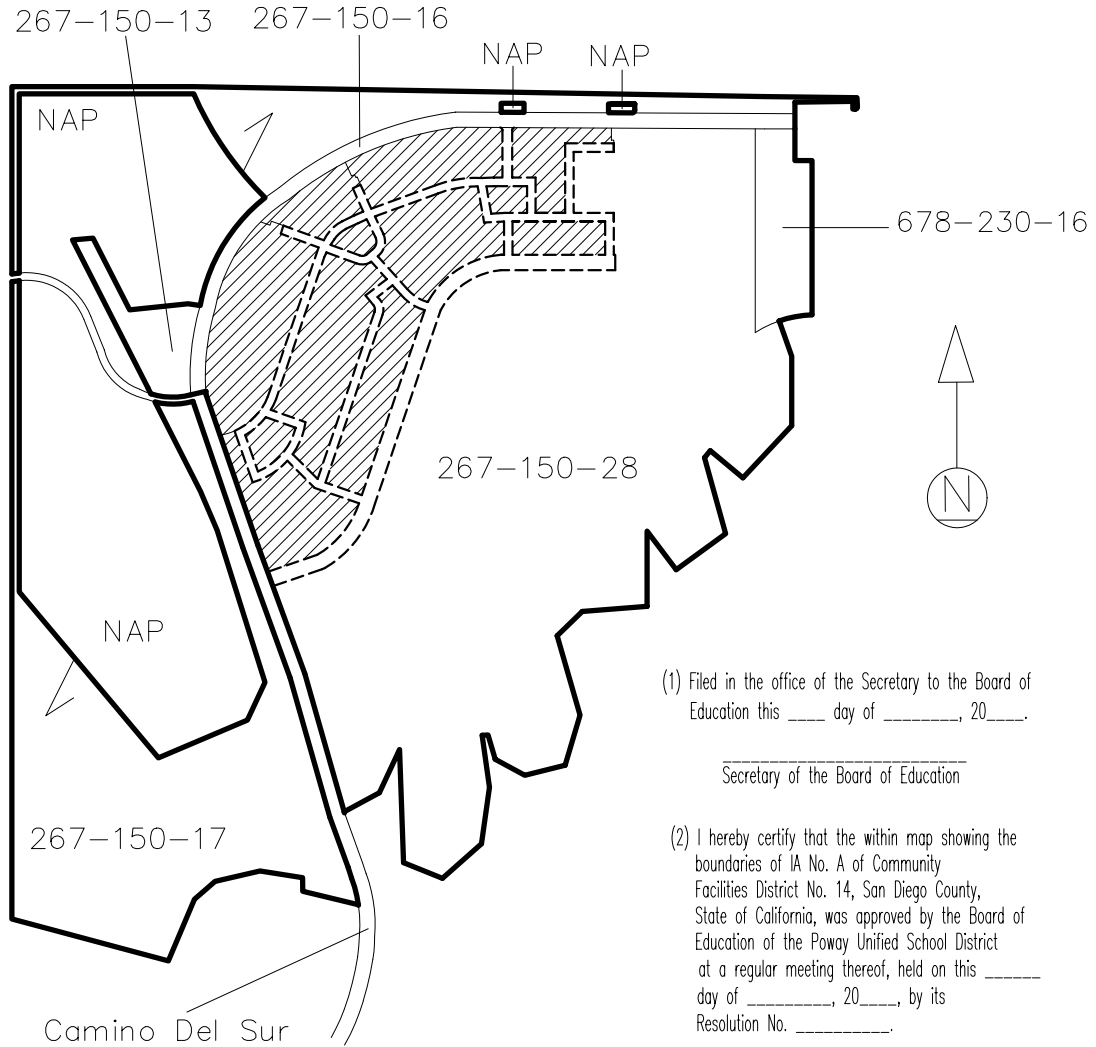
The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that IA No. A of CFD No. 14 may directly bill 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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EXHIBIT A
CFD BOUNDARY MAP

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PROPOSED BOUNDARIES OF
 POWAY UNIFIED SCHOOL DISTRICT
 IMPROVEMENT AREA NO. A OF
 COMMUNITY FACILITIES DISTRICT NO. 14
 SAN DIEGO COUNTY
 STATE OF CALIFORNIA



(1) Filed in the office of the Secretary to the Board of Education this ____ day of _____, 20____.

 Secretary of the Board of Education

(2) I hereby certify that the within map showing the boundaries of IA No. A of Community Facilities District No. 14, San Diego County, State of California, was approved by the Board of Education of the Poway Unified School District at a regular meeting thereof, held on this ____ day of _____, 20____, by its Resolution No. _____.

 Secretary of the Board of Education

(3) Filed this ____ day of _____, 20____, at the hour of ____ o'clock __m, in Book _____ of Maps of Assessment and Community Facilities Districts at page _____ and as Instrument No. _____, in the office of the County Recorder of San Diego County, State of California.

 County Recorder of San Diego County

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.

LEGEND

	Boundaries of IA No. A of Community Facilities District No. 14
	Road Easements (Not a part of IA No. A of CFD No. 14)
	Assessor's Parcel Line
	San Diego County Assessor's Parcel Number
	Not a Part of IA No. A of CFD No. 14
	Exhibit A

EXHIBIT "A"
BOUNDARIES OF
POWAY UNIFIED SCHOOL DISTRICT
IMPROVEMENT AREA NO. A OF
COMMUNITY FACILITIES DISTRICT NO. 14

Assessor's Parcel Numbers*

267-150-20
267-150-21
267-150-22
267-150-23
267-150-24
267-150-25
267-230-01
267-230-02
267-230-03
267-230-04
267-230-05
267-230-06
267-230-07

*Current as of equalized
tax Role of the Assesor of
the County of San Diego
for Fiscal Year 2005-06

APPENDIX C
APPRAISAL REPORT

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APPRAISAL REPORT

COVERING

Poway Unified School District
Community Facilities District No. 14,
(Del Sur)

DATE OF VALUE:

February 10, 2015

SUBMITTED TO:

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

Attn: Sandra G. Burgoyne
Planning Director

DATE OF REPORT:

February 20, 2015

SUBMITTED BY:

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

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Stephen G. White, MAI



Real Estate Appraiser

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

February 20, 2015

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

Re: CFD No. 14 (Del Sur)

Attn: Sandra G. Burgoyne
Planning Director

Dear Ms. Burgoyne:

In accordance with your request and authorization, I have completed an appraisal of the taxable properties within the above-referenced Community Facilities District (CFD). The taxable properties consist of a total of 1,148 Assessor Parcels that comprise 12 different product types of detached and attached homes. There are 10 product types that are built and sold-out, 1 product type which is built-out and nearly sold-out, and 1 product type which is still active with homes under construction and remaining vacant lots.

The purpose of this appraisal is to estimate the separate aggregate market values on a mass appraisal basis of the 12 different product types of homes. It is noted that the appraisal of the 10 built-out/sold-out product types reflects all individually owned completed homes, but the appraisal of the 2 active product types separately considers the completed-sold homes (closed builder sales to individual owners) and the remaining builder ownership consisting of the completed-unsold homes and/or homes under construction and vacant lots.

The appraised values are also allocated to Developed Property (lots for which a building permit had been issued as of May 1, 2014) and Undeveloped Property (lots without a building permit as of May 1, 2014). In addition, this appraisal reflects the existing CFD bond financing which results in the effective tax rates of approximately 1.8% to 2.0% reflecting the average appraised values for each of the separate product types and including special taxes for this CFD and other overlapping debt.


Based on the general inspections of the properties and analysis of matters pertinent to value, the following conclusions of market value have been arrived at, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

<u>Product Type</u>	<u>No.</u> <u>Lots</u>	<u>Developed</u>	<u>Undeveloped</u>	<u>Total</u>
Bridgewalk				
<i>Individual Owners (completed homes):</i>	153	\$99,450,000	\$0	\$99,450,000
Alcala				
<i>Individual Owners (completed homes):</i>	83	\$65,155,000	\$0	\$65,155,000
Kensington				
<i>Individual Owners (completed homes):</i>	70	\$57,400,000	\$0	\$57,400,000
Madeira				
<i>Individual Owners (completed homes):</i>	136	\$98,600,000	\$0	\$98,600,000
Cabrillo				
<i>Individual Owners (completed homes):</i>	82	\$65,190,000	\$0	\$65,190,000
Cassero				
<i>Individual Owners (completed homes):</i>	60	\$39,600,000	\$0	\$39,600,000
Carleton				
<i>Individual Owners (completed homes):</i>	70	\$59,500,000	\$0	\$59,500,000
Valencia				
<i>Individual Owners (completed homes):</i>	96	\$85,920,000	\$0	\$85,920,000
Pasado				
<i>Individual Owners (completed homes):</i>	89	\$63,190,000	\$0	\$63,190,000
Mandolin				
<i>Individual Owners (completed homes):</i>	125	\$77,500,000	\$0	\$77,500,000
Presidio				
<i>Individual Owners (completed-sold homes):</i>	105	\$114,400,000	\$1,100,000	\$115,500,000
<i>Builder Ownership (completed-unsold homes):</i>	<u>3</u>	<u>\$3,300,000</u>	<u>\$0</u>	<u>\$3,300,000</u>
	108	\$117,700,000	\$1,100,000	\$118,800,000
Sentinels				
<i>Individual Owners (completed-sold homes):</i>	52	\$50,400,000	\$4,200,000	\$54,600,000
<i>Builder Ownership (completed-unsold homes):</i>	3	\$3,150,000	\$0	\$3,150,000
<i>Builder Ownership (homes under construction):</i>	16	\$0	\$9,760,000	\$9,760,000
<i>Builder Ownership (vacant lots):</i>	<u>5</u>	<u>\$0</u>	<u>\$2,450,000</u>	<u>\$2,450,000</u>
	76	\$53,550,000	\$16,410,000	\$69,960,000
TOTALS	1,148	\$882,755,000	\$17,510,000	\$900,265,000

(NINE HUNDRED MILLION TWO HUNDRED SIXTY-FIVE THOUSAND DOLLARS)

The following is the balance of this 82-page Appraisal Report which includes the Certification, Assumptions and Limiting Conditions, definitions, property data, exhibits, valuation and market data from which the value conclusions were derived.

Sincerely,



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

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CERTIFICATION

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

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

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



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

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

ASSUMPTIONS AND LIMITING CONDITIONS, Continuing

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

12. Possession of this report, or a copy thereof, does not carry with it the right of publication, unless otherwise authorized. It is understood and agreed that this report will be utilized in the Official Statement, as required for the CFD bond issuance.
13. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
14. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the properties in question unless arrangements have previously been made.

PURPOSE AND INTENDED USE/USER OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the as is condition of the taxable property located within Community Facilities District No. 14 (Del Sur) of the Poway Unified School District, reflecting the existing CFD bond financing. It is intended that this Appraisal Report is to be used by the client and other appropriate parties as part of the refunding CFD bond issuance.

SCOPE OF THE APPRAISAL

It is the intent of this appraisal that all appropriate data considered pertinent in the valuation of the subject properties be collected, confirmed and reported in an Appraisal Report, in conformance with the Uniform Standards of Professional Appraisal Practice and the guidelines of the California Debt and Investment Advisory Commission. The scope of work has included an identification of the appraisal problem to be solved, which in this case is the market value of the taxable subject properties in as is condition as of the date of value of the appraisal; a general inspection of the subject properties and their surroundings; obtaining of pertinent property data on the subject properties, including review of various maps and documents relating to the properties and the existing subdivision and the existing and planned home development; obtaining of comparable home sales and land sales from a variety of sources; analysis of all of the data to the value conclusions; and completion of the Appraisal Report.

DATE OF VALUE

The date of value for this appraisal is February 10, 2015.

PROPERTY RIGHTS APPRAISED

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

DEFINITION OF MARKET VALUE

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

DEFINITION OF FEE SIMPLE INTEREST (ESTATE)

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (The Dictionary of Real Estate Appraisal, Fifth Edition)

DEFINITION OF MASS APPRAISAL

The process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing. (The Dictionary of Real Estate Appraisal, Fifth Edition)

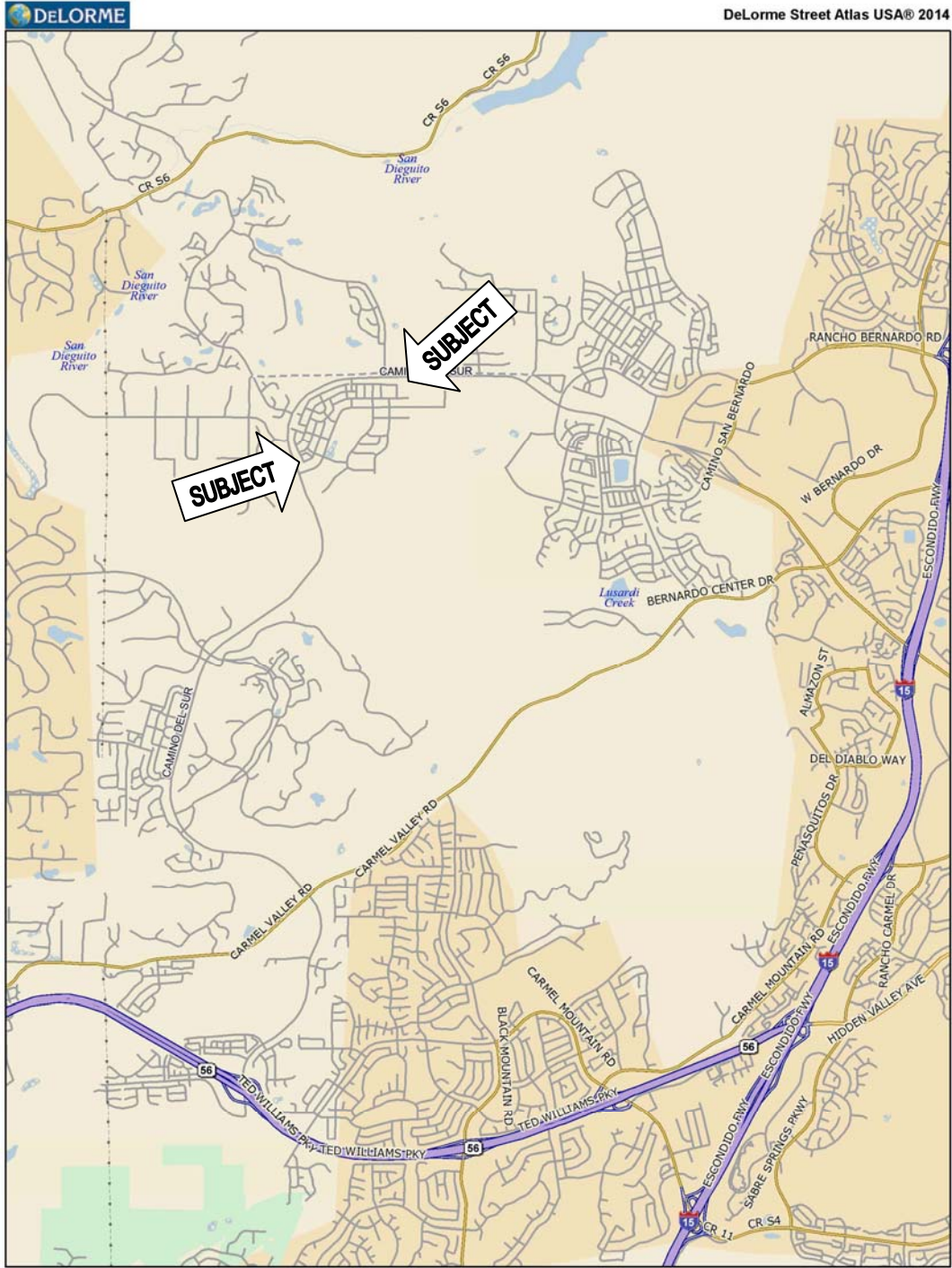
DEFINITION OF FINISHED LOT

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

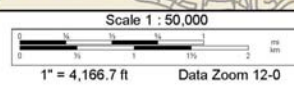
EXPOSURE TIME

This is defined as the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date or date of value of the appraisal. Assuming a reasonable marketing effort and at or reasonably near market value, I have concluded that the exposure time for the completed homes as well as for the homes under construction and the vacant lots would have been within 3 months for a sale to be negotiated, and 1 to 2 more months for the sales of completed homes to close and up to 4 months for the sales of homes under construction and vacant lots to close.

LOCATION MAP



Data use subject to license.
 © DeLorme. DeLorme Street Atlas USA 2014.
 www.delorme.com



GENERAL PROPERTY DATA

LOCATION

The map on the previous page indicates the approximate location of the community of Del Sur, which lies to the south of Camino Del Sur and west of Lone Quail Rd., and on both sides of Camino Del Sur where it curves to the south. This location is at the northerly end of the City of San Diego and about 3 miles west of the 15 Freeway, ± 8 miles inland of the ocean and ± 20 miles north of downtown San Diego. The subject properties consisting of the 12 different product types of homes are located in the west part of Del Sur.

GENERAL AREA DESCRIPTION

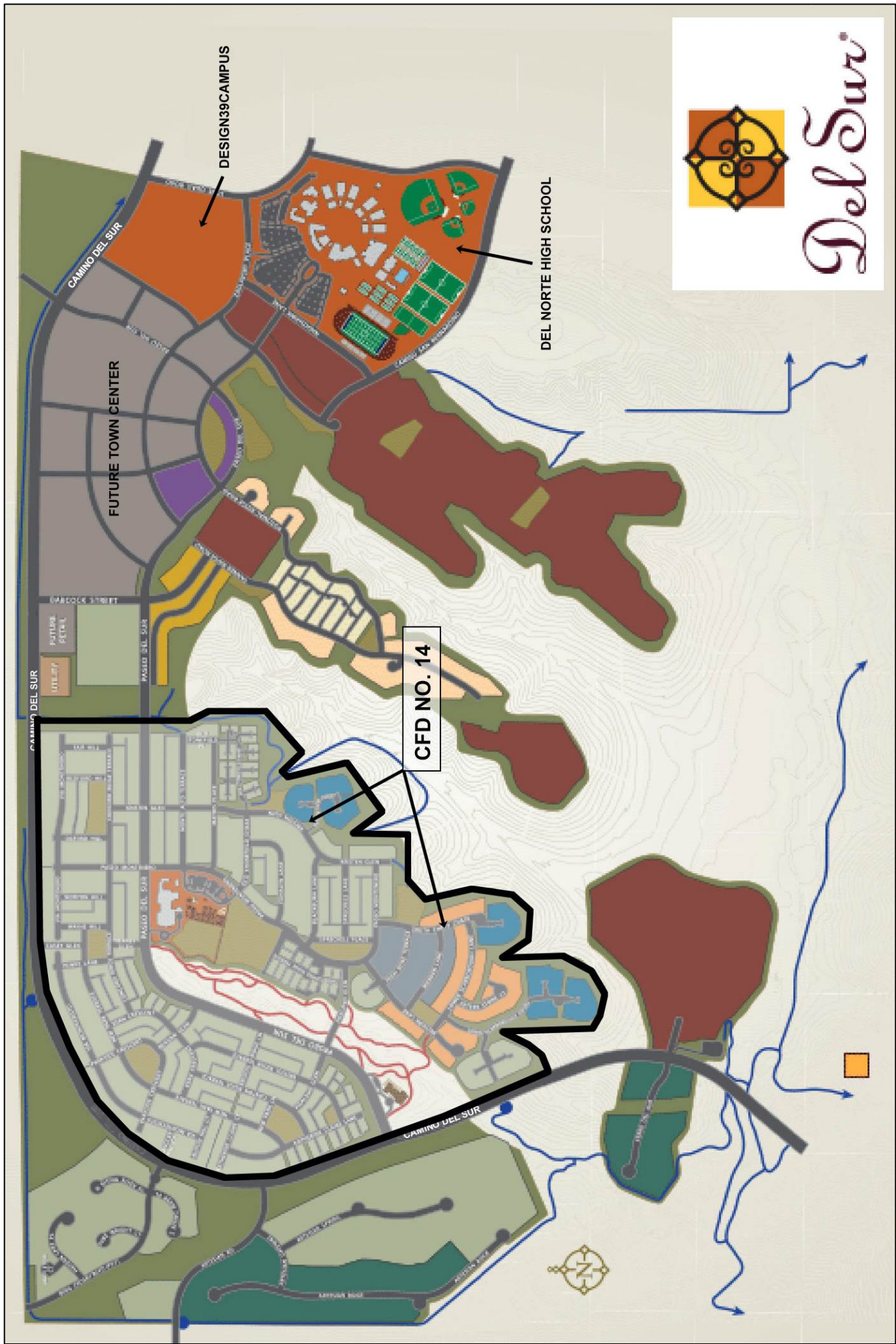
The area to the north of Del Sur is mostly a residential area that also includes much undeveloped-open space land within watercourses and sloping areas up into the hills. To the northwest is the Lakes Above Rancho Santa Fe which is a guard-gated luxury-oriented community of relatively large homes on large lots that lies along the eastern edge of Rancho Santa Fe. This community will include about 360 homes at build-out, and includes the significant amenity of four small lakes with various creeks and waterfalls between the lakes. To the north of the center of Del Sur is the K-12 campus of Maranatha Christian Schools, and to the north/northeast of Del Sur are three gated neighborhoods of estate homes plus much open space.

To the east of Del Sur is Del Norte High School and the community of 4S Ranch. The 4S Ranch community extends north and south from Camino Del Norte (the easterly extension of Camino Del Sur), and is a mixed-use master planned community that contains $\pm 2,900$ acres and is recently built-out with over 4,000 dwelling units and much retail space. It also includes amenities of many parks, much open space, public greens, hiking/biking trails, plus four schools.

To the south of Del Sur is the large area of hilly open space of Black Mountain Ranch and then the community of Santaluz which lies to the south/southwest. It is a private guard-gated community that comprises approximately 4,000 acres, including over 1,000 acres of open space with ridgelines, deep ravines and gentle hillsides. The community will comprise about 900 homes that range up to large estate homes on custom view lots. There is also a golf course in the center of the community, plus an 11-acre village green including community pool, tennis courts and fitness center.

To the west of Del Sur is the Santa Fe Hills area within unincorporated San Diego County, which is a semi-rural residential area with fairly sparse development and much undeveloped land.

Del Sur is a desirable residential community due to its relatively close-in location to central San Diego, the good freeway proximity and arterial road access, much open space, and the availability of schools, shopping and recreational amenities.



OVERVIEW OF DEL SUR

Del Sur comprises the northerly portion and the final phase of development of the 4,677-acre historic Black Mountain Ranch. It is a mixed-use master planned community that will ultimately contain over 2,500 dwelling units ranging from large custom estates to affordable apartments. A Town Center is also planned that will be anchored by a Target store and also offer an assortment of shops, restaurants and professional services. The community is well served with schools including Del Sur Elementary School, Design39Campus (D39C) that opened in August 2014 as a Preschool to 6th grade and will expand to 8th grade by the 2016-2017 school year, and Del Norte High School which overlaps Del Sur and 4S Ranch.

Amenities of the community include neighborhood parks, of which there are currently 9 and ultimately will be 13 at build-out. Each park is different, with features including solar-heated pools, playgrounds, large open lawn areas, central plaza, amphitheater, bocce ball courts and picnic areas. In addition, there are 18 miles of trails that connect the community to the schools and to the 1,000 acres of open space with the additional 4,000 acres of the adjacent Black Mountain Preserve.

The overall Black Mountain Ranch project, of which Del Sur comprises the northerly portion, obtained various development approvals dating back to 1988. The Subarea Plan that included Del Sur was approved by the City Council in 1998. Additional approvals were obtained in 2001, and final "A" tract maps were recorded in 2004. The first development in Del Sur took place in the west part of the community, with the first land sales to merchant builders closing in mid-2005, construction of homes beginning in late 2005 and the first closed sales of completed homes taking place in 2006. The community is at or just over 50% build-out, and final build-out is expected to occur in 2018/2019.

It is noted that the subject properties within CFD No. 14 comprise only the westerly part of Del Sur.

STREETS AND ACCESS

The primary access to Del Sur is by Camino Del Sur which extends across the north side and through the west part of the community. It becomes Camino Del Norte to the east and provides freeway access with an interchange at the 15 Freeway. Camino Del Sur also curves to the south through the west part of the community and provides freeway access with an interchange at the 56 (Ted Williams) Freeway.

Direct access to the subject area off of Camino Del Sur is by Paseo Del Sur at the southwest area and by Casey Glen in the north central area. Paseo Del Sur is the main collector street through the subject area as it extends northeast from Camino Del Sur, and then curves to the east toward the east side of the Del Sur community.

UTILITIES

The utilities for the community are provided as follows:

Water & Sewer:	City of San Diego
Gas & Electric:	San Diego Gas & Electric
Telephone:	AT&T
Cable:	Time Warner

ZONING/GENERAL PLAN/APPROVALS

The zoning designations for the subject properties include RX-1-2 (Residential-Small Lot) which permits attached and detached homes on 3,000 s.f. minimum lots, and RS-1-14 (Residential-Single Unit) which permits single dwelling units on 5,000 s.f. minimum lots.

The land use designations on the Black Mountain Ranch Subarea Plan are Low Residential (2-5 units per acre) for the bulk of the subject properties, and Peripheral Residential (5-10 units per acre) for the most northeasterly area comprising part of the Madeira and Kensington product types.

More specific approvals for the subject developments are by the approved and recorded tract maps as indicated later for each of the product types of homes.

TOPOGRAPHY/VIEWS

This westerly part of Del Sur is gently undulating and generally sloping/terracing down to the south. There are also several valley or canyon areas which extend north-south into the community and also separating this part of Del Sur with the easterly area. The result is territorial views of nearby hills or lower residential areas to homes which are around the easterly and southerly perimeter of the community, and open space/valley/canyon views to homes which back to these areas.

DRAINAGE/FLOOD HAZARD

Drainage is within master-planned facilities that have been constructed throughout the community and the area drainage is generally to the south/southwest. Per FEMA Flood Insurance Rate Map No. 060295-06073C1070G dated 5/16/12, all of the subject properties are within Zone X which indicates areas determined to be outside of the 100-year flood plain, and outside of the Special Flood Hazard Area.

SOIL/GEOLOGIC/SEISMIC CONDITIONS

This appraisal has assumed that all necessary grading and compacting has been properly completed by the master developer and the builders, and that there are no abnormal soil or geologic conditions that would affect the subject homes. It is also noted that the subject properties are not within an Earthquake Study zone.

ENVIRONMENTAL CONDITIONS

An Environmental Impact Report (EIR) on Black Mountain Ranch Subarea I was certified in 1998, and Addendums to this report have subsequently also been certified. It is noted that the Black Mountain Ranch North Village project was included in the approved negotiated project list of the City's Multiple Species Conservation Plan Subarea Plan. Thus, the requirement for the Multiple Species Conservation Program has been satisfied. In addition, all other required environmental issues were studied and mitigated as part of the approvals for development of the Del Sur community.

TITLE REPORTS

Preliminary title reports by Chicago Title Company dated in 2005 and covering many of the subject properties were previously reviewed. Exceptions to title included a bond issued May 30, 2003 for Facilities Benefits Assessment Lien for the City of San Diego; various documents pertaining to the Development Agreement, Assignment/Assumption/Release Agreements, Covenants Running with Land, and the School Impact Mitigation Agreement; a pending assessment for Improvement Area No. A of CFD No. 14 of the Poway Unified School District recorded December 29, 2005 with the Notice of Special Tax Lien recorded February 1, 2006; a pending assessment for Black Mountain Ranch Facilities Benefit Assessment Plat No. 4092 recorded May 30, 2003; various CC&R's; and various easements for purposes of utilities.

These easements are fairly typical for a master-planned community such as the subject, and this appraisal has assumed that there are no exceptions to title which would affect the subject homes.

RESIDENTIAL MARKET OVERVIEW

The San Diego County residential market experienced a "cooling off" period in 2014 after the double-digit price gains of 2013 which were driven by investor demand and banks clearing out distressed properties. The 18% price increase seen throughout the County in 2013 (peaking at 24.1% for the month of June) was no longer sustainable as foreclosures declined 31% and short sales were down from 17.1% in 2013 to 7.1% in 2014, providing fewer opportunities for investors to turn a quick profit.

No longer in stiff competition with investors, consumers were the largest driver of the residential market in 2014. These buyers were constrained by the traditional factors of employment, wages, supply, demand and interest rates. While home prices increased significantly in 2013, the average salary in the County rose just 2% from 2013 to 2014. Inventory constraints also put a damper on the market during 2014, with an average of just 4½ months of inventory of existing homes available during the typical month in 2014 according to the San Diego Association of Realtors. Experts indicate that a 6 month inventory is a more healthy/balanced market. These

RESIDENTIAL MARKET OVERVIEW, Continuing

factors resulted in a more modest annual price gain of 8.3% across the County in 2014 and a 10% reduction in overall transactions, the first such decline since 2011.

These statistics are mirrored more specifically in the subject community of Del Sur. According to Multiple Listing Service records, of the 83 resales during 2013, a total of 9 sales were short sales and 2 were lender sales. In addition, the average sale price was \$669,235 for an average home size of 2,306 s.f. In contrast, of the 71 closed resales during 2014, only 2 were short sales and there were no lender sales. The average sale price during 2014 was 8% higher at \$722,366 and for a slightly smaller average home size of 2,286 s.f.

It is anticipated that 2015 will be a year of steady growth for the San Diego County residential market, with the California Association of Realtors predicting prices will grow by 5.2% statewide. Prospective homebuyers are motivated by the historically low interest rates that have been decreasing recently, and an upward movement in rates could spur many would-be buyers to enter the market. It is also expected that rising equity and home prices will create more sellers in the marketplace providing for greater inventory and a better balance between buyers and sellers. Brokers with listings in the Del Sur community report good buyer activity and indicate that well-priced listings are once again seeing multiple offers.

Jonathan Smoke, chief economist for Realtor.com, places San Diego on a short list of markets where demand has outpaced supply, noting “that very tight supply condition puts it in a market that has next to zero chance of seeing prices decline”. Jed Kolko, chief economist for Trulia, is also bullish on the San Diego market, listing it as one of the nation’s top 10 markets to watch this year. He notes that San Diego has “strong fundamentals for the housing market without the risk that prices look overvalued” and “conditions are ripe for a strong year without much downside risk”.

HIGHEST AND BEST USE

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

In terms of legal permissibility, residential development is permitted by the zoning and subarea plan, as well as by the tract map approvals. In terms of physical possibility, the lots were all graded to fairly flat buildable pads with all necessary

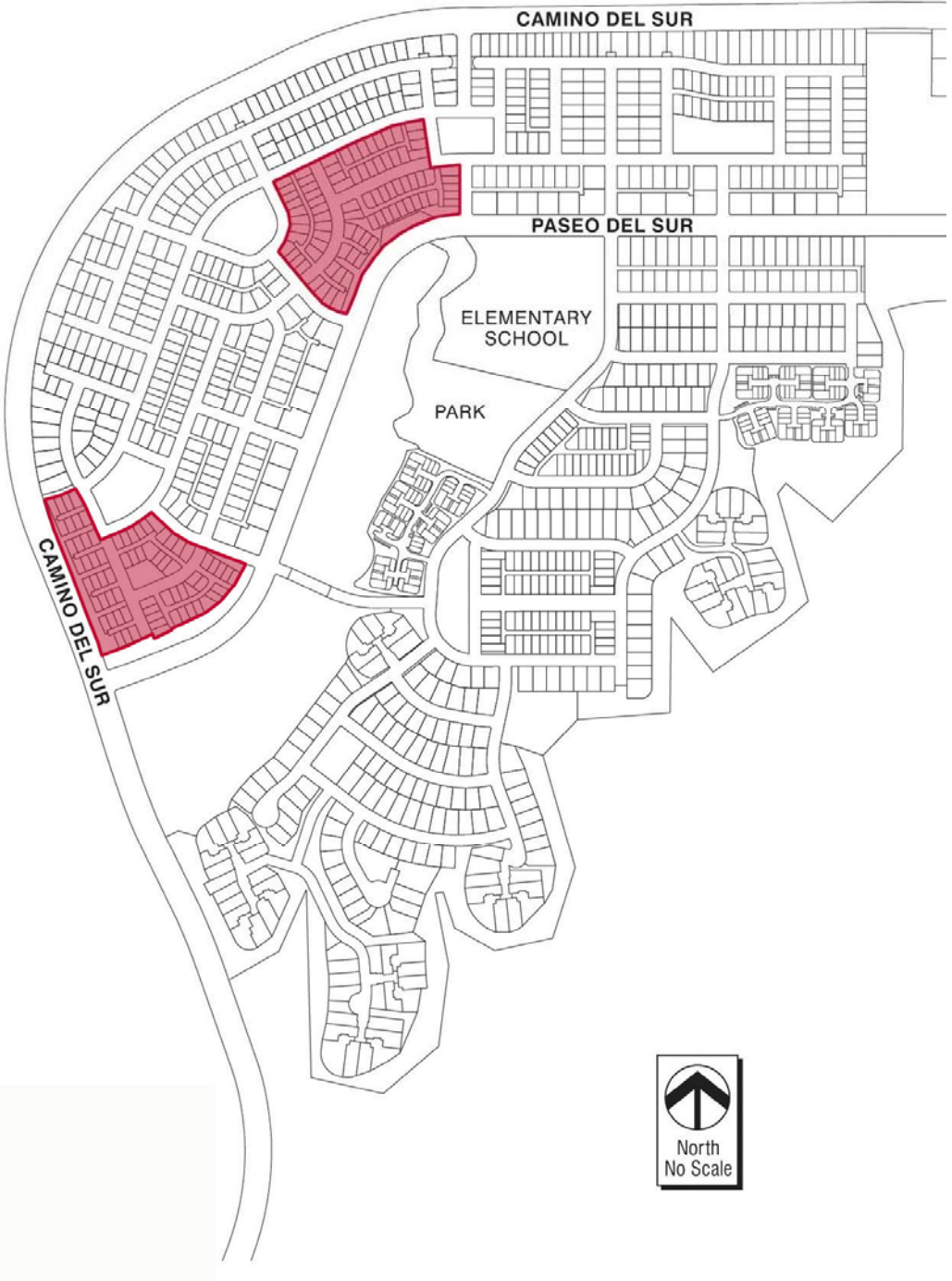
HIGHEST AND BEST USE, Continuing

infrastructure completed to all lots in order to allow for the construction of the homes.

In terms of the financial feasibility, as previously discussed in the Residential Market Overview, the current residential market conditions for San Diego County and the Del Sur community have strengthened over the past several years with continued good sales activity and more modest price increases in 2014. The market for Del Sur continues to indicate that there is reasonably good demand for new homes at the appropriate price points and with relatively good absorption. This is evidenced by the recent and/or current builder sales activity for the homes in the subject Presidio and Sentinels product types, as well as for the new homes in the east part of Del Sur. In addition, there has been much recent resale activity in most of the subject product types. In terms of the maximum productivity, this is represented by the homes that have been or are still being built on the subject lots, with an appropriate array of home sizes.

In summary, the highest and best use is concluded to be as improved for the completed homes and as planned for the homes currently under construction and for the remaining vacant lots.

MAP OF BRIDGEWALK



BRIDGEWALK

PROPERTY DATA

Location

The southerly area of this product type is located at the northeasterly corner of Camino Del Sur and Paseo Del Sur, extending northeasterly to Haaland Glen, and the northerly area is located along the northwest side of Paseo Del Sur extending from Reagan Glen northeast to Tierney Glen.

Record Owner/Ownership History

Standard Pacific Corp. (known by the builder name of Standard Pacific Homes) acquired the vacant lots for this product type from Black Mountain Ranch LLC, with the first phase of lots closing in May 2005 and subsequent takedowns closing thereafter. The homes were subsequently built and sold to individual owners with the original closings taking place from September 2006 through April 2012.

Legal Description

This product type comprises Lots 1 to 31 and 211 to 248 of Black Mountain Ranch North Village Unit No. 1D, Map No. 15095; and Lots 87 to 170 of Black Mountain Ranch North Village Unit No. 2D, Map No. 15150.

Assessor Data-2014/15

This product type comprises Assessor Parcel Nos. 267-232-01 to 84 and 267-330-01 to 69. The current assessed values range from \$476,000 to \$654,500 or an average of \$578,903. The tax rate area is 08-050, with an indicated tax rate of 1.04488%, but the effective tax rate is $\pm 1.9\%$ based on the average appraised value and including the special taxes for the CFD and other overlapping debt.

No. of Lots/Lot Sizes

This product type comprises a total of 153 lots. The lots are a minimum size of 2,450 s.f., or approximately 35' by 70', and the actual lot sizes range from 2,450 s.f. to 4,720 s.f. or an average of 3,058 s.f.

Description of Homes

These 153 lots were developed from 2006 through early 2012 by Standard Pacific Homes with a product type of homes called Bridgewalk at Del Sur. There are three floor plans and per builder information they are described as follows:

Plan 1 (Laurel): 1,702-1,730 s.f., two-story, with 3 bedrooms, 2½ baths, living room, dining room and a 2-car garage with work space.

PROPERTY DATA, Continuing

Plan 2 (Spruce): 1,930 s.f., two-story, with 3 bedrooms, 2½ baths, tech center, living room, dining room, upstairs deck and a 2-car garage with work space.

Plan 3 (Quince): 1,969 s.f., two-story, with 4 bedrooms, 2½ baths, living room, dining room and a 2-car garage with shop space; optional loft in lieu of bedroom 4 and optional master retreat in lieu of bedroom 2.

Per building permit data, the 153 homes range in size from 1,698 s.f. to 1,961 s.f. or an average of 1,877 s.f. (Note: All 153 lots are categorized as Developed Property.)

VALUATION

Method of Analysis

The analysis of these homes is of the aggregate value and on a mass appraisal basis by means of the Sales Comparison Approach. Primary consideration is given to the most recent sales of the subject homes over the past year. Secondary consideration is given to recent sales of homes in other fairly similar product types in Del Sur in terms of average home sizes.

Analysis of 153 Completed-Sold Homes

There have been 16 closed sales of the subject product type that have taken place since January 2014 and are shown in the following table:

VALUATION, Continuing

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	15497 Bristol Ridge Terr.	1/3/14	\$644,000	1,961	2007	2,605	Former model; good cond.; upgraded
2	8464 Kern Crescent	1/15/14	\$625,000	1,930	2008	3,528	Good condition; some upgrades
3	8345 Katherine Claire Ln.	3/12/14	\$590,000	1,698	2006	2,883	N/A
4	8442 Kern Crescent	3/26/14	\$655,000	1,930	2008	3,562	Good condition; upgraded
5	15675 Concord Ridge Terr.	5/16/14	\$665,000	1,930	2011	3,239	Good condition; well upgraded
6	8355 Katherine Claire Ln.	5/23/14	\$635,000	1,711	2006	2,762	Some upgrades; solar
7	8359 Katherine Claire Ln.	6/27/14	\$665,000	1,961	2006	2,883	Good condition; some upgrades; solar
8	15481 Canton Ridge	7/2/14	\$625,000	1,730	2006	2,605	N/A
9	15485 Bristol Ridge Terr.	7/8/14	\$615,000	1,730	2007	2,783	Short sale; some upgrades
10	8395 Katherine Claire Ln.	8/11/14	\$669,000	1,930	2007	2,840	Good condition; upgraded
11	15687 Concord Ridge	9/18/14	\$640,000	1,930	2011	2,613	Good condition; some upgrades
12	8477 Kern Crescent	9/25/14	\$680,000	1,930	2010	4,373	Good condition; well upgraded
13	16034 Penny Ln.	10/1/14	\$665,000	1,930	2010	4,054	Good condition; upgrades
14	8361 Parkside Crescent	10/3/14	\$680,000	1,961	2008	3,912	Good condition; well upgraded
15	15686 Concord Ridge	12/26/14	\$645,000	1,930	2010	3,044	Good condition; some upgrades; solar
16	8402 Katherine Claire Ln.	12/31/14	<u>\$690,000</u>	<u>1,961</u>	2006	2,850	Good condition; some upgrades
			±\$649,000	1,885			(Avg.)

It is noted that the average home size of 1,885 s.f. is slightly larger than the average of 1,877 s.f. for all 153 homes. However, it is also noted that Data No. 9 was a short sale and indicated the lowest price by \$10,000 to \$20,000 for the three sales of Plan 1 homes. Considering also that many of the sales took place 6 months to just over a year ago and the pricing trend has been at least slightly up over the past year, the indication at \$649,000 tends to support a close but firm lower limit indication of average value at current date for all 153 homes.

As discussed later in this report, the sales of the Mandolin product type homes indicated an average price of \$596,000 for an average home size of 1,902 s.f. While this average size is slightly larger than the average of 1,877 s.f. for the subject Bridgeway homes, the Mandolin product type is inferior due to being attached townhomes. Thus, the indication at \$596,000 supports a far lower limit indication as an average for the subject homes.

VALUATION, Continuing

Also as discussed later in this report, the sales of the Madeira product type homes indicated an average price of \$721,000 for an average home size of 2,095 s.f., or \$344.15 per s.f. Considering the larger average home size as well as the larger lot sizes that average near 4,500 s.f., the indication at \$721,000 supports a far upper limit indication as an average for the subject homes. However, due to the larger average size which typically results in a lower price per s.f., the indication at \$344.15 per s.f. tends to support a firm lower limit indication as an average for the subject homes as follows:

$$1,877 \text{ s.f. avg. @ } \$344.15/\text{s.f.} = \$646,000$$

Lastly and also as discussed later in this report, the sales of the Pasado product type homes indicated an average price of \$716,000 for an average home size of 2,234 s.f., or \$320.50 per s.f. Considering the larger average home size as well as the slightly larger lot sizes that average near 3,600 s.f., the indication at \$716,000 supports a far upper limit indication as an average for the subject homes, and due to the larger average size the indication at \$320.50 per s.f. supports a firm lower limit indication as an average for the subject homes as follows:

$$1,877 \text{ s.f. avg. @ } \$320.50/\text{s.f.} = \$602,000$$

In summary, as an average value for the subject homes, the analysis of the data supports a far lower limit indication at \$596,000, firm lower limit indications at \$602,000 and \$646,000, a close but firm lower limit indication at \$649,000, and far upper limit indications at \$716,000 and \$721,000. The conclusion is an average value of \$650,000 for the 153 completed homes.

Conclusion of Value

Based on the foregoing, the total value indication for the Bridgewalk product type is calculated as follows:

$$153 \text{ homes @ } \$650,000 = \$99,450,000$$

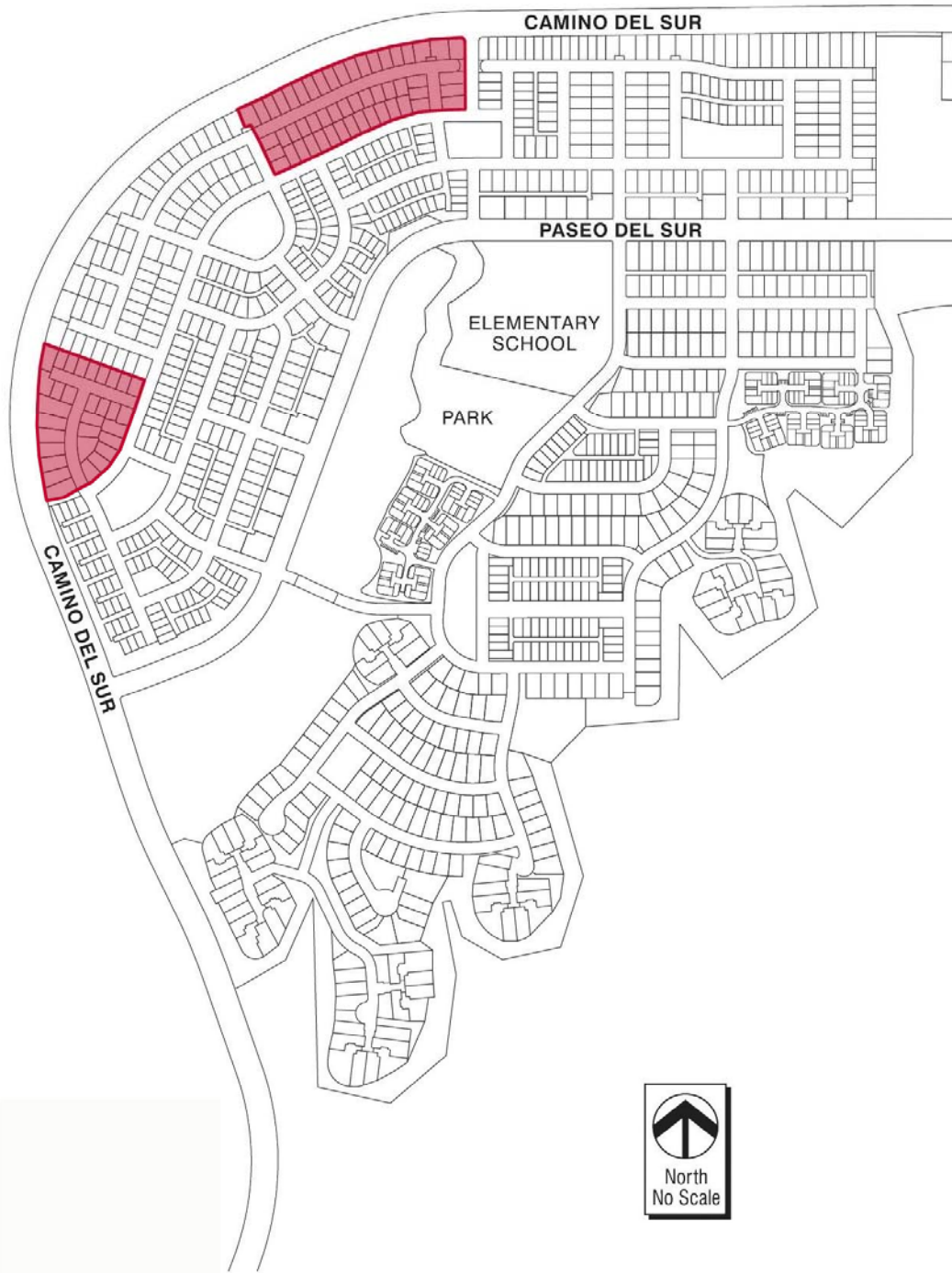
Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the subject Bridgewalk product type, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

\$99,450,000

(NINETY-NINE MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS)

As previously indicated, the entire value is allocated to individual owners and categorized as Developed Property.

MAP OF ALCALA



ALCALA

PROPERTY DATA

Location

The southerly area of this product type is located on the northwest side of New Park Terrace and Katherine Claire Ln., and the northerly area is located at the southwest corner of Camino Del Sur and Casey Glen, extending southerly to New Park Terrace.

Record Owner/Ownership History

Hearthstone Multi-Asset Entity B, L.P. (acting as a land bank for William Lyon Homes) acquired the vacant lots for this product type from Black Mountain Ranch LLC in May 2005. The homes were subsequently built and sold to individual owners with the original closings taking place from June 2006 through May 2008.

Legal Description

This product type comprises Lots 32 to 62 of Black Mountain Ranch North Village Unit No. 1E, Map No. 15082; and Lots 13 to 34 and 171 to 200 of Black Mountain Ranch North Village Unit No. 2E, Map No. 15123.

Assessor Data-2014/15

This product type comprises Assessor Parcel Nos. 267-280-01 to 31 and 267-290-01 to 52. The current assessed values range from \$499,255 to \$790,000 or an average of \$702,947. The tax rate area is 08-050, with an indicated tax rate of 1.04488%, but the effective tax rate is $\pm 1.9\%$ based on the average appraised value and including the special taxes for the CFD and other overlapping debt.

No. of Lots/Lot Sizes

This product type comprises a total of 83 lots. The lots are described as a minimum size of 4,000 s.f. ($\pm 50'$ minimum width), with actual sizes ranging from 4,112 s.f. to 12,361 s.f., or an average of 5,578 s.f.

Description of Homes

These 83 lots were developed in 2006 to 2008 by William Lyon Homes with a product type of homes called Alcala at Del Sur. There are three floor plans and per builder information they are described as follows:

Plan 1 (Barona): 2,463-2,504 s.f., two story, with 4 bedrooms, 2½ baths, living room, dining room, nook, family room, upstairs deck and a 2-car garage with options of loft, retreat and office.

PROPERTY DATA, Continuing

Plan 2 (Mariner): 2,460-2,473 s.f., two story, with 4 bedrooms, library, parlor, great room, dining room, covered patio and a 2-car garage with optional loft in lieu of bedroom 4.

Plan 3 (Serra): 2,593-2,613 s.f., two story, with 4 bedrooms, 3 baths, living room, formal dining room, super family room, nook, upstairs deck and a 2-car garage with options of office and bedroom 5.

Per building permit data, the 83 homes range in size from 2,460 s.f. to 2,613 s.f. or an average of 2,518 s.f. (Note: All 83 lots are categorized as Developed Property.)

VALUATION

Method of Analysis

This is similar to the previous analysis.

Analysis of 83 Completed Homes

There have been 5 closed sales of the subject product type that have taken place since January 2014 plus 1 current escrow, all of which are shown as follows:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	8259 Katherine Claire Ln.	4/2/14	\$800,000	2,423	2007	9,100	Good condition; upgraded; large lot
2	8280 Katherine Claire Ln.	4/18/14	\$750,000	2,478	2006	4,420	Vacant/clean; upgrades
3	16066 Penny Ln.	7/18/14	\$812,000	2,460	2007	5,275	Good condition; upgrades; solar
4	15699 Via Montecristo	10/22/14	\$787,500	2,460	2007	4,408	Good condition; upgrades; solar
5	15695 Via Montecristo	12/16/14	\$749,000	2,475	2007	4,408	Good condition; some upgrades
6	15482 New Park Terr.	Escrow	<u>±\$799,000</u>	<u>2,428</u>	2006	5,827	Former model; well upgraded
			±\$783,000	2,454			(Avg.)

It is noted that the average home size of 2,454 s.f. is smaller than the average of 2,518 s.f. for all 83 homes. In addition, 3 of the 6 sales took place over 6 months ago. Thus, the indication at \$783,000 supports a close but firm lower limit indication as an average value for all 83 homes, and the indication at \$319.07 per s.f. supports a close but firm upper limit indication as follows:

$$2,518 \text{ s.f. avg. @ } \$319.07/\text{s.f.} = \$803,000$$

As discussed later in this report, the sales of the Madeira product type homes indicated an average price of \$721,000 for an average home size of 2,095 s.f., or \$344.15 per s.f. Considering the smaller average home size as well as the smaller lot

VALUATION, Continuing

sizes that average near 4,500 s.f., the indication at \$721,000 supports a far lower limit indication as an average for the subject homes. However, due to the smaller average home size which results in a higher price per s.f., the indication at \$344.15 per s.f. supports a far upper limit indication as an average for the subject homes as follows:

$$2,518 \text{ s.f. avg. @ } \$344.15/\text{s.f.} = \$867,000$$

Also as discussed later in this report, the sales of the Cabrillo product type homes indicated an average price of \$793,000 for an average home size of 2,774 s.f., or \$285.87 per s.f. Considering the larger average home size but the fairly similar lot sizes that average near 6,000 s.f., the indication at \$793,000 supports a firm upper limit indication as an average for the subject homes, and conversely the indication at \$285.87 per s.f. supports a firm lower limit indication as follows:

$$2,518 \text{ s.f. avg. @ } \$285.87/\text{s.f.} = \$720,000$$

Lastly and as discussed next in this report, the sales of the Kensington product type homes indicated an average price of \$814,000 for an average home size of 2,891 s.f., or \$281.56 per s.f. Considering the much larger average home size though fairly similar lot sizes that average near 6,000 s.f., the indication at \$814,000 supports a far upper limit indication as an average for the subject homes, and conversely the indication at \$281.56 per s.f. supports a far lower limit indication as follows:

$$2,518 \text{ s.f. avg. @ } \$281.56/\text{s.f.} = \$709,000$$

In summary, as an average value for the subject homes, the analysis of the data supports firm to far lower limit indications from \$709,000 to \$721,000, a close but firm lower limit indication at \$783,000, firm upper limit indications at \$793,000 and \$803,000, and far upper limit indications at \$814,000 and \$867,000. The conclusion is an average value of \$785,000 for the 83 completed homes.

Conclusion of Value

Based on the foregoing, the total value indication for the Alcala product type is calculated as follows:

$$83 \text{ homes @ } \$785,000 = \$65,155,000$$

VALUATION, Continuing

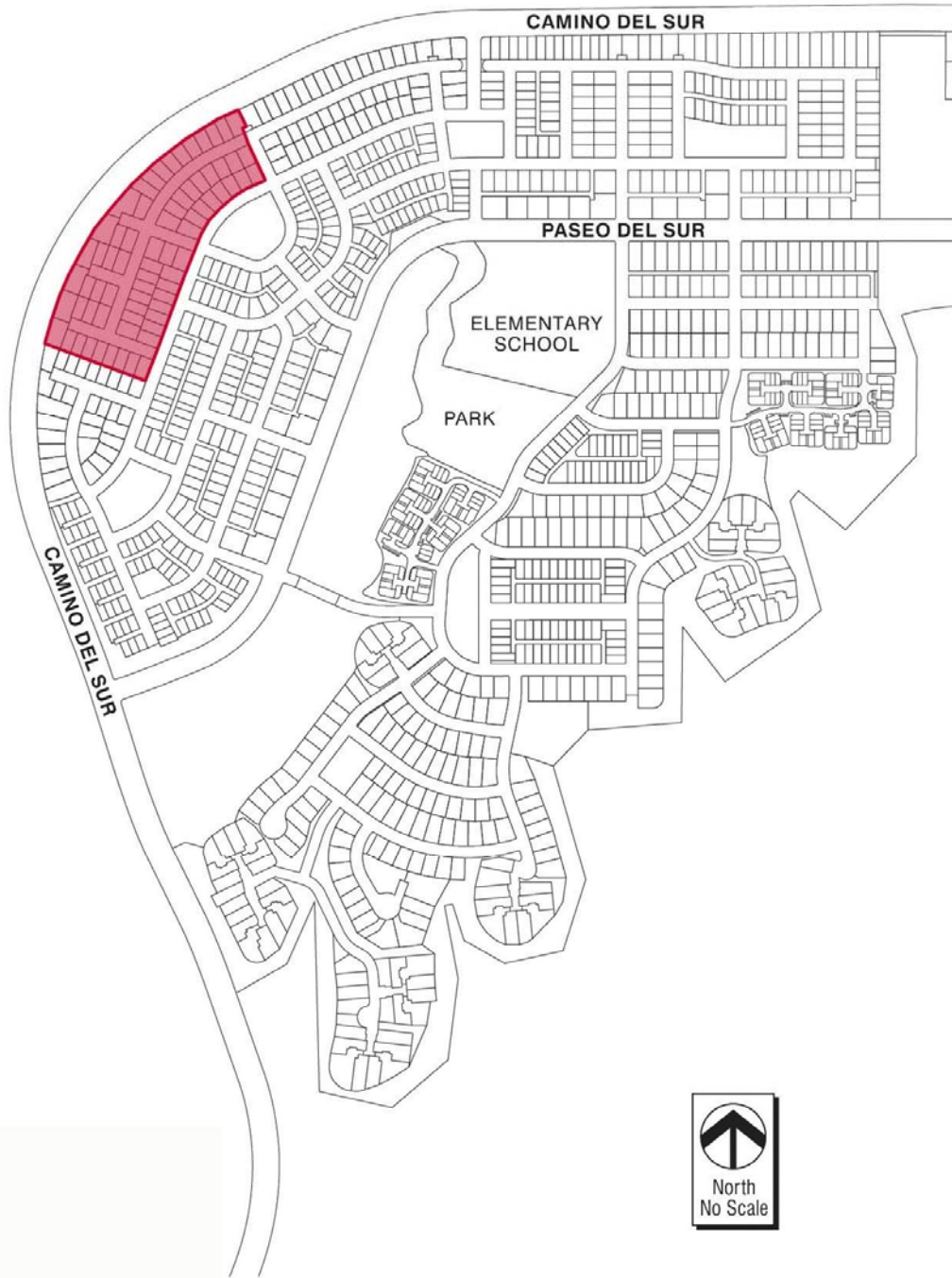
Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the subject Alcala product type, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

\$65,155,000

(SIXTY-FIVE MILLION ONE HUNDRED FIFTY-FIVE THOUSAND DOLLARS)

As previously indicated, the entire value is allocated to individual owners and categorized as Developed Property.

MAP OF KENSINGTON



KENSINGTON

PROPERTY DATA

Location

This product type is located between Camino Del Sur and New Park Terrace, extending southerly from Parkside Crescent to Austin Hill Ct.

Record Owner/Ownership History

DW La Jolla Valley L.P. (known by the builder name of Davidson Communities) acquired the vacant lots for this product type from Black Mountain Ranch LLC in June 2005. The homes were subsequently built and sold to individual owners with the original closings taking place from July 2006 through April 2010.

Legal Description

This product type comprises Lots 63 to 103 of Black Mountain Ranch North Village Unit No. 1A, Map No. 15093, and Lots 1 to 12 and 201 to 217 of Black Mountain Ranch North Village Unit No. 2A, Map No. 15099.

Assessor Data-2014/15

This product type comprises Assessor Parcel Nos. 267-240-01 to 41 and 267-250-01 to 29. The current assessed values range from \$444,479 to \$900,000 or an average of \$756,495. The tax rate area is 08-050, with an indicated tax rate of 1.04488%, but the effective tax rate is $\pm 1.9\%$ based on the average appraised value and including the special taxes for the CFD and other overlapping debt.

No. of Lots/Lot Sizes

This product type comprises a total of 70 lots. The lots are described as a minimum size of 5,000 s.f. (50' by 100'), and the actual sizes range from 5,000 s.f. to 11,834 s.f. or an average of 6,061 s.f.

Description of Homes

These 70 lots were developed in 2006 through early 2010 by Davidson Communities with a product type of homes called Kensington at Del Sur. There are five floor plans and per builder information they are described as follows:

Plan 1: 2,660-2,843 s.f., two story, with 3 bedrooms plus loft or optional bedroom 4, 2½ to 3½ baths, and a 2-car garage.

Plan 1X: 2,766-2,949 s.f., two story, with 3 bedrooms plus loft or optional bedroom 4, 2½ to 3½ baths, outdoor room, kitchen nook, and 2-car garage with side entry.

PROPERTY DATA, Continuing

Plan 2: 2,861-3,044 s.f., two story, with 3 bedrooms plus loft or optional bedroom 4, 2½ to 3½ baths, interior courtyard, kitchen nook, and a 2-car garage.

Plan 3: 3,037 s.f., two story, with 4 bedrooms plus bonus room, family sized dining room, 3 baths, interior courtyard, kitchen nook, and a 2-car plus tandem garage.

Plan 3X: 3,156 s.f., two story, with 4 bedrooms plus bonus room, 3 baths, reading room, kitchen nook, and a 2-car plus tandem garage.

Per building permit data, the 70 homes range in size from 2,660 s.f. to 3,156 s.f. or an average of 2,962 s.f. (Note: All 70 lots are categorized as Developed Property.)

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of 70 Completed Homes

There have been 5 closed sales of the subject product type that have taken place since January 2014 that are shown in the following table:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	15581 Via Montecristo	4/1/14	\$815,000	2,888	2009	5,020	Good condition; some upgrades
2	15574 New Park Terr.	6/20/14	\$835,000	3,156	2009	5,500	Good condition; upgrades
3	8273 Austin Hill Ct.	6/27/14	\$849,000	2,861	2009	5,020	Good condition; upgraded
4	15640 Via Montecristo	7/9/14	\$730,000	2,660	2006	5,454	Good cond.; well upgraded, solar
5	15581 Via Montecristo	12/15/14	<u>\$841,000</u>	<u>2,888</u>	2009	5,020	Good cond.; upgrades; new flooring
			\$814,000	2,891			(Avg.)

It is noted that the average home size of 2,891 s.f. is smaller than the average of 2,962 s.f. for all 70 homes. In addition, 4 of the 5 sales took place from 7 months to almost a year ago. Thus, the indication at \$814,000 supports a firm lower limit indication as an average value for all 70 homes, and conversely due to the smaller average home size the indication at \$281.56 per s.f. supports a firm upper limit indication as follows:

$$2,962 \text{ s.f. avg. @ } \$281.56/\text{s.f.} = \$834,000$$

In addition, there is one current listing of the subject product type that is located at 15640 New Park Terrace, and is a 3,156 s.f. home built in 2006 on a 5,428 s.f. lot

VALUATION, Continuing

that is available at \$899,000. It is apparent that this is the largest floor plan and it is a well upgraded home, but the asking price is substantially higher than all of the sales data and thus is only of general interest and supports a far upper limit indication as an average for all 70 homes.

As previously discussed in this report, the sales of the Alcala product type homes indicated an average price of \$783,000 for an average home size of 2,454 s.f., or \$319.07 per s.f. Considering the much smaller average home size as well as the slightly smaller lot sizes that average near 5,600 s.f., the indication at \$783,000 supports a far lower limit indication as an average for the subject homes, and conversely the indication at \$319.07 per s.f. supports a far upper limit indication as an average for the subject homes as follows:

$$2,962 \text{ s.f. avg. @ } \$319.07/\text{s.f.} = \$945,000$$

As discussed later in this report, the sales of the Cabrillo product type homes indicated an average price of \$793,000 for an average home size of 2,774 s.f., or \$285.87 per s.f. Considering the smaller average home size but the fairly similar lot sizes that average near 6,000 s.f., the indication at \$793,000 supports a firm lower limit indication as an average for the subject homes, and conversely the indication at \$285.87 per s.f. supports a firm upper limit indication as follows:

$$2,962 \text{ s.f. avg. @ } \$285.87/\text{s.f.} = \$847,000$$

Lastly and as discussed later in this report, the sales of the Carleton product type homes indicated an average price of \$866,000 for an average home size of 2,944 s.f., or \$294.16 per s.f. Considering the fairly similar average home size and fairly similar lot sizes, but the newer age of these homes at 4 years old in contrast to the subject homes at 5 to 9 years old, the indication at \$866,000 supports a firm upper limit indication as an average for the subject homes.

In summary, as an average value for the subject homes, the analysis of the data supports a far lower limit indication at \$783,000, firm lower limit indications at \$793,000 and \$814,000, firm upper limit indications from \$834,000 to \$866,000, and far upper limit indications at \$899,000 and \$945,000. The conclusion is an average value of \$820,000 for the 83 completed homes.

Conclusion of Value

Based on the foregoing, the total value indication for the Kensington product type is calculated as follows:

$$70 \text{ homes @ } \$820,000 = \$57,400,000$$

VALUATION, Continuing

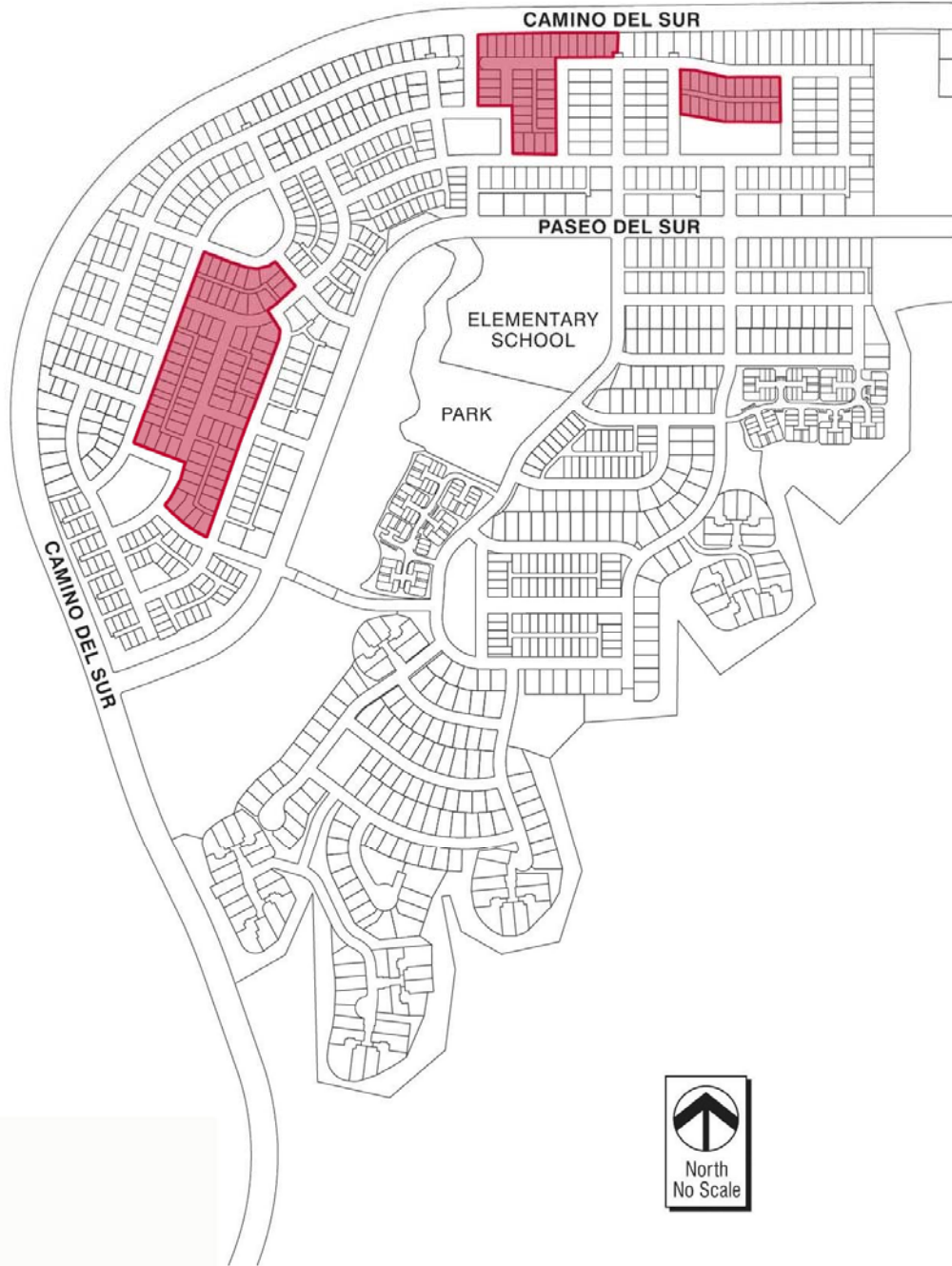
Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the subject Kensington product type, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

\$57,400,000

(FIFTY-SEVEN MILLION FOUR HUNDRED THOUSAND DOLLARS)

As previously indicated, the entire value is allocated to individual owners and categorized as Developed Property.

MAP OF MADEIRA



MADEIRA

PROPERTY DATA

Location

The southwest area of this product type is located from New Park Terrace east to Bristol Ridge Terrace, and from Parkside Crescent south to New Park Ln. and Haaland Glen; and the two northeast areas are located at the southeast corner of Camino Del Sur and Casey Glen and at the southeast corner of Via Montenero and Oxford Hill.

Record Owner/Ownership History

Shea Homes Limited Partnership (known by the builder name of Shea Homes) acquired the vacant lots for this product type from Black Mountain Ranch LLC, with the first phase of lots closing in May 2005 and subsequent takedowns closing thereafter. The homes were subsequently built and sold to individual owners with the original closings taking place from June 2006 through February 2012.

Legal Description

This product type comprises Lots 104 to 162 and 192 to 210 of Black Mountain Ranch North Village Unit No. 1C, Map No. 15076; Lots 35 to 70 of Black Mountain Ranch North Village Unit No. 2C, Map No. 15149; and Lots 86 to 107 of Black Mountain Ranch North Village Unit No. 9C, Map No. 15165.

Assessor Data-2014/15

This product type comprises Assessor Parcel Nos. 267-231-18 to 53; 267-241-01 to 41; 267-281-01 to 37; and 267-341-01 to 22. The current assessed values range from \$397,259 to \$792,500 or an average of \$620,361. The tax rate area is 08-050, with an indicated tax rate of 1.04488%, but the effective tax rate is $\pm 1.8\%$ based on the average appraised value and including the special taxes for the CFD and other overlapping debt.

No. of Lots/Lot Sizes

This product type comprises a total of 136 lots. The lots are a minimum size of $\pm 3,700$ s.f. ($\pm 42'$ minimum width), with actual sizes of 3,690 s.f. to 7,342 s.f., or an average of 4,489 s.f.

PROPERTY DATA, Continuing

Description of Homes

These 136 lots were developed in 2006 through 2011 by Shea Homes with a product type of homes called Madeira at Del Sur. There are five floor plans and per builder information they are described as follows:

Plan 1: 1,785 s.f., two-story, with 3 bedrooms, 2½ baths, great room, dining room, covered front porch and side patio, and a 2-car garage; optional loft in lieu of bedroom 3.

Plan 2: 1,938 s.f., two-story, with 3 bedrooms, 3½ baths, great room, dining room and a 2-car garage with options of loft and study.

Plan 3: 2,000 s.f., two-story, with 4 bedrooms, 3 baths, great room, dining room, covered interior courtyard and a 2-car garage with options of media room and office.

Plan 4: 2,131 s.f., two-story, with 4 bedrooms, 3½ baths, great room, dining room, upstairs balcony, covered interior courtyard and a 2-car garage.

Plan 5: 2,269 s.f., two-story, with 3 bedrooms, 3 baths, great room, dining room, covered side patio and a 2-car garage with options of bedroom 4 and bonus room.

Per building permit data, the 136 homes range in size from 1,778 s.f. to 2,487 s.f. or an average of 2,077 s.f. (Note: All 136 lots are categorized as Developed Property.)

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of 136 Completed Homes

There have been 11 closed sales of the subject product type that have taken place since January 2014 that are shown in the following table:

VALUATION, Continuing

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	15751 Via Montenero	1/15/14	\$700,000	2,077	2010	4,425	Good condition; well upgraded
2	8368 Kern Crescent	4/3/14	\$732,500	2,000	2007	6,045	Good condition; upgraded
3	16053 Oxford Hill	4/11/14	\$790,000	2,460	2011	3,895	Good condition; upgraded
4	8308 Kern Crescent	5/2/14	\$670,000	1,785	2007	4,560	Good condition; upgraded
5	16058 Wayne Hill	6/6/14	\$800,000	2,415	2010	4,305	Good condition; upgraded
6	15543 New Park Terr.	7/23/14	\$679,000	1,785	2007	3,761	Vacant/clean; some upgrades
7	15565 New Park Terr.	7/31/14	\$742,500	2,000	2006	3,945	Good condition; well upgraded
8	15554 Canton Ridge	8/18/14	\$669,000	1,785	2006	4,277	Good condition; upgraded
9	15859 Via Montenero	10/3/14	\$720,000	2,000	2011	3,772	Good condition; some upgrades
10	8309 Kern Crescent	10/10/14	\$650,000	2,269	2006	4,812	Short sale; upgraded
11	8332 New Park Ln.	12/5/14	<u>\$777,500</u>	<u>2,467</u>	2007	4,596	Good condition; upgrades
			±\$721,000	2,095			(Avg.)

It is noted that the average home size of 2,095 s.f. is slightly larger than the average of 2,077 s.f. for all 136 homes. However, it is also noted that Data No. 10 was a short sale that indicated the lowest sale price but for a larger Plan 5 home. In addition, 7 of the 11 sales took place over 6 months ago. Thus, the indication at \$721,000 tends to support a close indication to close lower limit indication as an average value for all 136 homes.

As previously discussed in this report, the sales of the Bridgewalk product type homes indicated an average price of \$649,000 for an average home size of 1,885 s.f., or \$344.30 per s.f. Considering the smaller average home size as well as the much smaller lot sizes that average near 3,000 s.f., the indication at \$649,000 supports a far lower limit indication as an average for the subject homes, and due to the smaller size but the inferior product type on the much smaller lot sizes, the indication at \$344.30 per s.f. tends to support a close indication as an average for the subject homes as follows:

$$2,077 \text{ s.f. avg. @ } \$344.30/\text{s.f.} = \$715,000$$

Also as discussed later in this report, the sales of the Pasado product type homes indicated an average price of \$716,000 for an average home size of 2,234 s.f., or \$320.50 per s.f. Considering the slightly larger average home size but also the much smaller lots that average about 3,600 s.f. in size and resulting in a less desirable product type, the indication at \$716,000 tends to support a fairly close indication, but

VALUATION, Continuing

due to the larger size the indication at \$320.50 per s.f. supports a firm lower limit indication as an average for the subject homes as follows:

$$2,077 \text{ s.f. avg. @ } \$320.50/\text{s.f.} = \$666,000$$

Lastly and also as previously discussed in this report, the sales of the Alcala product type homes indicated an average price of \$783,000 for an average home size of 2,454 s.f., or \$319.07 per s.f. Considering the much larger average home size as well as the larger lot sizes that average near 5,600 s.f., the indication at \$783,000 supports a far upper limit indication as an average for the subject homes, and conversely the indication at \$319.07 per s.f. supports a far lower limit indication as an average for the subject homes as follows:

$$2,077 \text{ s.f. avg. @ } \$319.07/\text{s.f.} = \$663,000$$

In summary, as an average value for the subject homes, the analysis of the data supports firm to far lower limit indications from \$649,000 to \$666,000, close indications to close lower limit indications from \$715,000 to \$721,000, and a far upper limit indication at \$783,000. The conclusion is an average value of \$725,000 for the 136 completed homes.

Conclusion of Value

Based on the foregoing, the total value indication for the Madeira product type is calculated as follows:

$$136 \text{ homes @ } \$725,000 = \$98,600,000$$

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the subject Madeira product type, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

\$98,600,000

(NINETY-EIGHT MILLION SIX HUNDRED THOUSAND DOLLARS)

As previously indicated, the entire value is allocated to individual owners and categorized as Developed Property.

MAP OF CABRILLO



CABRILLO

PROPERTY DATA

Location

This product type is located in various areas as shown on the map on the previous page; along the southeast side of Bristol Ridge Terrace southerly from Kern Crescent and also southerly from Bristol Ridge Ln.; along the south side of Concord Ridge Terrace east from Tierney Glen, east from Paseo Montenero and east from Kristen Glen; and between Paseo Del Sur and Monte Alto Terrace east from Paseo Montenero.

Record Owner/Ownership History

Standard Pacific Corp. acquired the vacant lots for this product type from Black Mountain Ranch LLC, with the first phase of lots closing in May 2005 and subsequent takedowns closing thereafter. The homes were subsequently built and sold to individual owners with the original closings taking place from October 2006 through July 2009.

Legal Description

This product type comprises Lots 163 through 171 and 184 through 191 of Black Mountain Ranch North Village Unit No. 1B, Map No. 15094; Lots 71 through 79 of Black Mountain Ranch North Village Unit No. 2B, Map No. 15100; Lots 1 to 18, 39 to 50 & 52 to 57 of Black Mountain Ranch North Village Unit No. 9B, Map No. 15164; and Lots 150 to 169 of Black Mountain Ranch North Village Unit No. 9F, Map No. 15537.

Assessor Data-2014/15

This product type comprises Assessor Parcel Nos. 267-231-01 to 09; 267-320-01 to 09; 267-321-07 to 14; and 267-350-01 to 18, 39 to 50, 52 to 57 & 63 to 82. The current assessed values range from \$355,192 to \$885,000 or an average of \$729,158. The tax rate area is 08-050, with an indicated tax rate of 1.04488%, but the effective tax rate is $\pm 1.9\%$ based on the average appraised value and including the special taxes for the CFD and other overlapping debt.

No. of Lots/Lot Sizes

This product type comprises a total of 82 lots. The minimum lot size is described as 5,000 s.f. ($\pm 50'$ by $100'$), and the actual lot sizes range from 5,189 s.f. to 8,140 s.f., or an average of 6,077 s.f.

PROPERTY DATA, Continuing

Description of Homes

These 82 lots were developed in 2006 through 2009 by Standard Pacific Homes with a product type of homes called Cabrillo at Del Sur. There are three floor plans and per builder information they are described as follows:

Plan 1 (Prado): 2,420-2,460 s.f., two story, with 3 bedrooms, 2½ baths, tech center, living room, dining room, family room, nook and a 2-car garage with storage.

Plan 2 (Spreckels): 2,772-2,781 s.f., two story, with 4 bedrooms, 3 baths, living room, dining room, family room, nook and a 2-car garage with storage; optional loft in lieu of bedroom 2 and optional den in lieu of bedroom 4.

Plan 3 (Presidio): 3,000-3,022 s.f., two story, with 4 bedrooms, bonus room, tech center, living room, dining room, family room, nook and a 2-car garage with options of den and bedroom 5.

Per building permit data, the homes range in size from 2,420 s.f. to 3,022 s.f. or an average of 2,791 s.f. (Note: All 82 lots are categorized as Developed Property.)

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of 82 Completed Homes

There have been 6 closed sales of the subject product type that have taken place since January 2014 plus 1 current escrow, all of which are shown in the following table:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	15743 Concord Ridge Terr.	1/17/14	\$775,000	3,005	2006	5,400	Good condition; well upgraded; spa
2	15865 Concord Ridge Terr.	5/16/14	\$810,000	2,771	2007	5,250	Good condition; upgrades
3	15864 Monte Alto Terr.	9/19/14	\$880,000	3,000	2008	6,903	Good cond.; upgrades; solar; spa
4	15873 Concord Ridge Terr.	9/24/14	\$745,000	2,420	2007	5,250	Good condition; upgraded
5	15885 Concord Ridge Terr.	11/17/14	\$803,000	2,781	2007	5,250	Good condition; clean; upgraded
6	15569 Bristol Ridge Terr.	2/11/15	\$740,000	2,420	2006	5,294	Vacant/clean; upgraded
7	15895 Concord Ridge Terr.	Escrow	<u>\$799,000</u>	<u>3,022</u>	2007	5,763	Good condition; upgraded
			±\$793,000	2,774			(Avg.)

VALUATION, Continuing

It is noted that the average home size of 2,774 s.f. is slightly smaller than the average of 2,791 s.f. for all 82 homes. In addition, while two of the sales took place in January and May 2014, the other sales were fairly current, including a very recent closing and a current escrow. Thus, the indication at \$793,000 supports a close lower limit indication as an average value for all 82 homes, and the indication at \$285.87 per s.f. supports a close upper limit indication as follows:

$$2,791 \text{ s.f. avg. @ } \$285.87/\text{s.f.} = \$798,000$$

As previously discussed in this report, the sales of the Alcala product type homes indicated an average price of \$783,000 for an average home size of 2,454 s.f., or \$319.07 per s.f. Considering the smaller average home size as well as the slightly smaller lot sizes that average near 5,600 s.f., the indication at \$783,000 supports a firm lower limit indication as an average for the subject homes, and conversely the indication at \$319.07 supports a far upper limit indication as an average for the subject homes as follows:

$$2,791 \text{ s.f. avg. @ } \$319.07/\text{s.f.} = \$891,000$$

Also as previously discussed, the sales of the Kensington product type homes indicated an average price of \$814,000 for an average home size of 2,891 s.f., or \$281.56 per s.f. Considering the slightly larger average home size though fairly similar lot sizes that average near 6,000 s.f., the indication at \$814,000 supports a close but firm upper limit indication as an average for the subject homes, and conversely the indication at \$281.56 per s.f. supports a close but firm lower limit indication as follows:

$$2,791 \text{ s.f. avg. @ } \$281.56/\text{s.f.} = \$786,000$$

In summary, as an average value for the subject homes, the analysis of the data supports a firm lower limit indication at \$783,000, close lower limit indications at \$786,000 and \$793,000, a close upper limit indication at \$798,000, a close but firm upper limit indication at \$814,000, and a far upper limit indication at \$891,000. The conclusion is an average value of \$795,000 for the 82 completed homes.

Conclusion of Value

Based on the foregoing, the total value indication for the Cabrillo product type is calculated as follows:

$$82 \text{ homes @ } \$795,000 = \$65,190,000$$

VALUATION, Continuing

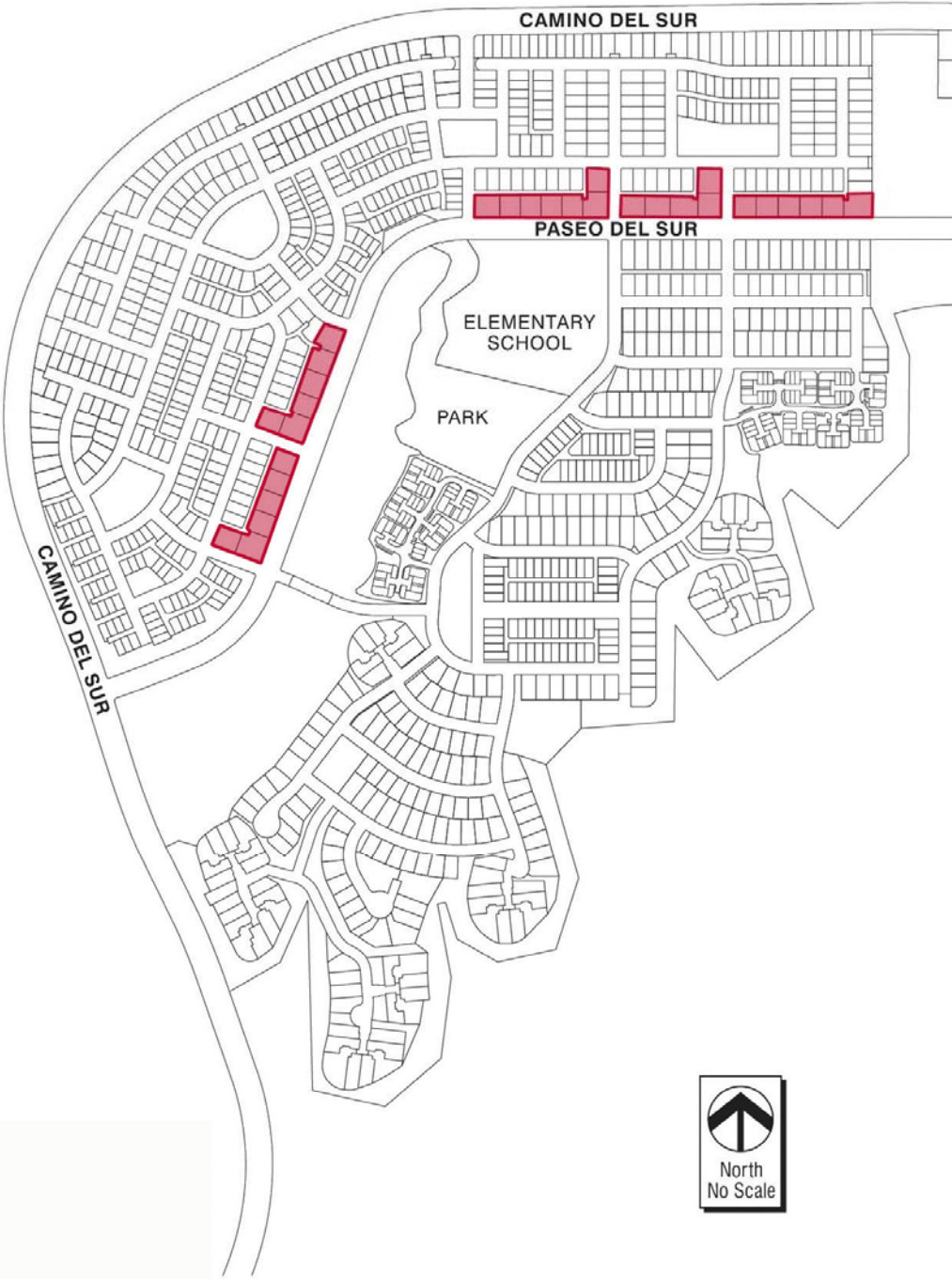
Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the subject Cabrillo product type, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

\$65,190,000

(SIXTY-FIVE MILLION ONE HUNDRED NINETY THOUSAND DOLLARS)

As previously indicated, the entire value is allocated to individual owners and categorized as Developed Property.

MAP OF CASSERO



CASSERO

PROPERTY DATA

Location

This product type is located along the northwest side of Paseo Del Sur from Haaland Glen northeast to Reagan Glen, and also along the north side of Paseo Del Sur from Tierney Glen east to a block east of Kristen Glen.

Record Owner/Ownership History

Standard Pacific Corp. acquired the vacant lots for this product type from Black Mountain Ranch LLC, with the first phase of lots closing in May 2005 and a subsequent takedown closing thereafter. The homes were subsequently built and sold to individual owners with the original closings taking place from November 2006 through April 2008.

Legal Description

This product type comprises Lots 172 through 183 of Black Mountain Ranch North Village Unit No. 1B, Map No. 15094; Lots 80 through 86 of Black Mountain Ranch North Village Unit No. 2B, Map No. 15100; and Lots 29 to 38 & 51 of Black Mountain Ranch North Village Unit No. 9F, Map No. 15164. The individual homes are also described as Residential Unit Nos. 1 to 48 & 69 to 80 as shown on the Condominium Plan.

Assessor Data-2014/15

This product type comprises Assessor Parcel Nos. 267-231-10-01 & 02; 267-231-11-01 & 02; 267-231-12-01 & 02; 267-231-13-01 & 02; 267-231-14-01 & 02; 267-231-15-01 & 02; 267-231-16-01 & 02; 267-320-10-01 & 02; 267-320-11-01 & 02; 267-320-12-01 & 02; 267-320-13-01 & 02; 267-320-14-01 & 02; 267-320-15-01 & 02; 267-321-16-01 to 12; 267-350-29-01 & 02; 267-350-30-01 & 02; 267-350-31-01 & 02; 267-350-32-01 & 02; 267-350-33-01 & 02; 267-350-34-01 & 02; 267-350-35-01 & 02; 267-350-36-01 & 02; 267-350-37-01 & 02; 267-350-38-01 & 02; and 267-350-51-01 & 02. The current assessed values range from \$178,821 to \$740,000 or an average of \$624,537. The tax rate area is 08-050, with an indicated tax rate of 1.04488%, but the effective tax rate is $\pm 1.9\%$ based on the average appraised value and including the special taxes for the CFD and other overlapping debt.

No. of Lots/Lot Sizes

This product type comprises a total of 60 homes, and since the product type is paired homes there are not individual lot sizes. The larger lots for the paired-home buildings are typically $\pm 10,000$ s.f., but including common area and slopes.

PROPERTY DATA, Continuing

Description of Homes

These lots were developed in 2006/07 by Standard Pacific Homes with a product type of paired homes called Cassero at Del Sur. There are three floor plans and per builder information they are described as follows:

Plan 1 (Serra): 2,079-2,142s.f., two-story, with 3 bedrooms, 2½ baths, living room, family room, dining room, nook, covered front porch and a 2-car garage with storage.

Plan 2 (Ponte): 2,424-2,479 s.f., two-story, with 3 bedrooms, 2½ baths, tech center, living room, dining room, family room, nook and a 2-car garage.

Plan 3 (Sentiero): 2,569-2,623 s.f., two-story, with 4 bedrooms, 3 baths, living room, dining room, family room, nook, upstairs deck and a 2-car garage with optional den in lieu of bedroom 4.

Per building permit data, the 60 homes range in size from 2,079 s.f. to 2,623 s.f. or an average of 2,397 s.f. (Note: All 60 homes/parcels are categorized as Developed Property.)

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of 60 Completed Homes

There have been 5 closed sales of the subject product type that have taken place since January 2014 that are shown in the following table:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Remarks</u>
1	15808 Paseo Del Sur	7/22/14	\$685,000	2,623	2007	Good cond.; upgrades; furnished
2	15890 Paseo Del Sur	9/23/14	\$688,000	2,570	2007	Good cond.; upgrades; outdoor kitchen
3	15866 Paseo Del Sur	9/25/14	\$684,046	2,424	2007	Good condition; upgraded
4	15512 Paseo Del Sur	12/8/14	\$670,000	2,424	2007	Good cond.; former model
5	15572 Paseo Del Sur	12/31/14	<u>\$630,000</u>	<u>2,428</u>	2007	Upgraded
			±\$671,000	2,494		(Avg.)

It is noted that the average home size of 2,494 s.f. is larger than the average of 2,397 s.f. for all 60 homes. In addition, several of the sales were more significantly upgraded and one included furnishings, and all of the sales took place since July

VALUATION, Continuing

2014. Thus, the indication at \$671,000 tends to support a close upper limit indication as an average value for all 60 homes. However, due to the larger size, the indication at \$269.05 per s.f. supports a firm lower limit indication as an average value for the 60 homes as follows:

$$2,397 \text{ s.f. avg. @ } \$269.05/\text{s.f.} = \$645,000$$

As previously discussed in this report, the sales of the Bridgewalk product type homes indicated an average price of \$649,000 for an average home size of 1,885 s.f., or \$344.30 per s.f. Considering the much smaller average home size which is partially offset by the superior product type of the Bridgewalk homes being detached (in contrast to the subject homes as attached paired homes), the indication at \$649,000 supports a firm lower limit indication as an average for the subject homes, but due to the much smaller size and superior product type of the Bridgewalk homes the indication at \$344.30 per s.f. supports a far upper limit as an average for the subject homes as follows:

$$2,397 \text{ s.f. avg. @ } \$344.30/\text{s.f.} = \$825,000$$

Also as previously discussed, the sales of the Madeira product type homes indicated an average price of \$721,000 for an average home size of 2,095 s.f., or \$344.15 per s.f. Considering the smaller average home size but the superior detached product type, the indication at \$721,000 supports a far upper limit indication as an average for the subject homes and also the indication at \$344.15 per s.f. supports a far upper limit indication as an average for the subject homes as follows:

$$2,397 \text{ s.f. avg. @ } \$344.15/\text{s.f.} = \$825,000$$

As discussed later in this report, the sales of the Pasado product type homes indicated an average price of \$716,000 for an average home size of 2,234 s.f., or \$320.50 per s.f. Considering the smaller average home size but the superior detached product type, the indication at \$716,000 supports a far upper limit indication as an average for the subject homes, and also the indication at \$320.50 per s.f. supports a far upper limit indication for the subject homes as follows:

$$2,397 \text{ s.f. avg. @ } \$320.50/\text{s.f.} = \$768,000$$

Lastly and also as discussed later in this report, the sales of the Mandolin product type homes indicated an average price of \$596,000 for an average home size of 1,902 s.f., or \$313.35 per s.f. Considering the much smaller average home size as well as the inferior product type of attached townhomes, the indication at \$596,000 supports a far lower limit indication as an average for the subject homes, and conversely the indication at \$313.35 per s.f. supports a far upper limit indication as an average for the subject homes as follows:

VALUATION, Continuing

2,397 s.f. avg. @ \$313.35/s.f. = \$751,000

In summary, as an average value for the subject homes, the analysis of the data supports a far lower limit indication at \$596,000, firm lower limit indications at \$645,000 and \$649,000, a close upper limit indication at \$671,000, and far upper limit indications from \$716,000 to \$825,000. The conclusion is an average value of \$660,000 for the 60 completed homes.

Conclusion of Value

Based on the foregoing, the total value indication for the Cassero product type is calculated as follows:

60 homes @ \$660,000 = \$39,600,000

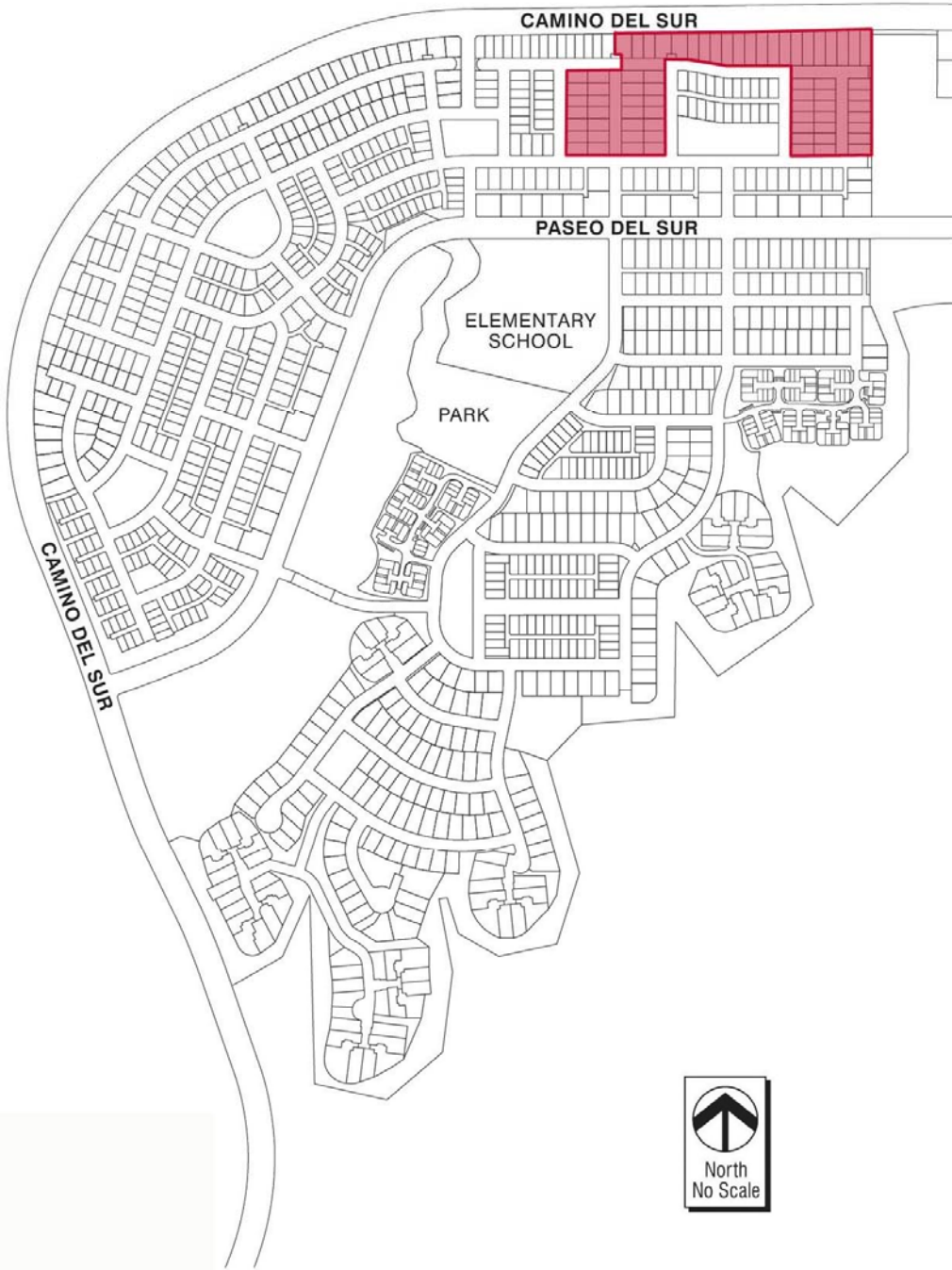
Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the subject Cassero product type, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

\$39,600,000

(THIRTY-NINE MILLION SIX HUNDRED THOUSAND DOLLARS)

As previously indicated, the entire value is allocated to individual owners and categorized as Developed Property.

MAP OF CARLETON



CARLETON

PROPERTY DATA

Location

This product type is located between Camino Del Sur and Concord Ridge Terrace, extending east from Newton Hill and wrapping around the east part of the Madeira product type as previously discussed.

Record Owner/Ownership History

Standard Pacific Corp. acquired the vacant lots for this product type from Black Mountain Ranch LLC, with the two takedowns closing in September 2010 and October 2011. The homes were subsequently built and sold to individual owners with the original closings taking place from June 2011 through March 2013.

Legal Description

This product type comprises Lots 58 to 85 & 108 to 149 of Black Mountain Ranch North Village Unit No. 9A, Map No. 15148.

Assessor Data-2014/15

This product type comprises Assessor Parcel Nos. 267-340-01 to 70. The current assessed values range from \$648,488 to \$900,687 or an average of \$712,182. The tax rate area is 08-050, with an indicated tax rate of 1.04488%, but the effective tax rate is $\pm 1.9\%$ based on the average appraised value and including the special taxes for the CFD and other overlapping debt.

No. of Lots/Lot Sizes

This product type comprises a total of 70 lots. The lots are a minimum size of 5,000 s.f. (50' x 100'), with actual sizes ranging from 5,000 s.f. to 8,716 s.f., or an average of 6,246 s.f.

Description of Homes

These 70 lots were developed in 2011 through early 2013 by Standard Pacific Homes with a product type of homes called Carleton at Del Sur. There are three floor plans and per builder information they are described as follows:

Plan 1 (Grant): 2,621 to 2,741 s.f., two-story, with 4 bedrooms, 3 baths, Del Sur room, storage off laundry, optional den, optional craft room, optional butler's pantry, optional outdoor fireplace, and a 2-car garage with optional additional storage area.

PROPERTY DATA, Continuing

Plan 2 (Hawthorne): 2,829 to 2,964 s.f., two-story, with 5 bedrooms, 3 baths, Del Sur room, storage off laundry, optional den, optional craft room, optional office, optional butler's pantry, optional loft, optional outdoor fireplace, and a 2-car or optional 3-car tandem garage.

Plan 3 (Marston): 3,059 s.f., two-story, with 5 bedrooms, 3 baths, bonus room, Del Sur room, storage off laundry, optional den, optional super pantry, optional outdoor fireplace, and a 2-car garage with additional storage area.

Per building permit data, the 70 homes range in size from 2,621 s.f. to 3,059 s.f. or an average of 2,835 s.f. (Note: All 70 lots are categorized as Developed Property.)

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of 70 Completed Homes

There were only 2 closed sales of the subject product type that have taken place since January 2014 that are shown in the following table:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	16068 Fair Hill	12/16/14	\$877,000	3,059	2011	5,298	Good condition; upgrades; solar
2	16038 Fair Hill	1/12/15	<u>\$855,000</u>	<u>2,829</u>	2011	5,000	Good condition; upgrades
			\$866,000	2,944			(Avg.)

It is noted that the average home size of 2,944 s.f. is larger than the average of 2,835 s.f. for all 70 homes. In addition, both of the sales are fairly current. Thus, the indication at \$866,000 supports a firm upper limit indication as an average value for all 70 homes and, conversely due to the larger average home size the indication at \$294.16 per s.f. supports a firm lower limit indication as follows:

$$2,835 \text{ s.f. avg. @ } \$294.16/\text{s.f.} = \$834,000$$

As previously discussed in this report, the sales of the Kensington product type homes indicated an average price of \$814,000 for an average home size of 2,891 s.f., or \$281.56 per s.f. While the average home size of these sales is slightly larger than the average of 2,835 s.f. for the subject Carleton homes, this is more than offset by the older dates of sale and the slightly older age of these Kensington homes at 5 to 9 years old in contrast to the subject homes at 2 to 4 years old. Thus, the indication at \$814,000 supports a firm lower limit as an average for the subject homes, and the indication at \$281.56 per s.f. supports a far lower limit indication as follows:

VALUATION, Continuing

2,835 s.f. avg. @ \$281.56/s.f. = \$798,000

As discussed previously in this report, the sales of the Cabrillo product type homes indicated an average price of \$793,000 for an average home size of 2,774 s.f., or \$285.87 per s.f. Considering the slightly smaller average home size and also the older age of the Cabrillo homes, the indication at \$793,000 supports a far lower limit indication as an average for the subject homes, but the indication at \$285.87 per s.f. supports a closer indication as follows:

2,835 s.f. avg. @ \$285.87/s.f. = \$810,000

Lastly and as discussed next in this report, the sales of the Valencia product type homes indicated an average price of \$888,500 for an average home size of 3,137 s.f., or \$283.23 per s.f. Considering the larger average home size, the slightly larger average lot sizes at $\pm 6,900$ s.f., and the similar and relatively newer age of these homes, the indication at \$888,500 supports a firm upper limit indication as an average for the subject homes, and conversely the indication at \$283.23 per s.f. supports a firm lower limit indication as follows:

2,835 s.f. avg. @ \$283.23/s.f. = \$803,000

In summary, as an average value for the subject homes, the analysis of the data supports far lower limit indications at \$793,000 and \$798,000, closer but still firm lower limit indications from \$803,000 to \$834,000, and firm upper limit indications at \$866,000 and \$888,500. The conclusion is an average value of \$850,000 for the 70 completed homes.

Conclusion of Value

Based on the foregoing, the total value indication for the Carleton product type is calculated as follows:

70 homes @ \$850,000 = \$59,500,000

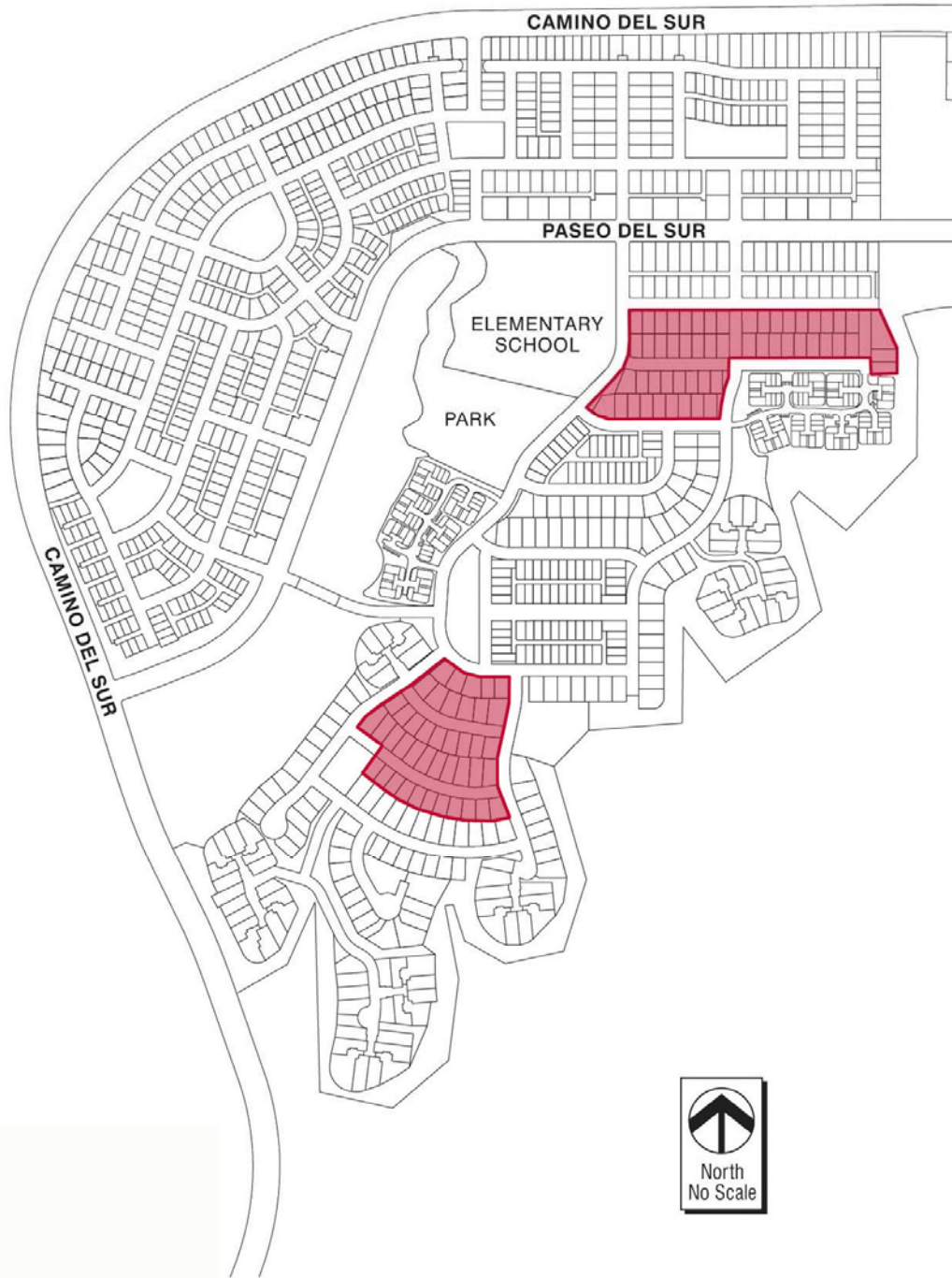
Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the subject Carleton product type, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

\$59,500,000

(FIFTY-NINE MILLION FIVE HUNDRED THOUSAND DOLLARS)

As previously indicated, the entire value is allocated to individual owners and categorized as Developed Property.

MAP OF VALENCIA



VALENCIA

PROPERTY DATA

Location

The north area of this product type is located east of Paseo Montenero and south of Monte Alto Terrace, and the south area is located southerly of Paseo Montenero between Beltaire Ln. and South Chevy Chase.

Record Owner/Ownership History

CWV Del Sur 54 LLC (known by the builder name of California West Communities) acquired the vacant lots for this product type from Black Mountain Ranch LLC, with the various takedowns closing from September 2010 to May 2013. The homes were subsequently built and sold to individual owners with the original closings taking place from August 2011 through February 2014.

Legal Description

This product type comprises Lots 74 to 78 & 87 to 123 of Black Mountain Ranch North Village Unit No. 3, Map No. 15027 and Lots 1 to 54 of Black Mountain Ranch North Village Unit No. 5, Map No. 15327.

Assessor Data-2014/15

This product type comprises Assessor Parcel Nos. 267-361-01 to 05 & 14 to 50 and 267-400-01 to 54. The current assessed values range from \$692,547 to \$1,055,400 or an average of \$771,665. The tax rate area is 08-050, with an indicated tax rate of 1.04488%, but the effective tax rate is $\pm 2.0\%$ based on the average appraised value and including the special taxes for the CFD and other overlapping debt.

No. of Lots/Lot Sizes

This product type comprises a total of 96 lots. The lots are considered to be a minimum size of 5,800 s.f. (± 55 -57' wide), with actual sizes ranging from 5,762 s.f. to 15,348 s.f., or an average of 6,862 s.f.

Description of Homes

These 96 lots were developed in 2011 through 2013 by California West Communities with a product type of homes called Valencia at Del Sur. There are three floor plans and per builder information they are described as follows:

Plan 1: 2,996 to 3,137 s.f., two-story, with 4 to 5 bedrooms, 3 to 4 baths, bonus room, 3-car tandem garage, and outdoor living Del Sur room (265 s.f.).

PROPERTY DATA, Continuing

Plan 2: 3,098 to 3,296 s.f., two-story, with 4 to 5 bedrooms, 3 to 4 baths, bonus room, 3-car tandem garage, and outdoor living Del Sur room (205 s.f.).

Plan 3: 3,325 to 3,495 s.f., two-story, with 5 to 6 bedrooms, 3 to 4 baths, bonus room, 3-car tandem garage, and outdoor living Del Sur room (227 s.f.).

Per building permit data, the 96 homes range in size from 2,993 s.f. to 3,495 s.f. or an average of 3,195 s.f. (Note: All 96 lots are categorized as Developed Property.)

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of 96 Completed Homes

There were only 2 closed sales of the subject product type that have taken place since January 2014 that are shown in the following table:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	8558 Mathis Pl.	8/1/14	\$885,000	3,137	2011	6,774	Good condition; some upgrades
2	8463 Mathis Pl.	11/25/14	<u>\$892,000</u>	<u>3,137</u>	2012	5,972	Good condition; upgraded
			\$888,500	3,137			(Avg.)

It is noted that the average home size of 3,137 s.f. is slightly smaller than the average of 3,195 s.f. for all 96 homes, with both of the sales being the enlarged Plan 1 floor plan. In addition, both of the sales are fairly current. Thus, the indication at \$888,500 tends to support a close but firm lower limit indication as an average value for all 96 homes, and conversely due to the smaller average size the indication at \$283.23 per s.f. supports a firm upper limit indication as follows:

$$3,195 \text{ s.f. avg. @ } \$283.23/\text{s.f.} = \$905,000$$

As previously discussed in this report, the sales of the Kensington product type homes indicated an average price of \$814,000 for an average home size of 2,891 s.f., or \$281.56 per s.f. Considering the smaller average home size of the Kensington sales, as well as the smaller lot sizes, the older age of the homes, and that most of the sales took place in the first half of 2014, the indication at \$814,000 supports a far lower limit as an average for the subject homes, but the indication at \$281.56 per s.f. supports a close upper limit indication as follows:

$$3,195 \text{ s.f. avg. @ } \$281.56/\text{s.f.} = \$900,000$$

VALUATION, Continuing

Also as previously discussed, the sales of the Carleton product type homes indicated an average price of \$866,000 for an average home size of 2,944 s.f., or \$294.16 per s.f. Considering the smaller average home size, the smaller lot sizes, but the similar age of the homes, the indication at \$866,000 supports a firm lower limit indication as an average for the subject homes, and conversely the indication at \$294.16 per s.f. supports a far upper limit indication as follows:

$$3,195 \text{ s.f. avg. @ } \$294.16/\text{s.f.} = \$940,000$$

In summary, as an average value for the subject homes, the analysis of the data supports a far lower limit indication at \$814,000, closer but still firm lower limit indications at \$866,000 and \$888,500, a close upper limit indication at \$900,000, a firm upper limit indication at \$905,000, and a far upper limit indication at \$940,000. The conclusion is an average value of \$895,000 for the 96 completed homes.

Conclusion of Value

Based on the foregoing, the total value indication for the Valencia product type is calculated as follows:

$$96 \text{ homes @ } \$895,000 = \$85,920,000$$

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the subject Valencia product type, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

\$85,920,000

(EIGHTY-FIVE MILLION NINE HUNDRED TWENTY THOUSAND DOLLARS)

As previously indicated, the entire value is allocated to individual owners and categorized as Developed Property.

MAP OF PASADO



PASADO

PROPERTY DATA

Location

The north area of this product type is located easterly of Paseo Montenero and south of Old Stonefield Chase, and the south area is located north of Paseo Montenero, west of Kristen Glen and south of Blackburn Ln.

Record Owner/Ownership History

William Lyon Homes, Inc. acquired the vacant lots for this product type from Black Mountain Ranch LLC, with the various takedowns closing from July 2007 and thereafter. The homes were subsequently built and sold to individual owners with the original closings taking place from February 2009 through August 2011.

Legal Description

This product type comprises Lots 1 to 60 of Black Mountain Ranch North Village Unit No. 3, Map No. 15027 and Lots 55 to 83 of Black Mountain Ranch North Village Unit No. 5, Map No. 15327.

Assessor Data-2014/15

This product type comprises Assessor Parcel Nos. 267-360-01 to 60 and 267-401-01 to 29. The current assessed values range from \$507,191 to \$725,000 or an average of \$601,700. The tax rate area is 08-050, with an indicated tax rate of 1.04488%, but the effective tax rate is $\pm 2.0\%$ based on the average appraised value and including the special taxes for the CFD and other overlapping debt.

No. of Lots/Lot Sizes

This product type comprises a total of 89 lots. The lots are considered to be a minimum size of 3,150 s.f. (35' x 90'), with actual sizes ranging from 3,150 s.f. to 5,128 s.f., or an average of 3,583 s.f.

Description of Homes

These 89 lots were developed in 2009 through 2011 by William Lyon Homes with a product type of homes called Pasado at Del Sur. There are three floor plans and per builder information are described as follows:

Plan 1: 2,047 s.f., two-story, with 3 bedrooms, 2½ baths, optional office at bedroom 3, optional work station, and a 2-car garage.

PROPERTY DATA, Continuing

Plan 2: 2,165 s.f., two-story, with 4 bedrooms, 3 baths, optional office/den at bedroom 4, optional loft at bedroom 2, and a 2-car garage.

Plan 3: 2,360 s.f., two-story, with 4 bedrooms, 2½ baths, optional loft at bedroom 4, and a 2-car garage.

Per building permit data, the 89 homes range in size from 2,047 s.f. to 2,360 s.f. or an average of 2,190 s.f. (Note: All 89 lots are categorized as Developed Property.)

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of 89 Completed Homes

There have been 7 closed sales of the subject product type that have taken place since January 2014 plus 2 current escrows, all of which are shown in the following table:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	15895 Paseo Montenero	2/20/14	\$700,000	2,165	2009	3,150	Avg./good condition; some upgrades
2	8476 Spreckels Ln.	5/5/14	\$740,000	2,165	2011	3,713	n/a
3	8481 Spreckels Ln.	5/28/14	\$720,000	2,165	2011	3,420	Good condition; upgraded
4	8468 Ednalyln Ln.	5/30/14	\$679,000	2,047	2009	3,620	Good condition; upgraded
5	8480 Ednalyln Ln.	8/22/14	\$712,405	2,165	2010	3,580	Good cond.; upgraded
6	8519 Blackburn Ln.	9/8/14	\$727,000	2,340	2010	3,680	Good condition; upgrades; solar
7	15720 Kristen Glen	2/9/15	\$717,500	2,340	2010	3,404	Good condition; well upgraded
8	15747 Spreckels Pl.	Escrow	±\$720,000	2,360	2011	3,680	Good condition; upgraded
9	8504 Ednalyln Ln.	Escrow	±\$729,000	<u>2,360</u>	2010	3,293	Good condition; some upgrades
			±\$716,000	2,234			(Avg.)

It is noted that the average home size of 2,234 s.f. is slightly larger than the average of 2,190 s.f. for all 89 homes, but this is partially offset by 4 of the 9 sales taking place about 9 or more months ago. Thus, the indication at \$716,000 supports a close upper limit indication as an average value for all 89 homes, but the indication at \$320.50 per s.f. supports a close but firm lower limit indication as follows:

VALUATION, Continuing

2,190 s.f. avg. @ \$320.50/s.f. = \$702,000

As previously discussed in this report, the sales of the Bridgewalk product type homes indicated an average price of \$649,000 for an average home size of 1,885 s.f., or \$344.30 per s.f. Considering the smaller average home size as well as the smaller lot sizes that average near 3,000 s.f., the indication at \$649,000 supports a far lower limit indication as an average for the subject homes, and due to the smaller size the indication at \$344.30 per s.f. supports a far upper limit indication as an average for the subject homes as follows:

2,190 s.f. avg. @ \$344.30/s.f. = \$754,000

Also as previously discussed, the sales of the Alcalá product type homes indicated an average price of \$783,000 for an average home size of 2,454 s.f., or \$319.07 per s.f. Considering the larger average home size as well as the much larger lot sizes that average near 5,600 s.f., the indication at \$783,000 supports a far upper limit indication as an average for the subject homes, and conversely the indication at \$319.07 per s.f. supports a far lower limit indication as an average for the subject homes as follows:

2,190 s.f. avg. @ \$319.07/s.f. = \$699,000

Lastly and also as previously discussed, the sales of the Madeira product type homes indicated an average price of \$721,000 for an average home size of 2,095 s.f., or \$344.15 per s.f. Considering the slightly smaller average home size but the much larger lot sizes that average near 4,500 s.f., the indication at \$721,000 supports a close upper limit indication as an average for the subject homes, but the indication at \$344.15 per s.f. supports a far upper limit indication as an average for the subject homes as follows:

2,190 s.f. avg. @ \$344.15/s.f. = \$754,000

In summary, as an average value for the subject homes, the analysis of the data supports far lower limit indications at \$649,000 and \$699,000, a close but firm lower limit indication at \$702,000, close upper limit indications at \$716,000 and \$721,000, and far upper limit indications at \$754,000 and \$783,000. The conclusion is an average value of \$710,000 for the 89 completed homes.

Conclusion of Value

Based on the foregoing, the total value indication for the Pasado product type is calculated as follows:

89 homes @ \$710,000 = \$63,190,000

VALUATION, Continuing

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the subject Pasado product type, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

\$63,190,000

(SIXTY-THREE MILLION ONE HUNDRED NINETY THOUSAND DOLLARS)

As previously indicated, the entire value is allocated to individual owners and categorized as Developed Property.

MAP OF MANDOLIN



MANDOLIN

PROPERTY DATA

Location

The west area of this product type is located westerly of Paseo Montenero and northerly of Haaland Glen, and the east area is located south of Mathis Pl. and east of Kristen Glen.

Record Owner/Ownership History

Shea Homes Limited Partnership acquired the vacant lots for this product type from Black Mountain Ranch LLC, with the last of several takedowns closing in September 2010. The homes were subsequently built and sold to individual owners with the original closings taking place from October 2008 through November 2013.

Legal Description

The west area of this product type comprises Condominium Nos. 1 to 55 as shown on Mandolin at Del Sur Condominium Plan, being a portion of Lot 1 of Black Mountain Ranch North Village Unit No. 4, Map No. 15304; and the east area comprises Condominium Nos. 144 to 213 as shown on the Mandolin II at Del Sur Condominium Plan (and Second Amendment), being a portion of Lot 144 of Black Mountain Ranch North Village Unit No. 5, Map No. 15327.

Assessor Data-2014/15

This product type comprises Assessor Parcel Nos. 267-370-01-01 to 55; 267-403-05-01 to 10; 267-403-06-01 to 10; 267-403-07-01 to 10; 267-403-08-01 to 10; 267-403-09-01 to 06; 267-403-10-01 to 10; 267-403-11-01 to 10; and 267-403-12-01 to 04. The current assessed values range from \$425,000 to \$650,000 or an average of \$527,805. The tax rate area is 08-050, with an indicated tax rate of 1.04488%, but the effective tax rate is $\pm 1.9\%$ based on the average appraised value and including the special taxes for the CFD and other overlapping debt.

No. of Units/Density

This product type consists of 125 attached townhomes in two separate condominium plans, and thus without individual lot sizes. The west area of this product type consists of 55 homes on 4.90 acres indicating a density of 11.2 dwelling units per acre, and the east area consists of 70 homes on ± 6.0 acres indicating a density of ± 11.7 dwelling units per acre.

PROPERTY DATA, Continuing

Description of Homes

These 125 attached townhomes were built in 2008 through 2013 by Shea Homes and the product type is called Mandolin at Del Sur. There are five floor plans and per builder information they are described as follows:

Plan 1: 1,643 s.f., two-story, with 2 bedrooms plus loft or 3 bedrooms, 2½ baths, porch entry, covered patio, and a 2-car attached garage.

Plan 2: 1,821 s.f., two-story, with 2 bedrooms plus loft or 3 bedrooms, 2½ baths, porch entry, covered patio, and a 2-car attached garage.

Plan 3: 1,878 s.f., three-story, with 2 bedrooms plus study or 3 bedrooms, 3 baths, teen room, covered second floor balcony, and a 2-car attached garage.

Plan 4: 2,206 s.f., three-story, with 2 to 4 bedrooms, 2½ baths, optional bonus room and library in lieu of bedrooms, second floor balcony, and a 2-car attached garage.

Plan 5: 2,302 to 2,333 s.f., three-story, with 3 to 5 bedrooms, 3½ baths, optional study at dining room, optional bedroom 4 with bath 4 at dining room, optional bedroom 5 at bonus room, patio, second floor balcony, and a 2-car attached garage with storage area.

Per building permit data, the 125 homes range in size from 1,643 s.f. to 2,333 s.f. or an average of 2,019 s.f. (Note: All 125 parcels are categorized as Developed Property.)

VALUATION

Method of Analysis

This is similar to previous analyses.

Analysis of 125 Completed Homes

There have been 13 closed sales of the subject product type that have taken place since January 2014 that are shown in the following table:

VALUATION, Continuing

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Remarks</u>
1	8530 Old Stonefield Chase	3/26/14	\$595,000	2,206	2012	Good condition; upgraded
2	8470 Christopher Ridge Terr.	4/9/14	\$630,000	2,206	2008	Backs to open space; some upgrades
3	8441 Christopher Ridge Terr.	5/5/14	\$599,000	1,878	2010	Good condition; upgrades
4	8515 Old Stonefield Chase	5/12/14	\$580,000	1,821	2011	Good condition; upgraded
5	8423 Christopher Ridge Terr.	5/19/14	\$615,000	1,643	2010	Good cond.; upgrades; large yard
6	8448 Christopher Ridge Terr.	9/24/14	\$605,000	1,878	2010	Good condition; upgraded
7	8520 Old Stonefield Chase	10/15/14	\$590,000	1,878	2012	Good condition; upgrades; large yard
8	8538 Old Stonefield Chase	10/30/14	\$622,500	1,878	2012	Good condition; upgraded
9	8478 Christopher Ridge Terr.	11/4/14	\$550,000	1,878	2008	Good condition; some upgrades
10	8482 Christopher Ridge Terr.	12/19/14	\$560,000	1,643	2008	Good condition; upgraded
11	8522 Old Stonefield Chase	12/29/14	\$562,000	1,643	2012	Good condition; some upgrades
12	8501 Old Stonefield Chase	1/13/15	\$585,000	1,878	2012	Good condition; upgraded
13	8543 Old Stonefield Chase	1/15/15	<u>\$655,000</u>	<u>2,302</u>	<u>2012</u>	Large yard; backs to open space
			±\$596,000	1,902	2011	(Avg.)

It is noted that the average home size of 1,902 s.f. is smaller than the average of 2,019 s.f. for all 125 homes. In addition, 5 of the 13 sales took place about 9 or more months ago. Thus, the indication at \$596,000 supports a firm lower limit indication of value as an average value for all 125 homes, and conversely due to the smaller average size but considering also the dates of sale, the indication at \$313.35 per s.f. supports a close but firm upper limit indication as follows:

$$2,019 \text{ s.f. avg. @ } \$313.35/\text{s.f.} = \$633,000$$

As previously discussed in this report, the sales of the Bridgewalk product type homes indicated an average price of \$649,000 for an average home size of 1,885 s.f., or \$344.30 per s.f. Considering the smaller average home size but the superior product type as detached homes on lots that average near 3,000 s.f., the indication at \$649,000 supports a firm upper limit indication as an average for the subject homes, and due to the smaller size and superior product type, the indication at \$344.30 per s.f. supports a far upper limit indication as an average for the subject homes as follows:

$$2,019 \text{ s.f. avg. @ } \$344.30/\text{s.f.} = \$695,000$$

VALUATION, Continuing

Also as previously discussed, the sales of the Cassero product type paired homes indicated an average price of \$671,000 for an average home size of 2,494 s.f., or \$269.05 per s.f. Considering the much larger average home size as well as the slightly superior product type as attached but paired homes, the indication at \$671,000 supports a far upper limit indication as an average for the subject homes, but the indication at \$269.05 per s.f. supports a far lower limit indication as an average for the subject homes as follows:

$$2,019 \text{ s.f. avg. @ } \$269.05/\text{s.f.} = \$543,000$$

In summary, as an average value for the subject homes, the analysis of the data supports a far lower limit indication at \$543,000, a closer but still firm lower limit indication at \$596,000, a close but firm upper limit indication at \$633,000, a firm upper limit at \$649,000, and far upper limit indications at \$671,000 and \$695,000. The conclusion is an average value of \$620,000 for the 125 completed homes.

Conclusion of Value

Based on the foregoing, the total value indication for the Mandolin product type is calculated as follows:

$$125 \text{ homes @ } \$620,000 = \$77,500,000$$

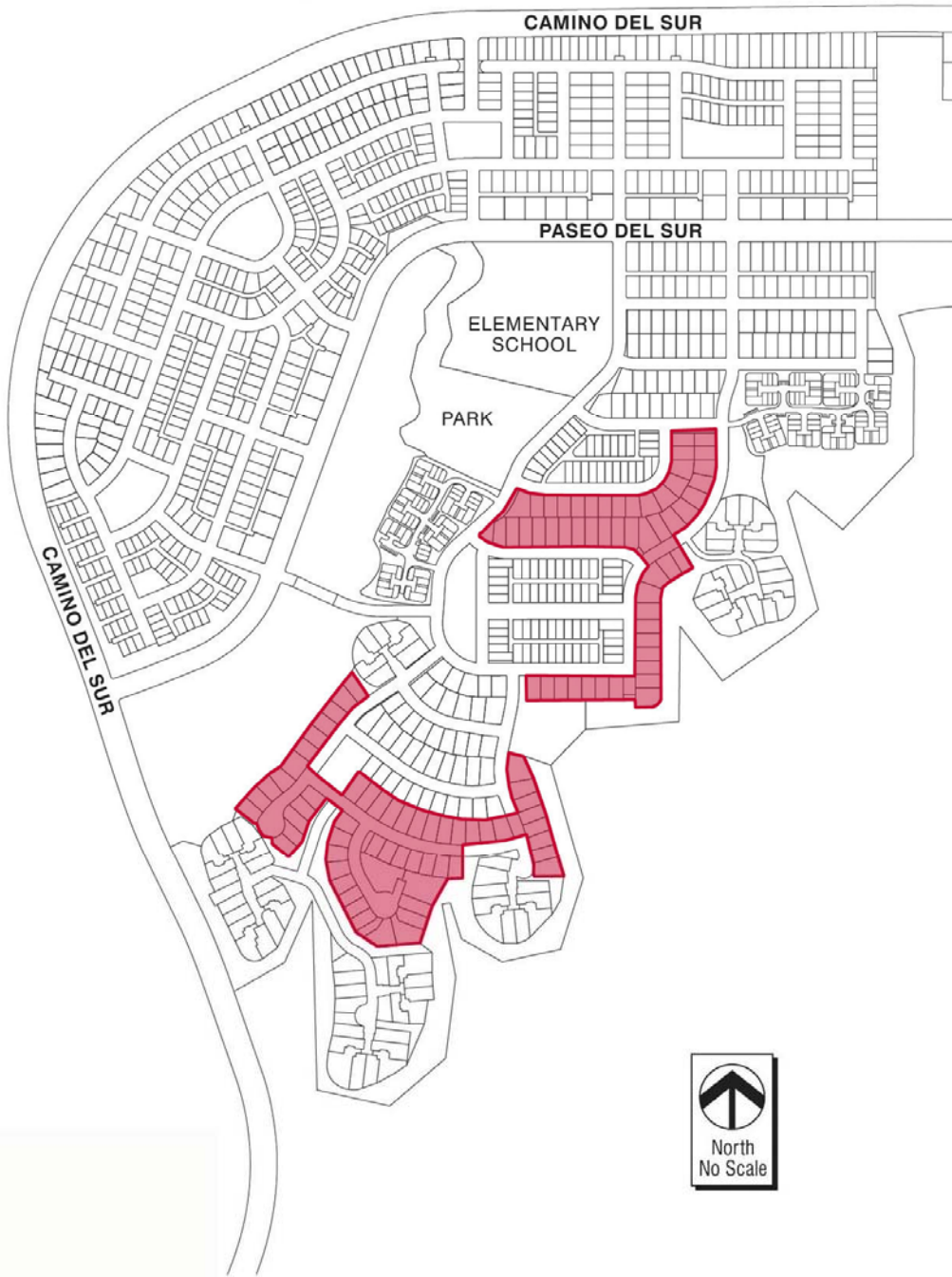
Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the subject Mandolin product type, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

\$77,500,000

(SEVENTY-SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS)

As previously indicated, the entire value is allocated to individual owners and categorized as Developed Property.

MAP OF PRESIDIO



PRESIDIO

PROPERTY DATA

Location

The north part of this product type is located easterly of Paseo Montenero along Ednalyln Ln., Blackburn Ln. and Kristen Glen, and the south part is located along Kristen Glen, Paseo Montenero, Beltaire Ln., South Chevy Chase, Lower Scarborough Ln. and Peters Stone Ct.

Record Owner/Ownership History

Standard Pacific Corp. acquired part of the vacant lots for this product type from Black Mountain Ranch LLC in September 2010 and August 2011, and SPIC Del Sur, LLC (c/o Standard Pacific Corp.) acquired the remaining lots from Black Mountain Ranch LLC in September 2012. The 108 homes were subsequently built and 105 of the homes have sold to individual owners with the closings taking place from June 2011 through January 23, 2015. The remaining 3 homes (Lots 138 & 140 of Map No. 15207 and Lot 101 of Map No. 15327) are still owned by Standard Pacific Corp. or SPIC Del Sur, LLC.

Legal Description

This product type comprises Lots 61 to 73, 124 to 143, 154 to 174 & 212 to 226 of Black Mountain Ranch North Village Unit No. 3, Map No. 15207; and Lots 84 to 122 of Black Mountain Ranch North Village Unit No. 5, Map No. 15327.

Assessor Data-2014/15

This product type comprises Assessor Parcel Nos. 267-360-61 to 73; 267-361-51 to 59; 267-362-01 to 30 & 48 to 56; 267-363-01 to 08; 267-401-30 to 64; and 267-402-01 to 04. The current assessed values range from \$251,135 to \$1,222,268 or an average of \$760,033, with the low end indicating land only and not yet reflecting the current status of the home construction. The tax rate area is 08-050, with an indicated tax rate of 1.04488%, but the effective tax rate is $\pm 1.9\%$ based on the average appraised value and including the special taxes for the CFD and other overlapping debt.

No. of Lots/Lot Sizes

This product type comprises a total of 108 lots. The lots are a minimum size of 6,000 s.f. (60' x 100'), with actual sizes ranging from 6,000 s.f. to 22,216 s.f., or an average of 8,132 s.f.

PROPERTY DATA, Continuing

Description of Homes

These 108 lots were developed in 2011 through 2014 by Standard Pacific Homes with a product type of homes called Presidio at Del Sur. There are three floor plans and per builder information they are described as follows:

Plan 1 (Catalina): 3,558 to 3,841 s.f., two-story, with 4 bedrooms plus bonus, 3½ baths, and a 3-car tandem garage; with optional craft room at tandem garage; optional outdoor fireplace at Del Sur room; optional butler's pantry; and optional panoramic doors.

Plan 2 (Riviera): 3,598 to 3,824 s.f., two-story, with 5 bedrooms plus bonus, 4½ baths, and a 2-car garage with storage plus 1-car garage; optional guest suite at 5th bedroom and 1-car garage; optional 6th bedroom at bonus room; optional outdoor fireplace at Del Sur room; and optional panoramic doors.

Plan 3 (Prado): 3,598 to 3,935 s.f., two-story, with 5 bedrooms plus bonus, 4½ baths, and a 3-car tandem garage; storage off laundry; optional second office at tandem garage; optional outdoor fireplace at Del Sur room; and optional panoramic doors.

Per building permit data including certain corrections, the 105 completed-sold (closed builder sales) homes range in size from 3,461 s.f. to 3,841 s.f. or an average of 3,657 s.f. In addition, the 3 completed-unsold homes are sizes of 3,461 s.f., 3,598 s.f. and 3,598 s.f., or an average of 3,552 s.f. (Note: 107 of the lots are categorized as Developed Property and Lot 103 of Map No. 15327/APN 267-401-49 is categorized as Undeveloped Property since the building permit was issued after May 1, 2014.)

VALUATION

Method of Analysis

This is similar to previous analyses for the completed-sold homes. Then, a discount is considered for the completed-unsold homes due to the bulk ownership by the builder but also considering the offsetting factors of the differing average size and the upgraded condition of the model home.

Analysis of 105 Completed-Sold Homes

The 29 builder sales of new homes that closed from January 2014 through January 23, 2015 indicate net sale prices (net of incentives) ranging from \$940,655 to \$1,241,784 or an average of ±\$1,079,000, for an average home size of 3,644 s.f. This average size is slightly smaller than the average of 3,657 s.f. for all 105 completed-sold homes. Considering only the 13 most recent sales that closed since late August 2014, the average net sale price was slightly higher at ±\$1,104,000 and for an average home size of 3,656 s.f. which is similar to the average for all 105 homes. Thus, the indication at \$1,079,000 tends to support a close lower limit

VALUATION, Continuing

indication as an average for the 105 homes and the indication at \$1,104,000 tends to support a close indication.

As to resales, there have been only 2 closed resales of the subject product type homes that have taken place over the past year as shown in the following table:

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	8487 Ednalyn Ln.	12/26/14	\$965,000	3,598	2012	8,145	Good condition; some upgrades
2	15625 Peters Stone Ct.	1/7/15	<u>\$1,295,000</u>	<u>3,598</u>	2013	22,216	Well upgraded; pool/spa/firepit
			\$1,130,000	3,598			(Avg.)

It is noted that both of these sales are fairly current, and the average home size of 3,598 s.f. is slightly smaller than the average of 3,657 s.f. for all 105 homes. However, it is also noted that Data No. 2 is significantly higher priced, due to being well upgraded, as well as having a far oversized lot with a highly improved back yard. Thus, the average indication at \$1,130,000 supports a firm upper limit indication as an average for all 105 homes, with Data No. 1 supporting a firm lower limit indication at \$965,000 and Data No. 2 supporting a far upper limit indication at \$1,295,000.

As previously discussed in this report, the sales of the Valencia product type homes indicated an average price of \$888,500 for an average home size of 3,137 s.f., or \$283.23 per s.f. Considering the much smaller average home size, the much smaller average lot sizes at ±6,900 s.f., and the inferior quality/desirability of the product type, the indication at \$888,500 supports a far lower limit indication as an average for the subject homes. Then, due to the much smaller size but more than offset by the inferior factors and product type, the indication at \$283.23 per s.f. supports a closer but still firm lower limit indication as follows:

$$3,657 \text{ s.f. avg. @ } \$283.23/\text{s.f.} = \$1,036,000$$

Lastly, and as discussed next, the recent resales of the Sentinels product type homes indicated an average price of \$1,113,000 for an average home size of 3,118 s.f., or \$356.96 per s.f. The much smaller average size of the Sentinels homes is considered to be offset by the superior upgraded condition of these four sales, as well as the superior views and the superior desirability of the product type. Thus, the indication at \$1,113,000 supports a close indication as an average for the subject homes, and due to the much smaller size as well as the superior factors, the indication at \$356.96 per s.f. supports a far upper limit indication as follows:

$$3,657 \text{ s.f. avg. @ } \$356.96/\text{s.f.} = \$1,305,000$$

VALUATION, Continuing

In summary, as an average value for the subject homes, the analysis of the data supports a far lower limit indication at \$888,500, closer but still firm lower limit indications at \$965,000 and \$1,036,000, a close lower limit indication at \$1,079,000, close indications at \$1,104,000 and \$1,113,000, a firm upper limit indication at \$1,130,000, and far upper limit indications at \$1,295,000 and \$1,305,000. The conclusion is an average value of \$1,100,000 for the 105 completed-sold homes.

Analysis of 3 Completed-Unsold Homes

These 3 homes consists of a 3,461 s.f. model home and two 3,598 s.f. production homes, resulting in an average size of 3,552 s.f. which is smaller than the average of 3,657 s.f. for the completed-sold homes. It is noted that both production homes are in escrow and due to close on February 27 and March 20, 2015. The asking prices for the production homes are \$1,196,900 and \$1,221,900, reflecting that these are view lots, but the net sale prices are not known. It is also noted that the asking price for the model home is \$1,145,900, reflecting the significant model upgrades. Thus, the average of the asking prices is ±\$1,188,000 for view and/or model homes.

For conservative valuation purposes, the initial conclusion is the same as for the completed-sold homes, or an average of \$1,100,000. Then, a possible discount to reflect the bulk ownership by the builder for holding/sales costs and profit is considered to be offset by the view and upgrade factors, as well as the pending sales on both production homes. Thus, the conclusion is an average of \$1,100,000 for these 3 completed-unsold homes.

Conclusion of Value

Based on the foregoing, the total aggregate value indication for the Presidio product type in the as is condition is calculated as follows:

105 completed-sold homes @ \$1,100,000 = \$115,500,000
3 completed-unsold homes @ \$1,100,000 = \$ 3,300,000

Value Indication, As Is Condition: \$118,800,000

Thus, as the result of this analysis, I have arrived at the following overall conclusion of aggregate market value for the as is condition of the subject Presidio product type, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

\$118,800,000

(ONE HUNDRED EIGHTEEN MILLION EIGHT HUNDRED THOUSAND DOLLARS)

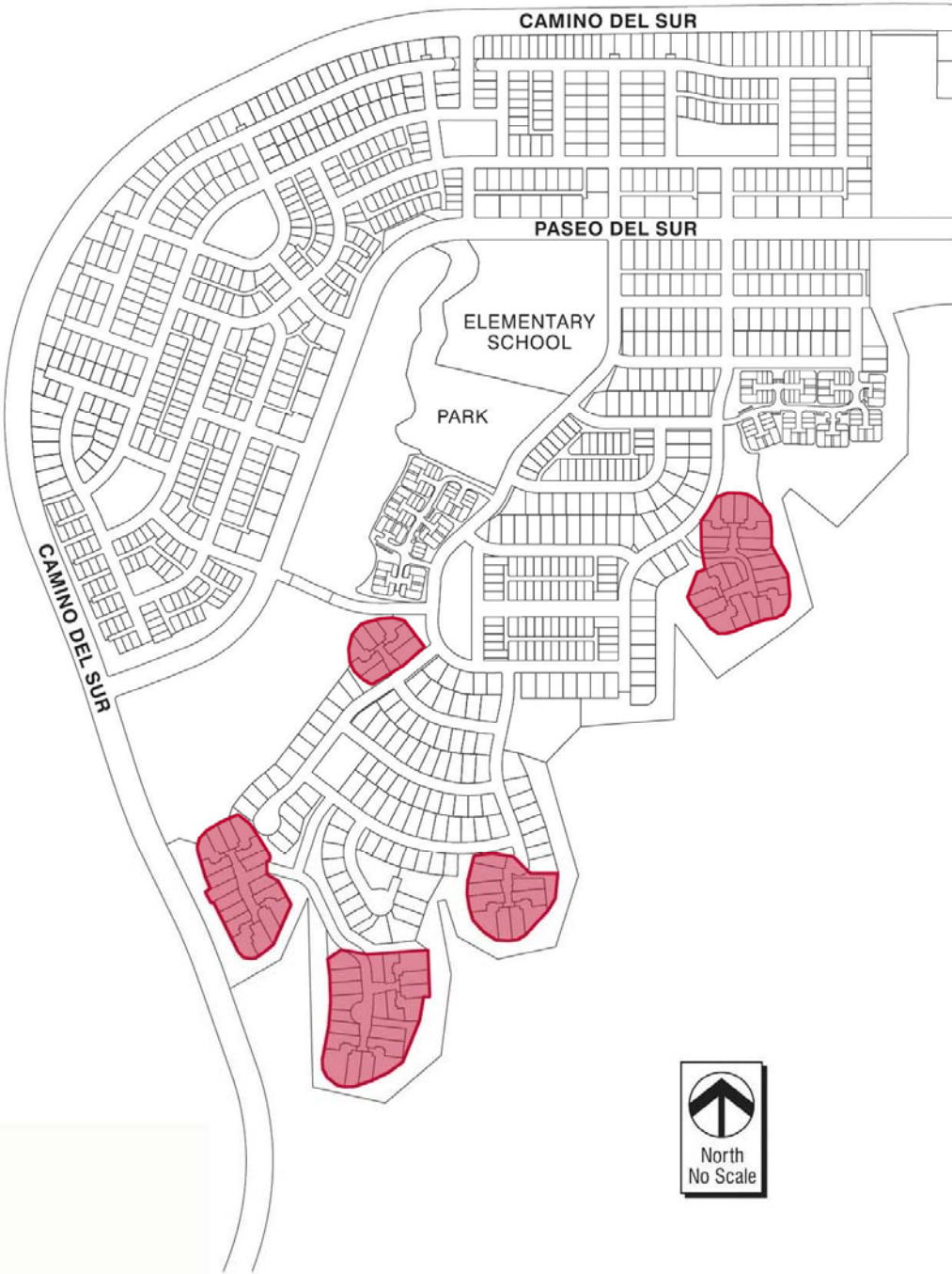
Then, the overall value conclusion is allocated to the individual owners (completed-sold homes) and the builder ownership (completed-unsold homes) and also allocated

VALUATION, Continuing

to Developed Property (104 completed-sold homes and 3 completed-unsold homes) and Undeveloped Property (1 completed-sold home) as follows:

<u>Ownership</u>	<u>Developed</u>	<u>Undeveloped</u>	<u>Total</u>
<i>Individual Owners:</i>	\$114,400,000	\$1,100,000	\$115,500,000
<i>Builder Ownership:</i>	<u>\$3,300,000</u>	<u>\$0</u>	<u>\$3,300,000</u>
	\$117,700,000	\$1,100,000	\$118,800,000

MAP OF SENTINELS



SENTINELS

PROPERTY DATA

Location

This product type is located in five different cluster locations as shown by the map on the previous page, which are off of Beltair Ln., off of Lower Scarborough Ct., off of South Chevy Chase and off of Kristen View Ct.

Record Owner/Ownership History

WL Homes LLC (known by the builder name of Laing Luxury Homes) acquired 25 of the lots for this product type in April 2006 and subsequently built 4 models and 4 production homes, and sold the production homes to individual owners in November and December 2007. In October 2009 the 4 models and 17 vacant lots were transferred to an entity connected with the lender, and then in August 2010 were sold to MREC-Davidson BJV, LLC (known by the builder name of Davidson Communities). Davidson Communities subsequently built the 17 homes and sold all 21 homes from December 2010 through May 2012.

Brookfield DS 51 LLC (known by the builder name Brookfield Homes) then acquired the remaining 51 lots for this product type from Black Mountain Ranch LLC in two takedowns that closed in November 2012 and February 2014. As of February 10, 2015, there were 27 completed homes that had sold to individual owners with the closings taking place from December 2013 through January 2015.

Legal Description

The 76 lots of this product type that are included in this appraisal comprise Lots 79 to 86, 175, 182, 183, 190 to 211 of Black Mountain Ranch North Village Unit No. 3, Map No. 15207; Lots 123 to 143 of Black Mountain Ranch North Village Unit No. 5, Map No. 15327; and Lots 1 to 22 of Black Mountain Ranch North Village Unit No. 3A, Map No. 15617.

Assessor Data-2014/15

The 76 parcels of this product type included in this appraisal comprise Assessor Parcel Nos. 267-361-06 to 13; 267-362-31 to 47; 267-363-23 to 32; 267-364-01, 08, 09, 16 to 20 & 27 to 38; 267-402-05 to 25. The current assessed values range from \$19,145 to \$1,149,528, with the low end indicating land only. The tax rate area is 08-050, with an indicated tax rate of 1.04488%, but the effective tax rate is $\pm 1.8\%$ based on the average appraised value for completed-sold homes and including the special taxes for the CFD and other overlapping debt.

PROPERTY DATA, Continuing

No. of Lots/Lot Sizes

This product type comprises a total of 76 lots. The lots are considered to be a minimum size of 6,500 s.f. (mostly irregular in shape), with actual sizes ranging from 6,441 s.f. to 17,784 s.f., or an average of 8,796 s.f.

Description of Homes/Status of Construction

This product type is called Sentinels at Del Sur. Laing Luxury Homes built 8 homes in 2007 that ranged in size from 2,795 s.f. to 3,105 s.f. Then, Davidson Communities built 17 homes in 2011 and 2012 that ranged in size from 2,772 s.f. to 3,329 s.f.

Subsequently, Brookfield Homes commenced construction on the remaining 51 lots in 2013. As of the February 10, 2015 date of value for the appraisal there were 27 completed-sold homes (closed builder sales), 3 completed-unsold homes (models), 16 homes under construction, and 5 vacant lots in finished condition. Of the 16 homes under construction, 8 were $\pm 70-80\%$ completed and 8 were $\pm 20-30\%$ completed. There are three floor plans of the Brookfield Sentinels and per builder information they are described as follows:

Plan 1: 2,784 s.f., single story main living area with 3 to 4 bedrooms, $2\frac{1}{2}$ to $3\frac{1}{2}$ baths, great room with Del Sur room, detached studio with casita/bedroom 4 option above garage; courtyard entry; and a 2-car garage with extra storage.

Plan 2: 3,219 s.f., two-story, with 3 to 4 bedrooms, $3\frac{1}{2}$ to $4\frac{1}{2}$ baths, detached studio with casita/bedroom 4 option, great room with Del Sur room, upstairs loft area, loggia entry, and a 2-car garage with extra storage.

Plan 3: 3,388 s.f., two-story, with 4 bedrooms, $4\frac{1}{2}$ baths, great room with Del Sur room, family gathering room, spa inspired master bath, optional deck off master bedroom, and a 2-car garage with extra storage.

Per building permit data, the overall 52 completed-sold homes that are included in this appraisal range in size from 2,772 s.f. to 3,388 s.f. or an average of 3,131 s.f. The 3 currently completed-unsold homes (models) are sizes of 2,784 s.f., 3,219 s.f. and 3,388 s.f. or an average of 3,130 s.f.

The lot numbers for the categories of completed homes, homes under construction and vacant lots are as follows:

Completed-Sold: Lots 79 to 86, 191 to 211 of Map No. 15207; Lots 123 to 135 of Map No. 15327; and Lots 1 to 10 of Map No. 15617

Completed-Unsold: Lots 136 to 138 of Map No. 15327

PROPERTY DATA, Continuing

Under Const. (70-80%):	Lots 175 & 182 of Map No. 15207; and Lots 11 to 16 of Map No. 15617
Under Const. (20-30%):	Lots 183 & 190 of Map No. 15207; and Lots 17 to 22 of Map No. 15617
Vacant Lots:	Lots 139 to 143 of Map No. 15327

Then it is noted that the Developed Property consists of a total of 51 lots comprising 48 of the completed-sold homes (all except Lots 191 to 194 of Map No. 15207) and the 3 completed-unsold homes. Then, the Undeveloped Property includes the 4 completed-sold homes, the 16 homes under construction and the 5 vacant lots, for which building permits were issued after May 1, 2014.

VALUATION

Method of Analysis

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

Analysis of 52 Completed-Sold Homes

The 23 builder sales of new homes that closed from January 2014 through January 2015 indicated net sale prices (net of incentives) ranging from \$932,000 to \$1,152,250 or an average of \pm \$1,023,000, for an average home size of 3,204 s.f. It is noted that this average size is slightly larger than the average of 3,131 s.f. for all 52 completed-sold homes, however, 14 of the 23 sales closed from January through June 2014 and a number were negotiated over a year ago. Thus, the indication at \$1,023,000 tends to support a close lower limit indication as an average for all 52 homes.

As to resales of the Sentinels product type, there have been 3 closed resales that have taken place since January 2014 plus 1 current escrow, all of which are shown in the following table:

VALUATION, Continuing

<u>No.</u>	<u>Address</u>	<u>Rec. Date</u>	<u>Price</u>	<u>Home Size (sf)</u>	<u>Year Built</u>	<u>Lot Size</u>	<u>Remarks</u>
1	8464 Lower Scarborough Ct.	6/20/14	\$1,060,000	2,932	2011	7,730	Former model; well upgraded
2	8463 Lower Scarborough Ct.	8/29/14	\$1,100,000	3,329	2011	7,949	Good cond.; upgraded; view
3	15690 Beltaire Ln.	11/7/14	\$1,065,000	3,105	2007	6,615	Former model; well upgraded
4	15682 Beltaire Ln.	Escrow	<u>±\$1,229,000</u>	<u>3,105</u>	<u>2007</u>	<u>6,988</u>	Former model; well upgraded
			\$1,113,000	3,118			(Avg.)

It is noted that the average home size of 3,118 s.f. is fairly similar to the average of 3,131 s.f. for all 52 completed-sold homes. However, it is also noted that 3 of the 4 sales are well upgraded former model homes, and the other sale has the desirable factor of view. It is also evident that the most recent sale which is the current escrow indicates the highest price and reflects that recent and current market activity is fairly strong. Overall, considering the bonus factors of these sales, the indication at \$1,113,000 supports a firm upper limit indication as an average for all 52 completed-sold homes.

As previously discussed for the Presidio homes, the 13 most recent builder sales of new homes since August 2014 indicated an average net sale price of ±\$1,104,000 for an average home size of 3,656 s.f. or \$301.97 per s.f. This average home size is much larger than the average of 3,130 s.f. for the subject homes, however, this is partially offset by the views to a much greater percentage of the subject homes and the apparent superior desirability of the subject homes. Thus, the indication at \$1,104,000 supports a firm upper limit indication as an average for the subject completed-sold homes, but due to the much larger average size the indication at \$301.97 per s.f. supports a far lower limit indication as follows:

$$3,130 \text{ s.f. @ } \$301.97/\text{s.f.} = \$945,000$$

Also as discussed for the Presidio homes, there were 2 recent closed resales at prices of \$965,000 and \$1,295,000 for 3,598 s.f. homes, with the lower price being a fairly typical home and the higher price being well upgraded and on a 22,216 s.f. lot with a highly upgraded back yard. Considering the larger size but also the superior desirability of the subject product type, the indication at \$965,000 supports a firm lower limit indication as an average for the subject homes, but the indication at \$1,295,000 supports a far upper limit indication.

Lastly and as previously discussed in this report, the sales of the Valencia product type homes indicated an average price of \$888,500 for an average home size of 3,137 s.f., or \$283.23 per s.f. Considering the similar average home size, but the much smaller average lot sizes at ±6,900 s.f., the far inferior views, and the inferior

VALUATION, Continuing

quality/desirability of the product type, the indication at \$888,500 supports a far lower limit indication as an average for the subject homes.

In summary, as an average value for the subject homes, the analysis of the data supports far lower limit indications at \$888,500 and \$945,000, a closer but still firm lower limit indication at \$965,000, a close lower limit indication at \$1,023,000, firm upper limit indications at \$1,104,000 and \$1,113,000, and a far upper limit indication at \$1,295,000. The conclusion is an average value of \$1,050,000 for the 52 completed-sold homes.

Analysis of 3 Completed-Unsold Homes

These are the 3 model homes with an average size of 3,130 s.f. which is nearly the same as for the completed-sold homes. The initial value conclusion for these 3 homes would be higher than for the completed-sold homes due to being the highly upgraded model homes. However, it is considered that this bonus factor would be offset by a discount due to the bulk ownership by the builder and reflecting holding/sales costs plus profit. Thus, the conclusion is an average value of \$1,050,000 for the 3 completed-unsold homes.

Analysis of 16 Homes Under Construction

For the 8 homes that were under construction and estimated to be $\pm 70-80\%$ completed, I have considered a cost amount of 75% of direct costs estimated to be \$75.00 per s.f., or \$56.25 per s.f. on the average home size of 3,162 s.f., or an amount rounded to \$180,000. This is added to the estimated value of \$490,000 for the vacant lot in finished condition, as discussed next, resulting in a total of \$670,000 as an average for these 8 homes.

For the 8 homes that were under construction and estimated to be $\pm 20-30\%$ completed, I have considered a cost amount of 25% of \$75.00 per s.f. direct costs, or \$18.75 per s.f. on the average home size of 3,183 s.f., or an amount rounded to \$60,000. This is added to the estimated value of \$490,000 for the vacant lot, resulting in a total of \$550,000 for these 8 homes.

Analysis of 5 Vacant Lots

In the analysis of the vacant lots, there are two pertinent bulk sales of vacant lots located in Del Sur which are discussed in following paragraphs:

Southerly end Lower Scarborough Ct.: This was the most recent takedown by Brookfield Homes of the 20 lots comprising the most southerly area of the subject product type. This deal was negotiated in Summer of 2012 and closed on February 28, 2014 at a price of \$369,000 per lot reflecting blue top condition, with finished lots estimated at $\pm \$420,000$ per

VALUATION, Continuing

lot. At that time, the proforma average home pricing was in the high \$800,000's, indicating a finished lot ratio of $\pm .48$.

Southerly end Tanner Ridge Rd. and both sides Tanner Ridge Cr.: This sale is located in the east part of Del Sur, and was also a sale to Brookfield Homes of 39 lots, $\pm 6,500$ s.f. minimum size, with open space and territorial views to nearly 2/3 of the lots. The sale was negotiated in mid-2012 and closed on November 14, 2013 at the price of \$400,000 per lot for the near finished condition, with finished lots estimated at \$436,000. The original projected home pricing was \$884,000 which indicates a finished lot ratio of .49.

Considering the dates of sale, both of these sales would support firm lower limit indications at \$420,000 and \$436,000 per finished lot. However, considering the indicated finished lot ratios of .48 and .49, and the average home pricing of \$1,023,000 from the builder sales that have closed since January 2014, a closer indication at current date is calculated as follows:

$$\$1,023,000 \text{ avg.} \times .48 \text{ to } .49 = \$491,040 \text{ to } \$501,270/\text{finished lot}$$

The conclusion is a value of \$490,000 per lot in finished condition. Then, the builder indicates that the lots are in finished condition with no remaining costs or fees to be paid. Thus, no deduction is made from the conclusion of \$490,000 per lot to reflect the as is condition.

Conclusion of Value

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

52 completed-sold homes @ \$1,050,000 =	\$54,600,000
3 completed-unsold homes @ \$1,050,000 =	\$ 3,150,000
8 homes under construction @ \$670,000 =	\$ 5,360,000
8 homes under construction @ \$550,000 =	\$ 4,400,000
5 vacant lots @ \$490,000 =	<u>\$ 2,450,000</u>
Value Indication, As Is:	\$69,960,000

Thus, as the result of this analysis, I have arrived at the following conclusion of aggregate market value for the as is condition of the Sentinels product type, subject to the Assumptions and Limiting Conditions, and as of February 10, 2015:

\$69,960,000

(SIXTY-NINE MILLION NINE HUNDRED SIXTY THOUSAND DOLLARS)

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

VALUATION, Continuing

	<u>No.</u>	<u>Developed</u>	<u>Undeveloped</u>	<u>Market Value</u>
	<u>Lots</u>			
<i>Individual Owners (Completed-Sold Homes):</i>	52	\$50,400,000	\$4,200,000	\$54,600,000
<i>Builder Ownership (Completed-Unsold Homes):</i>	3	\$3,150,000	\$0	\$3,150,000
<i>Builder Ownership (Homes Under Construction):</i>	16	\$0	\$9,760,000	\$9,760,000
<i>Builder Ownership (Vacant Lots):</i>	<u>5</u>	<u>\$0</u>	<u>\$2,450,000</u>	<u>\$2,450,000</u>
	76	\$53,550,000	\$16,410,000	\$69,960,000

ADDENDA

**QUALIFICATIONS
OF
STEPHEN G. WHITE, MAI**

PROFESSIONAL EXPERIENCE

Real Estate Appraiser since 1976.

1983 through current date: Self-employed; office located at 1370 N. Brea Blvd., Suite 255, Fullerton, CA 92835 (Phone: 714-738-1595)

1976-1982: Employed by Cedric A. White, Jr., MAI, independent appraiser located in Anaheim.

Real estate appraisals have been completed on most types of properties for purposes of fair market value, leased fee value, leasehold value, easement value, partial acquisitions and severance damages.

PROFESSIONAL ORGANIZATIONS

Member, Appraisal Institute; MAI designation obtained 1985

Affiliate Member, Pacific West Association of Realtors

LICENSES

Licensed by the State of California as a Certified General Real Estate Appraiser; OREA ID No. AG013311; valid through September 22, 2016.

EDUCATION

B.A. Economics & Business, Westmont College, Santa Barbara (1976)

Appraisal Institute Courses:

Basic Appraisal Principles, Methods and Techniques

Capitalization Theory and Techniques

Urban Properties

Litigation Valuation

Standards of Professional Appraisal Practice

Numerous seminars and continuing education on various appraisal subjects, including valuation of easements and leased fee interests, litigation, the money market and its impact on real estate, and standards of professional appraisal practice.

COURT/TESTIMONY EXPERIENCE

Qualified as an expert witness in the Superior Courts of Orange, Los Angeles, Riverside and San Bernardino Counties; also for the Assessment Appeals Board of Orange and Los Angeles Counties.

TYPES OF PROPERTY APPRAISED

Residential: vacant lots, acreage and subdivisions; single family residences, condominiums, townhomes and apartment complexes.

Commercial: vacant lots/acreage; office buildings, retail/shopping centers, restaurants, hotels/motels.

Industrial: vacant lots and acreage; warehouses, manufacturing buildings, R&D buildings, industrial parks, mini-warehouses.

Special Purpose: mobilehome parks, churches, automobile agencies, medical buildings, convalescent hospitals, easements, leased fee and leasehold interests.

QUALIFICATIONS, Page 2

CLIENT LIST

Corporations:

Aera Energy	MCP Foods
British Pacific Properties	Merrill Lynch Relocation
BSI Consultants	Orangeland RV Park
Crown Central Petroleum	Pacific Scientific
Firestone Building Materials	Penhall International
Foodmaker Realty Corp.	Pic 'N Save Stores
Greyhound Lines	Sargent-Fletcher Co.
Holiday Rambler Corp.	Shell-Western E&P
International Baking Co.	Southern Distributors Corp.
Johnson Controls	Southern California Edison
Kampgrounds of America	The Home Depot
Knowlwood Restaurants	Tooley and Company
La Habra Products, Inc.	Wastewater Disposal Co.

Developers:

Brighton Homes	Mark Taylor, Inc.
Brookfield	Mission Viejo Co.
Citation Builders	Premier Homes
Davison-Ferguson Investment Devel.	Presley Homes
D.T. Smith Homes	Rockefeller & Associates
Irvine Company	Taylor Woodrow Homes
Kathryn Thompson Developers	Unocal Land & Development

Law Firms:

Baldikoski, Klotz & Dragonette	Oliver, Barr & Vose
Best, Best & Krieger LLP	Ollestad, Freedman & Taylor
Bowie, Arneson, Wiles & Giannone	Palmieri, Tyler, Wiener, Wilhelm & Waldron LLP
Bradshaw, John	Paul, Hastings, Jonofsky & Walker LLP
Bye, Hatcher & Piggott	Piggott, George B.
Callahan, McCune & Willis	Pothier, Rose
Cooksey, Coleman & Howard	Rosenthal & Zimmerman
Hamilton & Samuels	Rutan & Tucker, LLP
Horgan, Rosen, Beckham & Coren	Sikora & Price, Inc.
Kent, John	Smith & Politiski
Kirkland & Ellis	Williams, Gerold G.
Latham & Watkins LLP	Woodruff, Spradlin & Smart, P.C.
McKee, Charles C.	Yates, Sealy M.
Mosich, Nicholas J.	
Long, David M.	
Nossaman, Guthner, Knox & Elliott, LLP	

Financial Institutions:

Ahmanson Trust Company	NorthMarq
Barclays Bank	Pacific Western Bank
Chino Valley Bank	San Clemente Savings & Loan
Continental Bank	Security Pacific Bank
First Interstate Mortgage	Sunwest Bank
First Niagara Bank	United Calif. Savings Bank
First Wisconsin Bank	Washington Square Capital

QUALIFICATIONS, Page 3

Cities:

Anaheim	La Habra	San Clemente
Baldwin Park	Laguna Beach	San Diego
Buena Park	Lake Elsinore	San Marino
City of Industry	Long Beach	Santa Ana
Cypress	Mission Viejo	Santa Fe Springs
Dana Point	Orange	Stanton
Duarte	Placentia	Temecula
Fontana	Riverside	Tustin
Fullerton	Seal Beach	Yorba Linda

Counties:

County of Orange	County of Riverside
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Other Governmental:

Agua Mansa Industrial Growth Association	Metropolitan Water District
El Toro Water District	Orange County Water District
Federal Deposit Insurance Corporation (FDIC)	Trabuco Canyon Water District
Kern County Employees Retirement Association	U.S. Postal Service
Lee Lake Water Dist.	

School Districts:

Alvord Unified School Dist.	Newhall School Dist.
Anaheim Union High School Dist.	Newport-Mesa Unified School Dist.
Anaheim City School Dist.	Orange Unified School Dist.
Banning Unified School Dist.	Palm Springs Unified School Dist.
Beaumont Unified School Dist.	Placentia-Yorba Linda Unified Dist.
Capistrano Unified School Dist.	Poway Unified School Dist.
Castaic Union School Dist.	Rialto Unified School Dist.
Cypress School Dist.	Romoland School Dist.
Etiwanda School Dist.	Saddleback Valley Unif. School Dist.
Fullerton College	San Jacinto Unified School Dist.
Fullerton Joint Union High School Dist.	Santa Ana Unified School Dist.
Fullerton School Dist.	Saugus Union School Dist.
Garden Grove Unified School Dist.	So. Orange Cnty. Comm. College Dist.
Irvine Unified School Dist.	Westside Union School Dist.
Lake Elsinore Unified School Dist.	William S. Hart Union High Schl. Dist.
Moreno Valley Unified School Dist.	Victor Elementary School Dist.

Churches/Church Organizations:

Calvary Church, Santa Ana	Lutheran Church, Missouri Synod
Central Baptist Church, Pomona	Presbytery of Los Rancho
Christian & Missionary Alliance Church, Santa Ana	St. Mark's Lutheran Church, Hac. Hts.
Christian Church Foundation	United Methodist Church
Congregational Church, Fullerton	Vineyard Christian Fellowship
First Church of the Nazarene	Yorba Linda United Methodist Church

Other:

Biola University	Garden Grove Boys' Club
Cedars-Sinai Medical Center	The Sheepfold

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture of Trust and the Community Facilities District No. 14 Bond Indenture and the Improvement Area A Bond Indenture and is supplemental to the summary of other provisions of such documents described elsewhere in this Official Statement. The provisions of the Community Facilities District No. 14 Bond Indenture and the Improvement Area A Bond Indenture are substantially equivalent, except where specified otherwise in this summary. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the documents summarized herein. Purchasers of the Bonds are referred to the complete text of each respective document, copies of which are available upon request from the Trustee.

Authority Indenture

Definitions.

The capitalized terms set forth in the Authority Indenture are defined as follows:

“2015A Bonds” means the \$89,405,000 Poway Unified School District Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2015A.

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

“Agreement” means that certain Amended and Restated Joint Exercise of Powers Agreement, dated as of May 14, 2007, by and between CFD No. 1 and the School District and as hereafter duly amended and supplemented from time to time, creating the Authority for the purposes, among other things, of assisting the School District and CFD No. 1 in the financing and refinancing of Public Capital Improvements, as such term is defined in the Bond Law.

“Annual Debt Service” means as to the Bonds, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

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

“Authority” or “Issuer” means the Poway Unified School District Public Financing Authority, a joint exercise of powers authority organized and existing under the Agreement and under and by virtue of the laws of the State of California.

“Authority Administrative Expense Fund” means the fund by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

“Authority Administrative Expenses” means all actual costs and expenses incurred in connection with the administration of the Bonds, including but not limited to: (a) the fees and expenses payable to the Trustee, and its counsel, and other Persons for professional services rendered in connection with the administration, continuing disclosure and rebate obligations of or for the Bonds; and (b) fees and expenses of Independent Accountants for preparation of audits required by the Indenture.

“Authority Bond Counsel” means the law firm of Best Best & Krieger LLP and any successor firm or any other firm of nationally recognized bond counsel acceptable to the Board of Directors.

“Authority Costs of Issuance” means all items of expense directly or indirectly payable by, or reimbursable to, the Authority relating to the authorization, issuance, sale and delivery of any Series of the Bonds, including but not limited to, underwriter’s discount, printing expenses, Authority Bond Counsel fees, bond insurance premiums or costs, surety fees and costs, rating agency fees, filing and recording fees, initial fees, expenses and charges and first annual administrative fees of the Trustee, expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds. Authority Costs of Issuance shall also include Costs of Issuance as defined in the Community Facilities District No. 14 Bond Indenture for the Community Facilities District No. 14 Bonds and/or the Improvement Area A Bond Indenture for the Improvement Area A Bonds.

“Authority Costs of Issuance Account” means the account by that name within the Program Fund established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

“Authorized Denomination” means the principal amount or maturity amount, as applicable, of \$5,000 or any integral multiple thereof.

“Authorized Representative” means: (a) with respect to the Authority, its Chairperson, Executive Director, Treasurer or Secretary, each as designated in the Agreement, and any other Person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Treasurer and filed with Community Facilities District No. 14, the Authority and the Trustee; (b) with respect to the School District, its Superintendent, Associate Superintendent, Business Support Services or any other Person designated as an Authorized Representative of the School District by a Written Certificate signed on behalf of the School District by the Superintendent or the Associate Superintendent and filed with the Authority and the Trustee; (c) with respect to Community Facilities District No. 14, the President of the Board of Education, Vice President of the Board of Education, the Superintendent, the Associate Superintendent, Business Support Services or any other Person acting for and on behalf of Community Facilities District No. 14 and designated as an Authorized Representative of Community Facilities District No. 14 by a Written Certificate signed on behalf of Community Facilities District No. 14 by the Superintendent or the Associate Superintendent, Business Support Services and filed with the Authority and the Trustee; and (d) with respect to the Trustee, the President, any Vice President, any Assistant Vice President, or any Trust Officer of the Trustee, and when used with reference to any act or document also means any other Person authorized to perform such act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the bylaws of the Trustee. An Authorized Representative may by written instrument designate any Person to act on his or her behalf.

“Average Annual Debt Service” means the average over all Bond Years (from the date of the Bonds to their maturity) of Annual Debt Service.

“Board of Directors” means the Board of Directors of the Authority.

“Board of Education” means the Board of Education of the School District.

“Bond Fund” means the fund by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

“Bond Indentures” means collectively the Community Facilities District No. 14 Bond Indenture and the Improvement Area A Bond Indenture and any supplemental indenture thereto and “Bond Indenture” means the Community Facilities District No. 14 Bond Indenture or the Improvement Area A Bond Indenture, as applicable.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as amended from time to time.

“Bond Purchase Agreement” means, as to any Series of the Bonds, an agreement to purchase such Bonds, by and between the Authority, the School District, on behalf of Community Facilities District No. 14, and the Underwriter of the Bonds and, as to any Series of Parity Bonds, the agreement to purchase such Parity Bonds by and among the Authority, the School District, on behalf of Community Facilities District No. 14, and the underwriter of such Parity Bonds.

“Bond Year” means each twelve-month period beginning on September 2 of each year and ending on September 1 the following year; provided, however, that with respect to the 2015A Bonds, the first such Bond Year shall begin on the Date of Delivery, and end on September 1, 2015.

“Bonds” or “Authority Bonds” mean the 2015A Bonds and any Parity Bonds at any time Outstanding pursuant to the Indenture.

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, or in any state in which the Principal Office of the Trustee is located, or the New York Stock Exchange is closed. If any payment under the Indenture is due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such previous day.

“CFD Prepayment Credit” means that Reserve Fund Credit as such term is defined in the Special Tax RMA, calculated pursuant to such rate and method and provided for upon the prepayment of the special tax

obligation for property within Community Facilities District No. 14 or Improvement Area A, as applicable, of Community Facilities District No. 14.

“Code” means the Internal Revenue Code of 1986, as amended.

“Community Facilities District Bond Counsel” or “CFD Bond Counsel” means the law firm of Best Best & Krieger LLP and any successor firm or any other firm of nationally recognized bond counsel acceptable to the Board of Education, acting in its capacity as the legislative body of Community Facilities District No. 14.

“Community Facilities District No. 14” or “CFD No. 14” means Poway Unified School District Community Facilities District No. 14 (Del Sur), a Community Facilities District formed pursuant to the Mello-Roos Community Facilities Act of 1982, as amended and shown on the map entitled “Proposed Boundaries of Poway Unified School District, Community Facilities District No. 14, County of San Diego, State of California” recorded as Document No. 2005-1117528 on December 29, 2005 in Book 40 of Maps of Assessment and Community Facilities Districts at page 11 thereof in the office of the County Recorder of the County of San Diego

“Community Facilities District No. 14 Bonds” means the Community Facilities District No. 14 Special Tax Refunding Bonds and any Community Facilities District No. 14 Parity Bonds.

“Community Facilities District No. 14 Bond Indenture” means the Bond Indenture, dated as of April 1, 2015, by and between Community Facilities District No. 14 and Zions First National Bank, as Fiscal Agent, pertaining to the Community Facilities District No. 14 Bonds.

“Community Facilities District No. 14 Bonds Reserve Fund Credit Amount” means, as of the Date of Delivery of the Community Facilities District No. 14 Special Tax Refunding Bonds, \$4,200,000. In the event of redemption of any of the series of Community Facilities District No. 14 Special Tax Refunding Bonds or Improvement Area A Special Tax Refunding Bonds and a redemption of Authority Bonds which results in a change in the Reserve Requirement, the amount shall equal such Reserve Requirement multiplied by a fraction with the numerator equal to the total debt service due on the Community Facilities District No. 14 Special Tax Refunding Bonds through the final maturity date of the Community Facilities District No. 14 Special Tax Refunding Bonds and the denominator equal to the total aggregate debt service of the Special Tax Refunding Bonds through final maturity.

“Community Facilities District No. 14 Parity Bonds” shall have the meaning given the term “Parity Bonds” in the Community Facilities District No. 14 Bond Indenture.

“Community Facilities District No. 14 Special Tax Refunding Bonds” means the \$44,630,000 Poway Unified School District Community Facilities District No. 14 (Del Sur) Special Tax Refunding Bonds, Series 2015 issued pursuant to Special Tax Refunding Bonds Resolution of Issuance and the Community Facilities District No. 14 Bond Indenture.

“Community Facilities District No. 14 Special Taxes” shall have the meaning given such term in the Community Facilities District No. 14 Bond Indenture.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement pertaining to the Bonds as executed and delivered by the Authority and the School District, on behalf of Community Facilities District No. 14, Dolinka Group, LLC, as dissemination agent, and Zions First National Bank, as Trustee, and dated as of April 1, 2015 as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Date of Delivery” means with respect to each Series of the Bonds, the date on which such Series the Bonds are delivered to the Underwriter in exchange for the purchase price therefore.

“Defeasance Obligations” means those investments identified in paragraph 1 of the definition of Permitted Investments.

“Event of Bankruptcy” means, with respect to any Person, the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against such Person as debtor, other than any involuntary proceeding

which has been finally dismissed without entry of an order for relief or similar order as to which all appeal periods have expired.

“Event of Default” means any of the events of default specified in the Indenture.

“Excess Investment Earnings” means an amount equal to the sum of:

- (a) the excess of the aggregate amount earned from the applicable Date of Delivery on all Permitted Investments in which proceeds of a Series of the Bonds are invested (other than amounts attributable to an excess described in this paragraph (a)) over the amount which would have been earned if the yield on such investments (other than amounts attributable to an excess described in this paragraph (a)) had been equal to the yield on such Series of the Bonds; and
- (b) any income attributable to the excess described in the preceding paragraph (a).

“Fiscal Agent” means Zions First National Bank, acting in its capacity as the fiscal agent for the Community Facilities District No. 14 Special Tax Refunding Bonds and the Improvement Area A Special Tax Refunding Bonds.

“Fiscal Year” means 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 the Authority and certified to the Trustee in writing by an Authorized Representative of the Authority.

“Funding Allocation Agreement” means that certain Funding Allocation Agreement, dated as of April 1, 2015, among the Authority, the School District and Community Facilities District No. 14, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Funding Requirement” means, as of any date of calculation, that all deposits required to be made to the Interest Account, the Principal Account and the Redemption Account for the Bond Year have been made.

“Improvement Area A” means that portion of the District designated as Improvement Area A thereof as shown on the map entitled “Proposed Boundaries of Poway Unified School District, Improvement Area No. A of Community Facilities District No. 14, County of San Diego, State of California” recorded as Document No. 2005-1117527 on December 29, 2005 in Book 40 of Maps of Assessment and Community Facilities Districts at page 10 thereof in the office of the County Recorder of the County of San Diego.

“Improvement Area A Bonds” means the Improvement Area A Special Tax Refunding Bonds and any Improvement Area A Parity Bonds.

“Improvement Area A Bond Indenture” means the Bond Indenture, dated as of April 1, 2015, by and between Community Facilities District No. 14 and Zions First National Bank, as Fiscal Agent, pertaining to the Improvement Area A Bonds.

“Improvement Area A Bonds Reserve Fund Credit Amount” means, as of the Date of Delivery of the Improvement Area A Special Tax Refunding Bonds, \$4,257,750. In the event of redemption of any of the series of Community Facilities District No. 14 Special Tax Refunding Bonds or Improvement Area A Special Tax Refunding Bonds and a redemption of Authority Bonds which results in a change in the Reserve Requirement, the amount shall equal such Reserve Requirement multiplied by a fraction with the numerator equal to the total debt service due on the Improvement Area A Special Tax Refunding Bonds through the final maturity date of the Improvement Area A Special Tax Refunding Bonds and the denominator equal to the total aggregate debt service of the Special Tax Refunding Bonds through final maturity.

“Improvement Area A Parity Bonds” shall have the meaning given the term “Parity Bonds” in the Improvement Area A Bond Indenture.

“Improvement Area A Special Tax Refunding Bonds” means the \$44,775,000 Poway Unified School District Community Facilities District No. 14 Improvement Area A Special Tax Refunding Bonds, Series 2015 issued pursuant to Special Tax Refunding Bonds Resolution of Issuance and the Improvement Area A Bond Indenture.

“Improvement Area A Special Taxes” shall have the meaning given such term in the Improvement Area A Bond Indenture.

“Indenture” means the Indenture of Trust, by and between the Authority and Zions First National Bank, as originally executed or as it may from time to time be supplemented, modified or amended pursuant to its terms.

“Independent Accountant” means any nationally recognized firm of certified public accountants or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the Authority, and who, or each of whom:

- (a) is in fact independent and not under domination of the Authority, School District, or Community Facilities District No. 14;
- (b) does not have any substantial interest, direct or indirect, with the Authority, School District or Community Facilities District No. 14; and
- (c) is not connected with the Authority, School District or Community Facilities District No. 14 as an officer or employee of the Authority, School District, or Community Facilities District No. 14, but who may be regularly retained to make reports to the Authority, School District, or Community Facilities District No. 14.

“Independent Financial Consultant” means any financial consultant or firm of such financial consultants appointed by the Authority, and who, or each of whom: (a) is judged by the Authority to have experience with respect to the financing of public capital improvement projects; (b) is in fact independent and not under the domination of the Authority, the School District or Community Facilities District No. 14; (c) does not have any substantial interest, direct or indirect, with the Authority, the School District or Community Facilities District No. 14; and (d) is not connected with the Authority, School District or Community Facilities District No. 14 as an officer or employee of the Authority, School District or Community Facilities District No. 14, but who may be regularly retained to make reports to the Authority, School District or Community Facilities District No. 14.

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

“Interest Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

“Interest Payment Date” means March 1 and September 1, commencing September 1, 2015 as to the 2015A Bonds.

“Maximum Annual Debt Service” means the Annual Debt Service for the Bond Year in which such sum shall be the largest with respect to the Bonds.

“Mello-Roos Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Sections 53311 et seq.

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

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including particular Bonds (or portions of Bonds) described in the Indenture; and
- (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Owner” or “Bond Owner” or “Bondholder” or “Holder,” whenever used in the Indenture with respect to a Bond, means the Person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Bonds” means Bonds issued under the Indenture which are secured by and payable from an irrevocable first lien on the Revenues which lien is on parity with the lien securing the 2015A Bonds.

“Permitted Investments” means any of the investments listed below that at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall have no duty to investigate the legality of any investments):

1.
 - A. Direct obligations (other than an obligation subject to variation in principal payment) of the United States of America (“United States Treasury Obligations”);
 - B. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;
 - C. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or
 - D. Evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.
2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - A. Federal Home Loan Mortgage Corporation (FHLMC)
 - (1) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - (2) Senior Debt obligations
 - B. Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
 - (1) Consolidated system-wide bonds and notes
 - C. Federal Home Loan Banks (FHL Banks)
 - (1) Consolidated debt obligations
 - D. Federal National Mortgage Association (FNMA)
 - (1) Senior debt obligations
 - (2) Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - E. Student Loan Marketing Association (SLMA)
 - (1) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - F. Financing Corporation (FICO)
 - (1) Debt obligations
 - G. Resolution Funding Corporation (REFCORP)
 - (1) Debt obligations
4. Unsecured certificates of deposit, time deposits, deposit accounts and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated “A-1” or better by S&P.
5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.
6. Commercial paper having original maturities of not more than 270 days rated “A-1” by S&P and “Prime-1” by Moody’s.
7. Money market funds rated “AAm-1” by Moody’s or “AAm-G” by S&P, or better.
8. State Obligations, which means:

- A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
 - B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated “A-1+” by S&P and “Prime-1” by Moody’s.
 - C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.
9. Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:
- A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
 - B. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
 - C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);
 - D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
 - E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
 - F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.
10. Repurchase agreements:
- With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or (3) any other entity rated “A” or better by S&P and Moody’s, provided that:
- A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);
 - B. The Trustee or a third party acting solely as agent therefor or for the Authority (the “Holder of Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);
 - C. The Holder of Collateral has a perfected first priority security interest in the collateral, any substituted collateral in the name of the Trustee and all proceeds thereof (in the case of bearer securities, this means the Holder of Collateral is in possession); and
 - D. The repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the Authority or the Trustee, within 10 days of

receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Authority or Trustee.

Notwithstanding the above, collateral levels need not be as specified in “A” above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

11. Investment agreements with a domestic or foreign bank or corporation the long-term debt or financial strength of which it or its guarantor is rated at least “AA-” by S&P and “Aa3” by Moody’s; provided that, by the terms of the investment agreement:
 - A. the invested funds are available for withdrawal without penalty or premium, upon not more than seven days’ prior notice; the Authority and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
 - B. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinate to any other obligation of, the provider thereof; or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks pari passu with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;
 - C. the Authority and the Trustee receive the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);
 - D. the investment agreement shall provide that if during its term
 - (1) the provider’s rating by either S&P or Moody’s falls below “AA-” or “Aa3,” respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to the Authority, the Trustee or a Holder of the Collateral, free and clear of any third-party liens or claims, the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach); or (b) transfer and assign the investment agreement to a then qualifying counterparty with ratings specified above; and
 - (2) the provider’s rating by either S&P or Moody’s is withdrawn or suspended or falls below “A-” or “A3,” respectively, the provider must, within 10 days of the date of such withdrawal, suspension or reduction of the provider’s rating, repay the principal of and accrued but unpaid interest on the investment;
 - E. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and
 - F. the investment agreement must provide that if during its term
 - (1) the provider shall default in its payment obligations, the provider’s obligations under the investment agreement shall, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate, and
 - (2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. (“Event of Insolvency”), the provider’s obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.

12. The Local Agency Investment Fund (LAIF) administered by the treasurer of the State to the extent such deposits remain in the name of and control of the Trustee.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Principal Office” means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Authority, initially being 550 S. Hope Street, Suite 2650, Los Angeles, California 90071, except that with respect to presentation of Bonds for payment or for registration of transfer or exchange or maintenance of the Registration Books, such term shall mean the office of the Trustee at which its corporate agency business shall be conducted, initially being the office of Zions First National Bank in Salt Lake City, Utah.

“Principal Payment Date” means September 1 of each year, commencing on September 1, 2015.

“Principal Repayment” means any amounts received by the Trustee representing a repayment of principal of any issue of Special Tax Refunding Bonds upon the prior redemption, prepayment or acceleration thereof.

“Private Business Use” means use directly or indirectly in a trade or business carried on by a natural Person or in any activity carried on by a Person other than a natural Person, excluding use by a governmental unit and use by any Person as a member of the general public.

“Proceeds” when used with respect to any Series of the Bonds, means the face amounts of such Bonds, plus original issue premium, if any, less Underwriter’s discount and original issue discount, if any.

“Program Fund” means the fund by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Purchase Account” means the Purchase Account of the Program Fund as established by the Trustee pursuant to the Indenture and utilized as set forth in the Indenture.

“Qualified Reserve Fund Credit Instrument” means an irrevocable standby or direct pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met by the Authority at the time of delivery thereof to the Trustee:

- (a) the long term credit rating of such bank or insurance company is “Aa” or better from Moody’s and “AA” or better from S&P;
- (b) such letter of credit or surety bond has a term of at least twelve (12) months;
- (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and
- (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture.

“Rating Agency(ies)” means any rating agency which is then rating the Bonds, at the request of the Authority.

“Rebate Fund” means the fund by that name established by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Record Date” means the fifteenth (15th) day of the month (whether or not such day is a Business Day) preceding each Interest Payment Date.

“Redemption Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in 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.

“Requisition” means a written requisition signed in the name of the Authority by its Authorized Representative.

“Reserve Fund” means the fund of that name established, held and administered by the Trustee pursuant to the provisions of the Indenture.

“Reserve Requirement” means an amount initially equal to \$8,457,750 which amount shall, as of any date of calculation, be equal to the least of (i) Maximum Annual Debt Service for the Bonds, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Bonds, or (iii) ten percent (10%) of the issue price (as defined in the Tax Regulations) of the Bonds; provided, however, the Reserve Requirement shall not exceed the maximum amount then permitted to be funded from the proceeds of tax-exempt obligations under the Code.

“Resolution of Formation” means Resolution No. 41-2006 of the Board of Education forming and establishing Community Facilities District No. 14.

“Revenue Fund” means the fund by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Revenues” means, with respect to the Bonds: (a) all amounts derived from the Special Tax Refunding Bonds; (b) all moneys originally deposited with the Trustee for application for payment of principal or interest on the Bonds and all moneys held by the Trustee in the funds and accounts established in the Indenture for payment of the Bonds (excluding the Program Fund, the Authority Administrative Expense Fund and the Rebate Fund); and (c) investment income with respect to the funds and accounts established under the Indenture except for investment earnings on funds held in the Program Fund, the Authority Administrative Expense Fund and the Rebate Fund.

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

“School District” means the Poway Unified School District, a public school district organized and operating pursuant to the provisions of the California Education Code.

“Securities Depositories” means the following registered securities depositories: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax - 516/227-4039 or 4190; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Authority may designate in a certificate of the Authority delivered to the Trustee.

“Series” means, as to the Bonds, any series of the Bonds issued pursuant to the Indenture or any Supplemental Indenture or, as to the Community Facilities District No. 14 Bonds or the Improvement Area A Bonds, any series of such bonds issued pursuant to the applicable Bond Indenture.

“Special Record Date” means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on the Bonds, if any.

“Special Tax Refunding Bonds” means the Community Facilities District No. 14 Refunding Bonds and the Improvement Area A Refunding Bonds.

“Special Tax Refunding Bonds Purchase Contract” means the Special Tax Refunding Bonds Purchase Contract, dated as of March 26, 2015, by and between the Authority and Community Facilities District No. 14 setting forth the terms and conditions pursuant to which the Authority has agreed to acquire the Special Tax Refunding Bonds from Community Facilities District No. 14, and Community Facilities District No. 14 has agreed to sell the Special Tax Refunding Bonds to the Authority.

“Special Tax Refunding Bonds Resolution of Issuance” means Resolution No. 36-2015 of the Board of Trustees of the School District, acting in its capacity as the governing body of the Community Facilities District No. 14, adopted on March 10, 2015, providing for the issuance of the Community Facilities District No. 14 Special Tax Refunding Bonds and the Improvement Area A Special Tax Refunding Bonds.

“Supplemental Indenture” means a Supplemental Indenture of Trust providing for any matter authorized, entered into by and between the Authority and the Trustee pursuant to the provisions of the Indenture.

“Tax Certificate” means that certificate of the same name, dated as of the Date of Delivery, delivered by the Authority, and executed by the School District on behalf of Community Facilities District No. 14, with regard to any Series of the Bonds and the applicable Series of the Special Tax Refunding Bonds.

“Tax Code” means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a provision of the Tax Code shall include the applicable Tax Regulations promulgated with respect to such provision.

“Tax Regulations” means temporary and permanent regulations promulgated under Section 103 and related sections of the Tax Code.

“Trustee” means Zions First National Bank, or its successor, as Trustee under the Indenture as provided therein, or such other trustee as shall be named, provided such other trustee shall meet the requirements thereto.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated.

“Written Certificate” and “Written Request” of the Authority, the School District or Community Facilities District No. 14 mean, respectively, a written certificate or written request signed in the name of the Authority by its Authorized Representative, in the name of the School District by its Authorized Representative, or in the name of Community Facilities District No. 14 by its Authorized Representative. 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.

Revenues; Funds and Accounts.

Program Fund.

The Trustee shall maintain and hold in trust such fund and account as a separate and distinct account or fund.

Purchase Account

Subject to satisfaction of the requirements of the Indenture as to each issue of Special Tax Refunding Bonds, funds deposited in the Purchase Account shall immediately be expended for the purchase of each such issue of Special Tax Refunding Bonds.

Authority Costs of Issuance Account.

The Trustee shall, on the Date of Delivery of each Series of the Bonds, deposit in the Authority Costs of Issuance Account the amount set forth in the Indenture to the Authority to pay Costs of Issuance pertaining to such Series of the Bonds and shall administer and maintain such Account as set forth in the Indenture.

The Trustee shall disburse funds from the Authority Costs of Issuance Account for Costs of Issuance upon receipt of a requisition signed and approved by an Authorized Representative.

Upon the earlier of: (i) payment in full of all Costs of Issuance for a Series of the Bonds, which shall be determined by a certificate to the Trustee to that effect by an Authorized Representative; or (ii) six months following the Date of Delivery of such Series of the Bonds, the Trustee shall transfer the funds, if any, remaining in the Authority Costs of Issuance Account to the Revenue Fund. Upon the occurrence of such transfers, the Trustee shall then close the Authority Costs of Issuance Account as to such Series of the Bonds.

Pledge and Assignment; Revenue Fund.

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues, and any other amounts held in any fund or account established pursuant to the Indenture (excluding the Program Fund, the Authority Administrative Expense Fund and the Rebate Fund), are pledged (as set forth therein) by the Authority to secure the full and timely payment of the principal of and interest and premium, if any, of the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery of the Bonds by the Trustee and the Revenues and other items pledged thereunder shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act.

(b) Subject to the provisions of the Indenture, the Authority pledges and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues, all of the moneys and securities in the funds and accounts created under the Indenture, except the Program Fund, the Authority Administrative Expense Fund and the Rebate Fund, as their interests appear and other amounts pledged in paragraph (a) above and all of the right, title and interest of the Authority in the Special Tax Refunding Bonds. The Authority shall collect and receive, or cause to be collected and received by the Trustee, all such Revenues, and Revenues collected or received by the Authority, or collected and received by the Trustee on behalf of the Authority, shall be deemed to be held,

and to have been collected or received, by the Authority, in trust, and shall be paid to the Trustee as set forth therein. The Trustee also shall be entitled to and may take all steps, actions, and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately by itself, all of the rights of the Authority and all of the obligations of Community Facilities District No. 14 with respect to the Special Tax Refunding Bonds.

(c) Subject to the provisions of the Indenture, all Revenues shall be promptly transferred to the Trustee by the Authority. All Revenues, other than Principal Repayments, shall be deposited by the Trustee upon receipt thereof in the Revenue Fund which the Trustee shall maintain and hold in trust. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. All Principal Repayments shall be deposited by the Trustee upon receipt thereof in the Redemption Account of the Bond Fund.

Bond Fund; Allocation of Revenues.

On each Interest Payment Date the Trustee shall transfer Revenues then in the Revenue Fund into the following funds and accounts, in the following amounts and in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required transfer) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

(a) The Trustee shall transfer to the Interest Account, if necessary, an amount which, together with the amounts then on deposit therein, is sufficient to cause the aggregate amount on deposit in the Interest Account, to equal the amount of interest coming due and payable on the Bonds on such Interest Payment Date and any amount of interest previously due and unpaid.

(b) The Trustee shall, on September 1 of each year during the term of the Bonds, transfer to the Principal Account, if necessary, an amount which, together with the amounts then on deposit therein, is sufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal coming due and payable on the Bonds on such September 1 and any amount of principal previously due and unpaid.

(c) On each Interest Payment Date on which the balance in the Reserve Fund is less than the Reserve Requirement, the Trustee shall transfer to the Reserve Fund an amount sufficient to increase the balance in the Reserve Fund to the Reserve Requirement.

(d) On any Interest Payment Date on which the amount on deposit in the Revenue Fund is inadequate to make the transfers described in (a) and (b) above as a result of a default in the scheduled payment of principal of and/or interest on the Bonds, the Trustee shall immediately notify the Associate Superintendent, Business Support Services of the amount of such payment default. In the event that the Trustee receives all or any portion of the principal of and/or interest on the Bonds the payment of which is in default, the Trustee shall disburse or transfer such funds in the following order of priority: (i) for deposit in the Reserve Fund such amount as shall be necessary to replenish the amount of any transfers of cash from the Reserve Fund to the Interest Account or the Principal Account resulting from such payment default; and (ii) for deposit in the Revenue Fund any amount remaining following the transfer required pursuant to (i).

(e) The Trustee shall transfer to the Rebate Fund an amount, if any, to increase the amount on deposit in the Rebate Fund to the Rebate Requirement as the Authority may direct by Written Certificate.

(f) The Trustee shall transfer to the Authority Administrative Expense Fund such amount as the Authority may direct by Written Certificate as necessary to pay Authority Administrative Costs.

(g) On each Principal Payment Date, after making the transfers and deposits in paragraphs (a) through (f) above, the Trustee shall notify the Authority of any moneys remaining on deposit in the Revenue Fund and shall, in the absence of a Written Certificate of the Authority directing the Trustee to transfer such moneys from the Revenue Fund in order to conform to the requirements provided in the Indenture, retain such amounts in the Revenue Fund to be applied as provided in paragraphs (a) through (f) above.

Interest Account.

Subject to the provisions of the Indenture, all amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable or, at the Written Request of the Authority filed with the Trustee, to apply to the payment of accrued interest on any Bonds purchased by the Authority pursuant to the Indenture in lieu of redemption pursuant to the Indenture. In the event that the deposit in the Interest Account on any Interest Payment Date or redemption date, after any transfers from the

Reserve Fund pursuant to the Indenture, are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee shall apply such amounts of the payment of interest on each of the Outstanding Bonds on a pro rata basis so that an equal percentage of the interest due on each Bond is paid.

Principal Account.

Subject to the provisions of the Indenture, all amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal of the Bonds upon the stated maturity thereof. In the event that the amounts on deposit in the Principal Account on any Interest Payment Date or date of redemption, after any transfers from the Reserve Fund pursuant to the Indenture, are insufficient for any reason to pay the aggregate principal amount of, and premium (if any) on, the Outstanding Bonds then coming due and payable (whether at maturity or upon the redemption thereof), the Trustee shall apply such amounts in the following order of priority: (i) first, to the payment of the principal of the Outstanding Bonds which mature by their terms or are to be redeemed pursuant to the Indenture; and (ii) second, to the payment of the principal of any redemption premium (if any) on the Outstanding Bonds which mature by their terms or are to be redeemed pursuant to the Indenture, in each case on a pro rata basis so that an equal percentage of the principal maturing or being redeemed under (i) above is paid first, followed by the payment of an equal percentage under (ii).

Redemption Account.

The Trustee shall deposit in the Redemption Account any amounts required or permitted to be applied to the redemption of Bonds pursuant to the Indenture.

Subject to the provisions of the Indenture, all amounts deposited in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming the Bonds in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable, or alternatively, to purchase Bonds in lieu of redemption. At any time prior to selection of Bonds for such notice of redemption, the Trustee may, at the Written Request of the Authority, apply amounts on deposit in the Redemption Account to the purchase of the Bonds, for cancellation, at public or private sale, as and when and at prices not exceeding the par amount thereof (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) and as specified in the Indenture.

Reserve Fund.

On the Date of Delivery, the Trustee shall deposit into the Reserve Fund the proceeds of the Bonds specified in the Indenture representing the Reserve Requirement as of such date.

There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement.

Moneys in the Reserve Fund shall be used solely for the purposes set forth in the Indenture. Subject to the limitations set forth in the following paragraph, amounts in the Reserve Fund shall be applied to pay the principal of, and interest on the Bonds when due, in the event that the moneys in the Interest Account and the Principal Account of the Bond Fund are insufficient therefor. In addition, cash amounts, if any, in the Reserve Fund may be applied in connection with an optional redemption pursuant to the Indenture or a mandatory redemption pursuant to the Indenture or a defeasance pursuant to the Indenture of the Bonds in whole or in part, or when the balance therein equals the principal and interest due on the Bonds to and including maturity to pay the principal of and interest due on the Bonds to maturity. Any amounts in the Reserve Fund in excess of what the Reserve Requirement will be following such an optional redemption, mandatory redemption, or partial defeasance of the Bonds shall be applied toward such optional redemption, mandatory redemption, or defeasance of Bonds, as applicable.

If the amounts in the Interest Account and/or the Principal Account of the Bond Fund are insufficient to pay the principal of or interest on the Bonds when due, the Trustee shall withdraw from the Reserve Fund for deposit in the Interest Account and/or the Principal Account, as applicable, moneys necessary for such purposes. All cash and investments in the Reserve Fund, if any, shall be transferred for payment of debt service on the Bonds before any draw may be made on any Qualified Reserve Fund Credit Instrument included within the Reserve Fund.

The Trustee shall, pursuant to a Written Certificate of the Authority notifying the Trustee that a prepayment of the special tax obligation for a property in Community Facilities District No. 14 or Improvement Area A, as applicable, has occurred, transfer the amount of the applicable CFD Prepayment Credit specified in such Written Certificate to the Fiscal Agent for the applicable Series of Special Tax Refunding Bonds for deposit in the Redemption Account established pursuant to the applicable Bond Indenture.

The Trustee shall, pursuant to a Written Certificate of the Authority, disburse or transfer on the following dates from the cash amount then on deposit in the Reserve Fund the following amounts:

- (i) on the final maturity date of any Series of Community Facilities District No. 14 Bonds, an amount equal to the Community Facilities District No. 14 Bonds Reserve Fund Credit Amount applicable to such Community Facilities District No. 14 Bonds, minus the amount of any transfer previously made necessitated as a result of a deficiency in the scheduled payment of principal of or interest on such Community Facilities District No. 14 Bonds which has not previously been reimbursed, shall be transferred to the Interest Account and the Principal Account as a credit against the payments due on such Community Facilities District No. 14 Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on such Community Facilities District No. 14 Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of such Community Facilities District No. 14 Bonds on such date; and
- (ii) on the final maturity date of any Series of Improvement Area A Bonds, an amount equal to the Improvement Area A Bonds Reserve Fund Credit Amount applicable to such Improvement Area A Bonds, minus the amount of any transfer previously made necessitated as a result of a deficiency in the scheduled payment of principal of or interest on such Improvement Area A Bonds which has not previously been reimbursed, shall be transferred to the Interest Account and the Principal Account as a credit against the payments due on such Improvement Area A Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on such Improvement Area A Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of such Improvement Area A Bonds on such date.

If on the first Business Day following a Principal Payment Date, the amount of money on deposit in the Reserve Fund, together with the principal amount of any Qualified Reserve Fund Credit Instrument, exceeds the Reserve Requirement, money in an amount equal to such excess shall be withdrawn from the Reserve Fund and transferred to the Interest Account.

The Authority shall have the right at any time to direct the Trustee to release funds from the Reserve Fund, in whole or in part, by tendering to the Trustee a Qualified Reserve Fund Instrument. Upon tender of such items to the Trustee, and upon delivery by the Authority to the Trustee of a written calculation of the amount permitted to be released from the Reserve Fund (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Fund to the District to be applied in accordance with the Bond Law. The Trustee shall comply with all documentation relating to a Qualified Reserve Fund Credit Instrument as shall be reasonably required to maintain such Qualified Reserve Fund Credit Instrument in full force and effect and as shall reasonably be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture. Upon the expiration of any Qualified Reserve Fund Credit Instrument, the Authority shall be obligated either (i) to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee or to draw upon the Qualified Reserve Fund Credit Instrument prior to its maturity or renewal date an amount of funds such that amounts on deposit in the Reserve Fund shall equal the Reserve Requirement.

Authority Administrative Expense Fund.

The Authority shall establish with the Trustee a special fund designated the "Authority Administrative Expense Fund" which the Trustee shall maintain and hold in trust. The Authority shall deposit amounts transferred to the Trustee from the Fiscal Agent for Special Tax Refunding Bonds for deposit in the Authority Administrative Expense Fund to pay Authority Administrative Expenses and shall administer and maintain such Fund as set forth in the Indenture.

The Trustee shall, from time to time, disburse funds from the Authority Administrative Expense Fund for Authority Administrative Expenses upon receipt of a signed requisition substantially in the form provided for in the Indenture and approved by an Authorized Representative.

Rebate Fund.

(a) Covenant to Calculate Excess Investment Earnings. As required by the Tax Certificate, the Authority covenants that it shall calculate the annual Excess Investment Earnings and shall transmit to the Trustee for deposit to the Rebate Fund an amount equal to the Excess Investment Earnings for the Bonds, if any, from any

legally available moneys of the Authority. Neither the Authority nor the Owners of any Bonds shall have any rights in or claim to such moneys. All such calculations described in this paragraph shall be made in the manner set forth in the Tax Regulations. The calculations of Excess Investment Earnings required under the Indenture shall be made by an Independent Financial Consultant whose calculations of rebate amounts under the Tax Code and the Tax Regulations have been accepted by other public agencies.

(b) Payment of Excess Investment Earnings. As required by the Tax Certificate, the Authority shall direct the Trustee to pay from moneys in the Rebate Fund, or from other moneys of the Authority legally available therefore if the deposit therein is insufficient, to the United States an amount that equals at least 90% of the Excess Investment Earnings as of the end of the Bond Year immediately preceding the date of each payment. No later than 60 days after the day on which the last Bond is paid or redeemed, the Authority covenants that it shall pay to the United States from the Rebate Fund or from other legally available moneys of the Authority an amount equal to 100% of the theretofore unpaid Excess Investment Earnings plus earnings on such Excess Investment Earnings received or accrued after the final payment of such earnings as required by the Tax Regulations. The Authority shall direct the Trustee in writing to remit such payments to the United States at the address and in the manner prescribed by the Tax Regulations as the same may be from time to time in effect, together with such reports and statements prepared by the Authority as may be prescribed by the Regulations.

(c) Record of Investments. The Authority covenants that it shall keep and retain for a period of six years following the retirement of the Bonds records of the determinations made pursuant to the Indenture and as required by the Tax Certificate. The Trustee shall keep a record of all investments made with moneys on deposit in any fund or account established under the Indenture. Such records shall contain a reference to the date of purchase, the date of sale, the purchase price, the sales price, the principal amount and coupon rate of each obligation purchased or sold.

(d) Deficiency of Available Moneys. Payments pursuant to the Indenture shall be made to the maximum extent possible from moneys on deposit in the Rebate Fund. In the event of any remaining deficiency in available moneys for the purposes of such transfer, such deficiency shall be paid by the Authority from any legally available funds of the Authority.

(e) Modification of Method of Computation of Excess Investment Earnings. Notwithstanding the foregoing, the method of computing Excess Investment Earnings described in the Indenture or the Tax Certificate, as applicable, may be modified, in whole, or in part, without the consent of the Bond Owners, upon receipt by the Authority of an opinion of counsel to the effect that such modification will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds theretofore issued. Notwithstanding the foregoing, if the Authority shall obtain an opinion of counsel that any specified action under 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 Bonds, the Authority and the Trustee may conclusively rely on such opinion in complying with the requirements under the Indenture, and the terms of this paragraph (e) shall be deemed modified to that extent.

Additional Funds and Accounts.

The Trustee may establish additional accounts or sub-accounts of the above-described funds and accounts as the Trustee shall deem necessary in furtherance of its duties pursuant to the Indenture. The Authority may request the establishment of such additional accounts as it deems necessary to meet its obligations pursuant to the Indenture and the Trustee shall establish such accounts.

Investment of Moneys.

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority two (2) Business Days prior to the making of such investment. Such investment instructions shall certify that the investment is a Permitted Investment. Permitted Investments may be purchased at such prices as the Authority shall determine. All Permitted Investments shall be acquired subject to any restrictive instructions given to the Trustee in writing pursuant to the Indenture and such additional limitations or requirements consistent with the foregoing as may be established by the Written Request of the Authority. Absent timely written direction from the Authority, the Trustee shall invest any funds held by it in Permitted Investments described in clause 7 of the definition thereof. The Trustee may commingle moneys in any of the funds and accounts held under the Indenture, other than those in the Rebate Fund, for investment purposes. Permitted Investments that are registrable securities shall be registered in the name of the Trustee.

Subject to the restrictions set forth in the Indenture and/or any written investment instructions received by the Trustee pursuant to the Indenture, moneys in all funds and accounts, except for the Reserve Fund, shall be invested in Permitted Investments maturing, or with respect to which payments of principal and interest are scheduled or otherwise payable, not later than the date on which it is estimated that such moneys will be required by the Trustee for the purposes specified in the Indenture.

Moneys in the Reserve Fund, if any, may be invested only in Permitted Investments which, taken together, have a weighted average maturity not in excess of five years; provided that such amounts may be invested in an investment agreement of a longer maturity so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with the Indenture (and such investment agreement meets the criteria as a Permitted Investment).

Except for moneys held in the Rebate Fund (which shall be retained therein), all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the Interest Account of the Bond Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investments equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investments shall be credited to the fund from which such accrued interest was paid.

Permitted Investments acquired as an investment of moneys in any fund established under the Indenture shall be credited to such fund. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers;

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above: the value thereof established by prior agreement between the Authority and the Trustee.

The Trustee and its affiliates may act as principal, agent or sponsor, advisor, or depository in the making or disposing of any investment and may receive compensation in connection therewith. Upon the Written Request of the Authority, or as required for the purposes of the provisions of the Indenture, 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 is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture.

Covenants.

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 Revenues 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.

The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its legitimate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge Assignment.

The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Special Tax Refunding Bonds and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee, subject to the provisions of the Indenture, shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all Persons whomsoever.

Accounting Records and Financial Statement.

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the Bond proceeds, the Revenues, the Special Tax Refunding Bonds and all funds and accounts established with the Trustee pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, any Independent Financial Consultant, the Underwriter, the School District, and Community Facilities District No. 14, during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee.

The Authority shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Bond proceeds, the Revenues, the Special Tax Refunding Bonds and all funds and accounts established pursuant to the Indenture (other than those records and accounts kept by the Trustee). Such books of record and account shall be available for inspection by the Trustee, any Independent Financial Consultant, the School District, and Community Facilities District No. 14, during regular business hours and upon twenty-four (24) hours prior notice and under reasonable circumstances as agreed to by the Authority.

Waiver of Laws.

The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may have a material adverse effect on the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Authority to the extent permitted by law.

No Arbitrage.

The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Date of Delivery would have caused any of the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

Compliance with Rebate Requirement.

The Authority shall assure compliance with the requirements for a rebate of excess investment earnings to the federal government in accordance with section 148(f) of the Tax Code and applicable Tax Regulations.

Private Business Use Limitation.

The Authority shall assure that:

(a) no more than ten percent (10%) of the Proceeds of the Bonds (as defined in the Tax Code) is used for Private Business Use (as defined in the Tax Code) if, in addition, the payment of the principal of, or the interest on, more than ten percent (10%) of the Proceeds of the Bonds is (under the terms of the Bonds or any underlying arrangement) directly or indirectly, (i) secured by any interest in property, or payments in respect of property, used

or to be used for a Private Business Use, or (ii) to be derived from payments (whether or not to the Authority) in respect of property, or borrowed money, used or to be used for a Private Business Use; and

(b) in the event that in excess of five percent (5%) of the Proceeds of the Bonds is used for a Private Business Use, and, in addition, the payment of the principal of, or the interest on, more than five percent (5%) of the Proceeds of the Bonds is (under the terms of the Bonds or any underlying arrangement), directly or indirectly, secured by any interest in property, or payments in respect of property, used or to be used for said Private Business Use or is to be derived from payments (whether or not to the Authority) in respect of property, or borrowed money, used or to be used for a Private Business Use, then, (A) said excess over said five percent (5%) of the Proceeds of the Bonds which is used for a Private Business Use shall be used for a Private Business Use related to a government use of such proceeds, and (B) each such Private Business Use over five percent (5%) of the Proceeds of the Bonds which is related to a government use of such Proceeds shall not exceed the amount of such Proceeds which is used for the government use of Proceeds to which such Private Business Use is related.

Limitation of Use of Proceeds for the Bonds.

In the event that loans are made, directly or indirectly, to a borrower other than a governmental unit, the Authority shall assure that not in excess of five percent (5%) of the Proceeds of the Bonds is used for such purpose. The provisions of this paragraph do not apply to loans constituting non-purpose investments or to loans which enable the borrower to finance any governmental tax or assessment of general application for specific essential governmental functions.

Federal Guarantee Prohibition.

The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code and applicable Tax Regulations.

Special Tax Refunding Bonds.

The Authority shall cause to be collected and paid to it all Revenues payable with respect to the Special Tax Refunding Bonds promptly as such Revenues become due and payable, and shall vigorously enforce and cause to be enforced all rights of the Authority and the Trustee under and with respect to the Special Tax Refunding Bonds. Upon any failure of the Authority to perform as required by the Indenture, the Trustee shall, subject to the provisions of the Indenture, take appropriate actions to collect and cause the Revenues to be paid to the Trustee. The Authority shall instruct Community Facilities District No. 14 to authenticate and deliver to the Trustee the Special Tax Refunding Bonds registered in the name of the Trustee.

Continuing Disclosure.

The Authority has covenanted and agreed that it will carry out the provisions of the Continuing Disclosure Agreement or cause such provisions to be carried out. Notwithstanding any provision in the Indenture to the contrary, failure by the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default for purposes of the Indenture; however, any Bond Owner may take such actions as may be necessary and appropriate, including seeking a mandate or specific performance by court order, to cause the Authority to comply with its obligations under the Continuing Disclosure Agreement, as specified therein.

Compliance with State Reporting Guidelines.

The Authority shall comply with the State of California (the “State”) reporting guidelines as required by the provisions of the Act. Notwithstanding any provision in the Indenture to the contrary, failure by the Authority to comply with the State reporting guidelines shall not be considered an Event of Default for purposes of the Indenture; however, any Bond Owner may take such actions as may be necessary and appropriate, including seeking a mandate or specific performance by court order, to cause the Authority to comply with its obligations under this covenant.

Limitation on Additional Bonds.

Except for Parity Bonds issued pursuant to the provisions of the Indenture, the Authority shall not issue any other bonds, or other securities secured by the same Revenues as are used to secure the Bonds. However, the foregoing shall not be interpreted to prevent a refunding of the Bonds, or to prevent the Authority from consenting to a refunding of the Special Tax Refunding Bonds, provided that the security of the Owners in the Revenues pledged, or pursuant to the Indenture, is maintained.

Sale of Special Tax Refunding Bonds.

Notwithstanding anything in the Indenture to the contrary, the Authority may cause the Trustee to sell, from time to time, all or a portion of the Special Tax Refunding Bonds (as shall be designated by the Authority at the time) and use the proceeds of such sale to purchase or redeem Outstanding Bonds; provided that the Authority shall deliver to the Trustee:

(a) a certificate from an Independent Accountant or Independent Financial Consultant to the effect that, following the disposition of such Special Tax Refunding Bonds, the Revenues to be paid to the Trustee (assuming the timely payment of the amounts due thereon with regard to any Special Tax Refunding Bonds not then in default), together with interest and principal due on any Defeasance Obligations pledged to the repayment of the Bonds or the Revenues then on deposit in the Funds and Accounts established under the Indenture (valuing any Permitted Investments held thereunder at the fair market value thereof), will be sufficient to pay the principal of and interest on the Bonds when due; and

(b) an opinion of Bond Counsel to the effect that such sale of the Special Tax Refunding Bonds is authorized under the provisions of the Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of State or federal income taxation.

Upon compliance with the foregoing conditions, the Trustee shall sell such designated Special Tax Refunding Bonds in accordance with the Written Request of the Authority and disburse the proceeds of such sale at the direction of the Authority to be applied to the redemption, purchase or defeasance of Bonds or upon the request of the Authority shall deposit such proceeds in the Revenue Fund or Redemption Fund to be applied to the redemption, purchase or defeasance of Bonds, as appropriate.

Further Assurances.

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

Events of Default and Remedies of Bond Owners.

Events of Default; Notice of Event of Default.

With respect to the Bonds, the following events shall be Events of Default:

(a) if default by the Authority shall be made in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, or otherwise;

(b) if default by the Authority shall be made in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable;

(c) if default shall be made by the Authority in the observance of any of the other covenants, agreements, or conditions on its part in the Indenture, if such default shall have continued for a period of thirty (30) days after written notice thereof and specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding as determined in the Indenture; provided, however, if the failure stated in the notice can be corrected (other than a failure to pay the Trustee's fees and expenses, which may only be waived by the Trustee), but not within the applicable period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected; and

(d) the occurrence of an Event of Bankruptcy with respect to the Authority.

No Acceleration.

The Bonds are not subject to acceleration in the payment of interest or principal.

Remedies of Bond Owners.

Subject to the provisions of the Indenture, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners:

(a) by mandamus, suit, action or proceeding, to compel the Authority and its members, 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 in respect of such Series and the fulfillment of all duties imposed upon it by the Bond Law;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful or the violation of any of the Bond Owners' rights; or

(c) upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the Authority and its members and employees to account as if it and they were the trustees of an express trust.

Application of Revenues and other Funds After Default.

If an Event of Default with respect to the Bonds, shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Authority shall immediately upon receipt by the Authority be transferred by the Authority to the Trustee and be deposited by the Trustee in the appropriate accounts of the Bond Fund and all amounts held in the Revenue Fund by the Trustee and all Revenues and any other funds (excluding the Rebate Fund) then held or thereafter received by the Authority or 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 fees and expenses of the Trustee necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds 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; and

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

First: to the payment to the Persons entitled thereto of all payments of interest on the Bonds 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 of 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.

Trustee to Represent Bond Owners.

Subject to the provisions of the Indenture, the Trustee is irrevocably appointed as trustee and true and lawful attorney-in-fact of the Owners of the Bonds (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds, the Indenture, the Bond Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee and such Owners under the Bonds, the Indenture, the applicable Supplemental Indenture, the Bond Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. 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 as their interests appear, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default with respect to the Bonds, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, 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 satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture in respect of the Bonds; provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and if the Bonds are no longer Outstanding, 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 Bond Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue.

No Owner of any of the Bonds 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, the Agreement, the Bond Law, or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default with respect to the Bonds; (b) the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, shall have made written request upon the Trustee to exercise the powers granted in the Indenture 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 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 sixty (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 a condition precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that one or more Owners of Bonds shall not have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Bond Law or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds as their interests appear, subject to the provisions of the Indenture.

Absolute Obligation of Authority.

Nothing in any provision of the Indenture or in 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 of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture and subject to the restrictions set forth therein, but only out of the Revenues and other assets in the Indenture pledged therefor and received by the Authority or the Trustee, 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 Indenture.

Termination of Proceedings.

In case any proceedings taken by the Trustee, or any one or more Bond 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 Bond Owners, then in every such case the Authority, the Trustee, and the Bond Owners 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 Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive.

No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds 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.

No Waiver of Default.

No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee, or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Issuance of Parity Bonds.

The Authority may at any time after the issuance and delivery of the Bonds issue Parity Bonds payable from Revenues and other amounts deposited in the funds and accounts created under the Supplemental Indenture providing for the issuance of such Parity Bonds (other than in the Program Fund, the Authority Administrative Expense Fund and any rebate fund that may be established for any Series of Parity Bonds) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture. Parity Bonds may only be issued for the purpose of refunding Outstanding Bonds where the issuance of such Parity Bonds will result in a reduction of Annual Debt Service on all Bonds to be Outstanding following the issuance of such Parity Bonds.

Modification or Amendment of the Indenture.

Amendments Permitted.

(a) The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into (i) to conform to the official statement dated March 26, 2015, with respect to the Bonds, and (ii) with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, which shall have been filed with the Trustee. No such modification or amendment shall: (i) extend the fixed maturity of any Bonds, reduce the amount of principal thereof, reduce the rate of interest thereon, extend the time of payment, or reduce any premium payable upon redemption of the Bonds without the consent of the Owner of each Bond so affected; or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment; or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the liens created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture, the Trustee shall cause to be mailed 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 of the Bonds 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.

(b) The Indenture and any Supplemental Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental hereto, which the Authority and the Trustee may enter into, without the consent of any Bond Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture 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, or as to any other provisions of the Indenture as the Authority may deem necessary or desirable, in any case which do not adversely affect the security for the Bonds granted under the Indenture;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income for purposes of federal income taxation by the United States of America;

(v) to supplement the Indenture to provide for the issuance of Parity Bonds; and

(vi) to modify or amend any provision of the Indenture with any effect and to any extent whatsoever permissible by law, provided that any such modification or amendment shall apply only to the Bonds issued and delivered subsequent to the execution and delivery of the applicable Indenture.

Effect of Supplemental Indenture.

Upon the execution of any Supplemental Indenture pursuant to 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 all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder 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 execution of any Supplemental Indenture pursuant to the Indenture 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 on the Owner of any Bonds Outstanding at the time of such execution and presentation of the Bonds for the 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 upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

Amendment of Particular Bonds.

The provisions of the Indenture shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Amendment of Special Tax Refunding Bonds.

Nothing in the Indenture, or in any applicable Supplemental Indenture (unless such Supplemental Indenture shall provide expressly to the contrary), shall prohibit the Authority from consenting to the amendment, supplement or other modification of any Special Tax Refunding Bonds or the proceedings providing for the issuance thereof provided that the Authority shall first deliver to the Trustee a Written Certificate describing such amendment, supplement, or other modification and stating that such amendment, supplement, or other modification will not adversely affect the security of the Owners of the Bonds under the Indenture and the applicable Supplemental Indenture, together with (i) a certificate of an Independent Financial Consultant stating that such amendment, supplement, or other modification will not adversely impact the Authority's ability to pay principal and interest of the Bonds (used to acquire such Special Tax Refunding Bonds); and (ii) an opinion of Authority Bond Counsel that such amendment, supplement or other modification will not impair the exclusion from gross income of interest on the Bonds for purposes of federal income taxation by the United States of America. The Trustee shall take such actions as shall be directed by the Authority in writing in implementation of such amendment, supplement, or other modification, including, without limitation, the acceptance by the Trustee of revised Special Tax Refunding Bonds in exchange for the amended, supplemented, or otherwise modified Special Tax Refunding Bonds.

Defeasance of the Bonds.

Discharge of Indenture.

The Bonds, or any portion thereof, may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

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

(b) by irrevocably depositing with the Trustee, or other designated escrow holder, in trust (pursuant to an escrow agreement), at or before maturity, Defeasance Obligations in the necessary amount (as provided in the Indenture) to pay or redeem all or any portion of the Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, all or any portion of the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority including, without limitation, any compensation or other amounts due and owing the Trustee thereunder, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture and the documentation set forth in the following sentence), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. Prior to any defeasance becoming effective, the Authority shall cause to be delivered to the Trustee: (i) an executed copy of a report, addressed to the Trustee of an Independent Accountant, verifying that the Defeasance Obligations and cash, if any, satisfy the requirements of (a), (b) or (c) above; (ii) a copy of any escrow deposit agreement entered into in connection with such defeasance; and (iii) an opinion of nationally recognized bond counsel to the effect that upon such defeasance that the Bonds shall no longer be Outstanding under the terms of the Indenture. Each verification report and defeasance opinion required under (i) and (iii) shall be acceptable in form and substance, and addressed, to the Authority and the Trustee. In such event, upon the Written Request of the Authority, and upon receipt of a Written Certificate of an Authorized Representative of the Authority, each to the effect that all conditions precedent provided for in the Indenture for relating to the discharge and satisfaction of the obligations of the Authority have been satisfied, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and 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, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture and the applicable Supplemental Indenture, which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, to the Authority.

Discharge of Liability on Bonds.

Upon the deposit with the Trustee, in trust, at or before maturity, of Defeasance Obligations in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Defeasance Obligations.

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America, in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) non-callable Defeasance Obligations, the principal of, premium, if any, and interest on which when due will provide money sufficient to pay the principal of and all unpaid interest to maturity, or

to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal and interest become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such funds to the payment of such principal and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture.

Notwithstanding any provisions of the Indenture, but subject to the escheat laws of the State, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by the Indenture and the applicable Supplemental Indenture, and all liability of the Trustee, as applicable, with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall at the cost of the Authority, mail, by first class mail, postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee, as applicable, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

The Bond Indentures

The following is a summary of certain provisions of the Community Facilities District No. 14 Bond Indenture (the “CFD No. 14 Bond Indenture”). The provisions of the Community Facilities District No. 14 Bond Indenture are substantially equivalent to the provisions of the Improvement Area A Bond Indenture (the “IA A Bond Indenture”) except where specified otherwise below in italics. For purposes of reviewing this summary as it applies to the Improvement Area A Bond Indenture, the reader should substitute “Improvement Area A” for “Community Facilities District No. 14” as it occurs throughout this summary except as specified otherwise.

Definitions.

For purposes of this summary and except as specified below, the capitalized terms set forth in the Community Facilities District No. 14 Bond Indenture are defined therein as set forth below.

“2012 Certificates of Participation” means, *as to the IA A Bond Indenture*, the Poway Unified School District Certificates of Participation (2012 School Facilities Restructuring Program) executed and delivered pursuant to the Trust Agreement by and among U.S. Bank National Association, the Authority and the School District.

“2012 Lease Agreement” means, *as to the IA A Bond Indenture*, that Lease Agreement, dated as of September 1, 2012, by and between the School District and the Authority, including the Initial Mode Additional Provisions attached as Exhibit E thereto and incorporated therein.

“2015 Bonds” means, *as to the CFD No. 14 Bond Indenture*, the \$44,630,000 Poway Unified School District Community Facilities District No. 14 (Del Sur) Special Tax Refunding Bonds, Series 2015. “2015 Bonds” means, *as to the IA A Bond Indenture*, the \$44,775,000 Poway Unified School District Community Facilities District No. 14 (Del Sur) Improvement Area A Special Tax Refunding Bonds, Series 2015.

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

“Administrative Expense Requirement” means an annual amount equal to \$60,949.71 subject to escalation by 2% in each Bond Year commencing in the Bond Year beginning on September 2, 2016.

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

“Annual Debt Service” means as to the Bonds, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

“Annual Special Taxes” shall, *as to the IA A Bond Indenture*, have the meaning given such term in the Special Tax RMA.

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

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

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

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

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

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

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

“Authority Trustee” means Zions First National Bank, acting in its capacity as trustee pursuant to the Authority Indenture.

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

“Available Special Tax Revenues” shall, *as to the CFD No. 14 Bond Indenture*, have the meaning given such term in the Joint Acquisition Agreement.

“Average Annual Debt Service” means the average over all Bond Years (from the date of the Bonds to their maturity) of Annual Debt Service.

“Bond Counsel” means an attorney or firm of attorneys, selected by the District, of nationally recognized standing in matters pertaining to the tax treatment of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of the State.

“Bond Service Fund” means the fund created and established pursuant to the Indenture.

“Bond Year” means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Delivery Date thereof to September 1 immediately following such Delivery Date.

“Bondowner” or “Owner,” or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee, representative or assign of any Outstanding Bond which shall at the time be registered.

“Bonds” means the 2015 Bonds and any Parity Bonds at any time Outstanding pursuant to the Indenture.

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

“CFD No. 14” or “Community Facilities District No. 14” means Poway Unified School District Community Facilities District No. 14 (Del Sur).

“CFD No. 14 Available Special Tax Revenue Account” means, *as to the CFD No. 14 Bond Indenture*, the Available Special Tax Revenue Account of Community Facilities District No. 14 established by the Joint Acquisition Agreement Fiscal Agent in the Available Special Tax Revenue Fund pursuant to the Joint Acquisition Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Comptroller of the Currency” means the Comptroller of the Currency of the United States.

“Costs of Issuance” means, all of costs of issuing the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture and any Supplemental Indenture, such Bonds, and any and all other agreements, instruments, certificates or other documents issued in connection therewith; any computer and other expenses incurred in connection with such Bonds; the initial fees and expenses of the Fiscal Agent (including without limitation, legal fees, acceptance fees, and first annual fees payable in advance); the fees and expenses of the appraiser, market absorption consultant, bond counsel, disclosure counsel, Independent Financial Consultant and other fees and expenses incurred in connection with the issuance of such Bonds, to the extent such fees and expenses are approved by the District.

“Defeasance Obligations” means those obligations described in paragraph 1 of the definition of Permitted Investments and which are non-callable.

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

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

“Delivery Date” means the date on which such Series of the Bonds are issued and delivered to the initial purchaser thereof. The Delivery Date for the 2015 Bonds shall be April 22, 2015.

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

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

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

“Escrow Agent” means Zions First National Bank, acting as escrow agent under and pursuant to the Escrow Agreement.

“Escrow Agreement” means that Escrow Deposit and Trust Agreement, dated as of April 1, 2015, between the District and the Escrow Agent related to the defeasance and refunding of the Prior Special Tax Bonds.

“Fiscal Agent” means Zions First National Bank, and any successor thereto.

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

“Funding Agreement” means the Funding Allocation Agreement, dated as of April 1, 2015, among the Authority, the School District and the District.

“Improvement Area” means, *as to the IA A Bond Indenture*, Improvement Area A of CFD No. 14.

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

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

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

“Independent Financial Consultant” means any person or firm possessing demonstrated experience and expertise in the preparation of special tax formulas, the administration of special taxes levied for community facilities districts and the provision of advice to public agencies with respect to the issuance and administration of bonds of community facilities districts secured by the levy of special taxes. Any such person or firm shall be appointed and paid by the District and who, or each of whom:

1. is in fact independent and not under domination of the District or the School District;
2. does not have any substantial interest, direct or indirect, in the District, the School District, or the Authority; and

3. is not an officer or employee of the District, the School District, or the Authority, but who may be regularly retained by the District, the School District, or other community facilities districts formed by the School District to administer the levy of special taxes within such community facilities districts.

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

“Interest Account” means the account by that name established within the Bond Service Fund pursuant to the Indenture.

“Interest Payment Date” means March 1 and September 1 of each year, commencing September 1, 2015 as to the 2015 Bonds.

“Joint Acquisition Agreement” means, *as to the CFD No. 14 Bond Indenture*, the Joint Acquisition Agreement, dated as of February 1, 2014, by and among the Authority, Poway Unified School District Community Facilities District No. 1 (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 (Portwood), Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV), Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and Clusters), Poway Unified School District Community Facilities District No. 13 (The Lakes), Community Facilities District No. 14 and Poway Unified School District Community Facilities District No. 15 (Del Sur East) and Zions First National Bank, as fiscal agent thereunder.

“Joint Acquisition Agreement Fiscal Agent” means, *as to the CFD No. 14 Bond Indenture*, Zions First National Bank, acting in its capacity as the fiscal agent under the Joint Acquisition Agreement.

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

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

“Mello-Roos Act” means the “Mello-Roos Community Facilities Act of 1982,” as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California.

“Minimum Annual Special Tax Requirement” shall, *as to the IA A Bond Indenture*, have the meaning given such term in the Special Tax RMA.

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

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

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

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

“Parity Bonds” means Bonds hereinafter issued which are secured by and payable from an irrevocable first lien on the Net Special Tax Revenues which lien is on a parity with the lien securing the 2015 Bonds.

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

“Permitted Investments” has the meaning of such term set forth in the summary of the Authority Indenture.

“Prepayments” means Special Tax Revenues identified to the Fiscal Agent by an Authorized Representative as representing a prepayment of the Special Tax for one or more parcels in the District made in accordance with the Special Tax RMA net of the amount of the cost of the computation of the prepayment, the cost of redeeming the applicable Bonds as a result of such prepayment and the cost of any notices to evidence the prepayment or the redemption of such Bonds.

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

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

“Prior 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.

“Prior Special Tax Bonds” means, *as to the CFD No. 14 Bond Indenture*, the outstanding Poway Unified School District Community Facilities District No. 14 (Del Sur) 2006 Special Tax Bonds issued in the original principal amount of \$51,515,000. “Prior Special Tax Bonds” means, *as to the IA A Bond Indenture*, the outstanding Poway Unified School District Community Facilities District No. 14 (Del Sur) Improvement Area A 2006 Special Tax Bonds issued in the original principal amount of \$51,495,000.

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

“Record Date” means the fifteenth (15th) calendar day of the month immediately preceding an Interest Payment Date, whether or not such day is a Business Day.

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

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

“Resolution of Formation” means Resolution No. 41-2006 of the Board of Education forming and establishing the District.

“School District” means the Poway Unified School District.

“School Facilities” shall, *as to the IA A Bond Indenture*, have the meaning given such term in the Special Tax RMA.

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

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

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

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

“Special Tax Requirement” has the meaning given such term in the Special Tax RMA.

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

“Special Tax RMA” means, *as to the CFD No. 14 Bond Indenture*, the rate and method of apportionment of the Special Tax originally approved at the special election held in the District on January 17, 2006, as may be modified from time to time in accordance with the Act. “Special Tax RMA” means, *as to the IA A Bond Indenture*, the rate and method of apportionment of the Special Tax originally approved at the special election held in the Improvement Area on January 17, 2006, as may be modified from time to time in accordance with the Act.

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

“State” means the State of California.

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

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

“Supplement to Mitigation Agreement” means, *as to the IA A Bond Indenture*, the Supplement to Subarea I Black Mountain Ranch Phase II School Impact Mitigation Agreement made and entered into as of January 1, 2006 by and among the School District, the District and Black Mountain Ranch Limited Partnership, as it may be amended or supplemented from time to time.

“Surplus Special Taxes” means, *as to the IA A Bond Indenture*, in any Fiscal Year, the amount by which the Annual Special Taxes levied on Developed Property within the Improvement Area exceeds the Minimum Annual Special Tax Requirement for such Fiscal Year.

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

“Taxable Property” shall have the meaning given such term in the Special Tax RMA.

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

Funds and Accounts.

Special Tax Fund.

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

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

1. The Fiscal Agent shall each Fiscal Year transfer to the Administrative Expense Fund from the first Special Tax Revenues received by the Fiscal Agent during such Fiscal Year an amount equal to the Administrative Expense Requirement.

2. The Fiscal Agent shall deposit in the Interest Account of the Bond Service Fund, on each Interest Payment Date and date for redemption of the Bonds, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date.

3. The Fiscal Agent shall deposit in the Principal Account of the Bond Service Fund, on each Interest Payment Date, or of any Parity Bonds shall be subject to mandatory sinking fund redemption pursuant to a Supplemental Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date or are subject to mandatory sinking fund redemption pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds.

4. After making the transfer and deposits required under 1. through 3. above, the Fiscal Agent shall transfer to the Authority Trustee the amount, if any, necessary to restore the Authority Reserve Fund to the Authority Reserve Requirement, but only to the extent that any draw on the Authority Reserve Fund was attributable, as determined by the Authority upon request of the Trustee to so determine, to a deficiency in the amount of debt service received by the Authority on the Bonds.

5. On September 2 of each year after making the deposits and transfers required under 1. through 4. above, or after September 2, if funds become available after September 2, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special

Tax Fund to the Authority Trustee the District's Proportionate Share of any Excess Authority Rebate Obligation that is or will be due and payable during the Bond Year commencing on such September 2. Any such transfer shall be accompanied by written notice to the Authority Trustee that the amount transferred is to be deposited in the Rebate Fund established pursuant to the Authority Indenture.

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

(i) those Administrative Expenses that the District reasonably believes will become due and payable during such Bond Year or the cost of which Administrative Expenses have previously been incurred and paid by the District from funds other than the Administrative Expense Fund;

(ii) the District's Proportionate Share of Authority Administrative Expenses which the District reasonably determines will become due and payable during such Bond Year or the cost of which Authority Administrative Expenses have been previously paid by the Authority or the District from funds other than the Authority Administrative Expense Fund; and

(iii) the cost of such Administrative Expenses and the District's Proportionate Share of the Authority's Administrative Expenses paid or projected to be paid from the Administrative Expense Fund during the Bond Year commencing on such September 2, that will be in excess of the Administrative Expense Requirement for such Bond Year.

7. *As to the CFD No. 14 Bond Indenture:* If, on or after September 2 of each year, after making the deposits and transfers required under 1. through 6. above, moneys remain in the Special Tax Fund, such moneys shall be deemed to be Available Special Tax Revenues and shall be transferred to the Joint Acquisition Agreement Fiscal Agent for deposit in the CFD No. 14 Available Special Tax Revenue Account.

As to the IA A Bond Indenture: If, on or after September 2 of each year, after making the deposits and transfers required under 1. through 6. above, any moneys remain on deposit in the Special Tax Fund, such monies shall remain therein and be used for the purposes specified in 1. thru 6. above, provided, however, if at any time and from time to time, the District determines, pursuant to the Supplement to Mitigation Agreement, that all or any portion of such monies constitute the proceeds of Surplus Special Taxes, the District shall, by written instructions executed by an Authorized Representative, direct the Fiscal Agent to transfer that amount constituting Surplus Special Taxes to the 2012 Certificates of Participation Trustee to be utilized to make Rental Payments pursuant to the 2012 Lease Agreement during the term thereof. From and after the termination of the 2012 Lease Agreement or the prepayment of the 2012 Certificates of Participation in full, the District shall, by written instructions executed by an Authorized Representative, direct the Fiscal Agent to transfer that amount constituting Surplus Special Taxes to the CFD No. 14 Custodial Account.

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

D. When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Special Tax Fund shall be transferred to the District and used only for such lawful purposes of the District as are authorized pursuant to the Mello-Roos Act.

Bond Service Fund.

Interest Account.

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

Principal Account.

All moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of (1) paying the principal of the Bonds at the maturity thereof or (2) paying the mandatory sinking fund redemption price of any Bonds pursuant to the Supplemental Indenture pursuant to which any Parity Bonds are issued.

Redemption Fund.

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

Administrative Expense Fund.

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

Investment of Funds.

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

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

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

Moneys in all funds and accounts may be aggregated for purposes of investing in authorized investments except when it is necessary to segregate a fund or account thereof for purposes of restricting yield on the investment of such funds.

Subject to the restrictions set forth in the Indenture and/or any written investment instructions received by the Fiscal Agent, moneys in all funds and accounts shall be invested in Permitted Investments maturing, or with respect to which payments of principal and interest are scheduled or otherwise payable, not later than the date on which it is estimated that such moneys will be required by the Fiscal Agent for the purposes specified in the Indenture. Permitted Investments purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Fiscal Agent may deliver such Permitted Investments for repurchase under such agreement.

The Fiscal Agent shall sell or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer for such funds and accounts or from

such funds and accounts. The Fiscal Agent shall not be liable for any loss from any investments made or sold by it in accordance with the provisions of the Indenture.

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

Issuance of Bonds.

The District may at any time after the issuance and delivery of the 2015 Bonds issue Parity Bonds payable from Net Special Tax Revenues and other amounts deposited in the funds and accounts created under the Supplemental Indenture (other than in the Administrative Expense Fund and any rebate fund that may be established for any Series of Parity Bonds) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding 2015 Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be used for the purpose of refunding all or a portion of the 2015 Bonds or any Parity Bonds then outstanding where the issuance of such Parity Bonds will result in a reduction in Annual Debt Service in each Bond Year of the term of all Bonds to be Outstanding following the issuance of such Parity Bonds.

Amendments or Supplements.

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

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

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

If at any time the District shall desire to approve a Supplemental Indenture, which pursuant to the terms of the Indenture shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The District shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondowners at their addresses as they appear in the bond register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the principal office of the District for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved as provided in the Indenture. Whenever at any time

within one year after the date of the first mailing of such notice, the District shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to the approval thereof by the Legislative Body substantially in the form of the copy thereof referred to in such notice as on file with the District, such proposed Supplemental Indenture, when duly approved by the Legislative Body, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of 60% of the aggregate principal amount of the Bonds have consented to the approval of any Supplemental Indenture, Bonds which are known to the Fiscal Agent to be owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

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

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

Covenants.

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

A. On or before June 1 of each Fiscal Year, the District will review the public records of the County of San Diego, California, in connection with the Special Tax levied in such Fiscal Year to determine the amount of Special Tax actually collected in such Fiscal Year. If the District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of all or any portion of four (4) semi-annual installments of Special Taxes, the District shall, not later than forty-five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to the Indenture and for which the Special Taxes remain delinquent. With respect to aggregate delinquencies throughout the District, if the District determines that it has collected less than 95% of the Special Taxes levied in the such Fiscal Year, then the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The District will cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to the Indenture and for which the Special Taxes remain delinquent.

B. The District shall preserve and protect the security of the Bonds and the rights of the Bondowners and defend their rights against all claims and demands of all persons. Until such time as an amount has been set aside sufficient to pay Outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity, plus unpaid interest thereon and premium, if any, to maturity or to the date of redemption if redeemed prior to maturity,

the District will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued thereunder.

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

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

E. The District shall comply with all requirements of the Act so as to assure the timely collection of the Special Taxes. The District shall annually ascertain the parcels on which the Special Taxes are to be levied in the following Fiscal Year, taking into account any subdivisions of parcels during the current Fiscal Year. The District shall effect the levy of the Special Tax in accordance with the Special Tax RMA and the Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County of San Diego before the final date on which the Auditor of the County of San Diego will accept the transmission of the Special Tax for the parcels within the District, *or the Improvement Area in the case of the IA A Bond Indenture*, for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Special Tax levy, the District shall prepare or cause to be prepared, and shall transmit or cause to be transmitted to the Auditor of the County of San Diego, such data as such Auditor requires to include the levy of the Special Tax on the next real property tax roll.

The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that, absent the certification described below, a reduction in the Maximum Special Tax (as such term is defined in the Special Tax RMA) authorized to be levied below the levels provided would interfere with the timely retirement of the Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the Maximum Special Tax, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District, *or the Improvement Area in the case of the IA A Bond Indenture*, as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Special Tax RMA) of Developed Property in each Fiscal Year will equal at least the sum of the estimated Annual Special Taxes plus 110% of the gross debt service on all Bonds to remain Outstanding after the reduction is approved and will not reduce the Maximum Special Tax payable from Assessor's Parcels of Developed Property is located to less than the sum of the estimated Administrative Expenses plus 110% of Maximum Annual Debt Service; and (ii) the Board of Education, acting as the Legislative Body of the District, finds pursuant to the Indenture that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. Any reduction in the Maximum Special Tax approved pursuant to the preceding sentence may be approved without the consent of the Owners of the Bonds.

The District covenants that, in the event that any initiative is adopted by the qualified electors which purports to reduce the Maximum Special Tax below the levels authorized pursuant to the Special Tax RMA or to limit the power or authority of the District to levy Special Taxes pursuant to the Special Tax RMA, the District shall, from funds available under the Indenture, commence and pursue legal action in order to preserve the authority and power of the District to levy Special Taxes pursuant to the Special Tax RMA.

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

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

Bonds to be used in the trade or business of any non-governmental units and will not loan five percent (5%) or more of the proceeds of the Bonds to any non-governmental units.

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

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

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

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

J. Not later than October 30th of each year, commencing October 30, 2015, and until October 30th following the final maturity of the Bonds, the District shall supply or cause to be supplied to the California Debt and Investment Advisory Commission by mail, postage prepaid, the information, if any, then required by Government Code Section 53359.5 to be submitted to such agency.

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

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

Defeasance.

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

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

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

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

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

Events of Default

Events of Default.

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

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

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

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

D. The filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the District, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions

of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

Application of Revenues and Other Funds After Default.

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

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

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

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

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

Remedies of Owners.

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

A. by mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers, or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

B. by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

C. by a suit in equity to require the District and its members, officers, and employees to account as the trustee of an express trust.

Nothing in any other provision of the Indenture or the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners thereof at the respective dates of maturity, as therein provided, out of the Net Special Tax Revenues pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Indenture. The principal of the Bonds shall not be subject to acceleration thereunder.

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

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

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

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and entered into as of April 1, 2015, by and among the Community Facilities District No. 14 (Del Sur) of the Poway Unified School District (the “District”), Zions First National Bank, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Bank”) in its capacity as Trustee (the “Trustee”), and Dolinka Group, LLC, a California limited liability company, in its capacity as Dissemination Agent (the “Dissemination Agent”) under this Disclosure Agreement in connection with the issuance of the Poway Unified School District Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2015A (the “Bonds”);

WITNESSETH:

WHEREAS, pursuant to the Indenture of Trust, dated as of April 1, 2015 (the “Authority Indenture”), by and between the Poway Unified School District Public Financing Authority (the “Authority”) and the Trustee, the Authority has issued the Bonds in the aggregate principal amount of \$89,405,000; and

WHEREAS, the Bonds are being issued to acquire two series of special tax bonds (the “CFD Bonds”). The CFD Bonds are each being issued pursuant to separate Bond Indentures (each a “CFD Bond Indenture,” and together the “CFD Bond Indentures”), each dated as of April 1, 2015, each by and between the District and Zions First National Bank, as Fiscal Agent (the “Fiscal Agent”), for each Series of CFD Bonds;

WHEREAS, each Series of CFD Bonds is payable from and secured by special taxes levied on certain of the property within the District or Improvement Area, as applicable;

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 District for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Authority Indenture and the CFD Bond Indentures 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 District pursuant to, and described in, Sections 3 and 4 of this Disclosure Agreement.

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

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

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

“District” means Community Facilities District No. 14 (Del Sur) of the Poway Unified School District.

“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).

“Improvement Area A” or “Improvement Area” shall mean Improvement Area A of Community Facilities District No. 14 (Del Sur).

“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 District shall, or, shall cause the Dissemination Agent to, not later than the Annual Report Date commencing January 31, 2016, 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 this Disclosure Agreement. Not later than fifteen (15) Business Days prior to the Annual Report Date, the District 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 District may be submitted separately from the balance of the Annual Report provided by the District and later than the Annual Report Date if not available by that date. If the District’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 District, of such failure to receive the applicable Annual Report. The District 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 District and shall have no duty or obligation to review such Annual Report.

(b) If the District 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 District and to the extent it can confirm such filing of an Annual Report, file a report with the District, 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 Report of the District. An Annual Report shall contain or incorporate by reference the following:

(a) With respect to the Authority, the Annual Report shall provide the following information:

(i) Principal amount of Bonds and any refunding bonds outstanding as of a date within 60 days preceding the date of the Annual Report;

(ii) Balance in the Bond Fund as of a date within 60 days preceding the date of the Annual Report;

(iii) Balance in the Authority Surplus Fund as of a date within 60 days preceding the date of the Annual Report; and

(iv) Balance in the Reserve Fund and statement of Reserve Requirement as of a date within 60 days preceding the date of the Annual Report.

(b) With respect to the District, the Annual Report shall provide the following information with respect to such District, the Improvement Area and its applicable CFD Bonds:

(i) If audited financial statements of the District are prepared, the District shall provide such audited financial statements in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If audited financial statements are to be prepared but are not available at the time required for filing, unaudited financial statements shall be submitted with the Annual Report, and the audited financial statements shall be submitted once available. For purposes of this section, the financial statements of the School District shall not be deemed to be the financial statements of the District, unless such audited financial statements contain specific information as to the District, its revenues, expenses and account balances.

(ii) A table or tables summarizing assessed value-to-lien ratios for the property in the District and the Improvement Area and by applicable Rate and Method of Apportionment of Special Taxes land use categories and indicating the number of improved and unimproved parcels. The assessed values in such table or tables will be determined by reference to the value of the parcels within the District and the Improvement Area 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 or tables will include all CFD Bonds and any parity bonds with respect to the District and the Improvement Area, as applicable, but need not include other debt secured by a tax or assessments levied on

parcels within the District or the Improvement Area, as applicable, and estimated debt service on any bonds or parity bonds with respect to the District or the Improvement Area, as applicable, for the related bond year.

(iii) Information regarding the annual special taxes levied with respect to the District and the Improvement Area, whether in the case of Developed Property the amounts are the maximum available levy under the applicable Rate and Method of Apportionment of Special Tax, the amount collected, delinquent amounts and percent delinquent for the most recent fiscal year;

(iv) Status of foreclosure proceedings of parcels within the District and the Improvement Area, as applicable, and summary of results of foreclosure sales, if available;

(v) A land ownership summary listing property owners, if any, responsible for more than 5% of the Special Tax levy for the District and the Improvement Area, as applicable, as shown on the assessment roll of the San Diego County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, a summary of the Special Taxes levied on the property within the District and the Improvement Area 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 District and the Improvement Area 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 District related to any foreclosure proceedings upon delinquent properties within the District and the Improvement Area, as applicable;

(vii) identity of any delinquent taxpayer of the District or the Improvement Area, as applicable, 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 the District with respect to the District and the Improvement Area 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 District or the Improvement Area, as applicable, approved or submitted to the qualified electors of the Improvement Area for approval prior to the filing of the Annual Report;

(x) With respect to the District and the Improvement Area, as applicable, the following information:

- The amount of bonds authorized for the District and the Improvement Area, as applicable,

- The amount of bonds issued with respect to the District and the Improvement Area, as applicable,
- The date of issuance of such bonds of the District or the Improvement Area, as applicable,
- A description of the use of the proceeds of bonds issued, and
- Balance as of a date within 60 days preceding the date of the Annual Report, of any other fund not referenced above; and

(xi) At the time of issuance, the Special Taxes of the District and of the Improvement Area are not included in the County's Teeter Plan – provide a statement as to whether or not the Special Taxes of the District and the Improvement Area continue to be excluded from the County's Teeter Plan.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District 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 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 District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the District 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 or CFD Bonds, as applicable:

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

(x) Release, substitution or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;⁽¹⁾

(xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

Section 6. Termination of Reporting Obligation. All of the District’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 Bonds. If such determination occurs prior to the final maturity of the

⁽¹⁾ For the purposes of the event identified in subparagraph (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under this Disclosure Agreement and may discharge any such 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 District, 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 District in a timely manner and in a form suitable for filing.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District, 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 District, 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, the CFD 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 District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(e).

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth

in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District 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 District, 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 a CFD Bond Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District, 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 and Dissemination Agent. Sections 8.02, 8.03, 8.04 and Section 8.06 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 and the Dissemination Agent 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 or the District. The Dissemination Agent shall have no obligation to make any disclosure concerning the Bonds, the CFD Bonds, the Authority, the District or any other matter except as expressly set out herein, provided that no provision of this Disclosure Agreement shall limit the duties or obligations of the 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 District or any other party, apart from the relationship created by the CFD Bond Indentures 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 CFD Bonds, the Authority or the 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 District 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 District for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The District's obligations under this Section shall survive the termination of this Disclosure Agreement.

Section 12. Beneficiaries. The Participating Underwriter and the owners and beneficial owners from time to time of the Bonds shall be third party beneficiaries under this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the District, 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 Community Facilities District	Community Facilities District No. 14 (Del Sur) Poway Unified School District 15250 Avenue of Science San Diego, California 92128-3406 Telephone: 858/679-2501 Telecopier: 858/513-0967 Attention: Superintendent
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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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If to the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35 th Floor San Francisco, California 94104 Attention: Municipal Research Department Telephone: 415/445-2332 Telecopier: 415/445-2395
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provided however, that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The parties may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.

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

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

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

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

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

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

COMMUNITY FACILITIES DISTRICT NO. 14 (DEL
SUR) OF THE POWAY UNIFIED SCHOOL
DISTRICT

By: _____
Authorized Officer

ZIONS FIRST NATIONAL BANK,
as Trustee

By: _____
Authorized Officer

DOLINKA GROUP, LLC,
as Dissemination Agent

By: _____
Authorized Officer

[EXECUTION PAGE OF CONTINUING DISCLOSURE AGREEMENT

EXHIBIT A

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Poway Unified School District Public Financing Authority

Name of Obligated Person: Community Facilities District No. 14 (Del Sur) of the Poway Unified School District

Name of Bond Issue: Poway Unified School District Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2015A

Date of Issuance: April __, 2015

NOTICE IS HEREBY GIVEN that Community Facilities District No. 14 (Del Sur) of the Poway Unified School District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of April 1, 2015, by and among Community Facilities District No. 14 (Del Sur) of the Poway Unified School District, 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 Community Facilities District
No. 14 (Del Sur) of the Poway Unified School
District

cc: Community Facilities District No. 14 (Del Sur)
of the Poway Unified School District
Stifel, Nicolaus & Company, Incorporated
Zions First National Bank

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APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

Board of Directors
Poway Unified School District Public Financing Authority
15250 Avenue of Science
San Diego, California 92128-3406

Re: \$89,405,000
POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS, SERIES 2015A

FINAL OPINION

Dear Ladies and Gentlemen:

We have acted as bond counsel to the Poway Unified School District Public Financing Authority (the "Authority") in connection with the sale and delivery of the Authority's Special Tax Revenue Refunding Bonds, Series 2015A in the aggregate principal amount of \$89,405,000 (the "2015A Bonds"). The 2015A Bonds are issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Government Code Section 6584 and following), a resolution adopted by the Board of Directors of the Authority on March 10, 2015 (the "Resolution of Issuance"), and an Indenture of Trust, dated as of April 1, 2015 (the "Indenture"), and entered into by and between the Authority and Zions First National Bank, as trustee. Capitalized terms used herein, but not defined herein, have the meanings ascribed to those terms in the Indenture.

The 2015A Bonds are special, limited obligations of the Authority. The 2015A Bonds are payable solely from and secured by a first lien upon and pledge of the Revenues of the Authority and from certain other amounts on deposit in the funds and accounts created under the Indenture.

We have examined the Indenture, the Resolution of Issuance, the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications, documents and written opinions provided to us by persons believed to be responsible without undertaking to verify such facts by independent investigation. We have also assumed the genuineness of the signatures appearing upon such records, proceedings, certifications, documents and opinions.

We call attention to the fact that the rights and obligations under the 2015A Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, 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 in the State of California.

We have not been engaged to take, and have not undertaken, any responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the 2015A Bonds and express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based upon our examination and subject to the foregoing, we are of the opinion, as of the date hereof, that:

1. The Authority is a joint powers authority duly organized and validly existing under the laws of the State of California and has duly and validly authorized all the acts

undertaken by it in connection with the authorization, issuance, sale and delivery of the 2015A Bonds.

2. The Indenture has been duly entered into by the Authority and constitutes a legal, valid and binding limited obligation of the Authority enforceable in accordance with its terms.

3. The Indenture creates valid liens on the funds pledged by the Indenture for the security of and payment on the 2015A Bonds.

4. The 2015A Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the sources provided for in the Indenture.

5. Under existing statutes, regulations, rulings and court decisions, and assuming compliance by the Authority with the aforementioned covenants, the interest on the 2015A Bonds is excluded from gross income for purposes of federal income taxation. Interest on the 2015A Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

6. Interest on the 2015A Bonds is exempt from State of California personal income tax.

The opinions expressed in paragraph (5) above as to the exclusion from gross income for federal income tax purposes of interest on the 2015A Bonds are subject to the condition that the Authority and Community Facilities District No. 14 of the Poway Unified School District (the "Community Facilities District") comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2015A Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2015A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2015A Bonds. The Authority and the Community Facilities District each have covenanted to comply with all such requirements. Except as set forth in paragraph (5) above, we express no opinion as to any federal tax consequences related to the 2015A Bonds.

We are admitted to the practice of law only in the State of California and our opinions are limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Our engagement as Bond Counsel with respect to the 2015A Bonds terminates upon the issuance of the 2015A Bonds and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken (or not taken) or do occur (or do not occur).

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover matters not directly addressed by such authorities.

Respectfully submitted,

BEST BEST & KRIEGER LLP

APPENDIX G

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 District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Procedures and Record Keeping

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 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. *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 Authority 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 Authority 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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