

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: (See “CONCLUDING INFORMATION – Ratings” herein)  
INSURED BONDS RATING: (maturity: September 1, 2032 (CUSIP No. 73885QJN0)  
Standard & Poor’s “AA” (Stable)  
UNDERLYING RATING: Standard & Poor’s “A-” (Stable)

*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.*

**\$46,770,000**

**POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY  
SPECIAL TAX REVENUE REFUNDING BONDS, SERIES 2016A**

**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 2016A (the “Bonds”) are being issued pursuant to an Indenture of Trust (the “Authority Indenture”), dated as of August 1, 2016, by and between Poway Unified School District Public Financing Authority (the “Authority”) and Zions Bank, a division of ZB, National Association, as trustee (the “Trustee”) (i) to purchase five separate series of CFD Bonds (each a “Series of CFD Bonds” or collectively, the “CFD Bonds,” as more specifically defined herein), (ii) to acquire a reserve insurance policy for the Bonds and (iii) to pay costs of issuance of the Bonds and the CFD Bonds, including the premiums for a municipal bond insurance policy and reserve insurance policy. Proceeds of the CFD Bonds will be used, together with other available funds, to refund the outstanding Poway Unified School District Public Financing Authority 2007 Revenue Bonds (the “2007 Authority Bonds”), and upon the defeasance of the 2007 Authority Bonds, the Poway Unified School District Community Facilities District No. 2 2007 Surplus Special Tax Bonds, the Poway Unified School District Community Facilities District No. 4 2007 Special Tax Bonds, the Poway Unified School District Community Facilities District No. 8 2007 Improvement Area B Special Tax Bonds, the Poway Unified School District Community Facilities District No. 9 2007 Special Tax Bonds, the Poway Unified School District Community Facilities District No. 10 2007 Special Tax Bonds and the Poway Unified School District Community Facilities District No. 12 2007 Special Tax Bonds (collectively, the “Prior 2007 CFD Bonds”) will be discharged and the pledge of the Special Tax Revenues for the Prior 2007 CFD Bonds will terminate.

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 March 1, 2017. 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) as described herein. See “THE BONDS – Redemption.”*

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 in the Authority Indenture), the Authority Administrative Expense Fund (as defined in the Authority Indenture) or the Rebate Fund (as defined in the Authority Indenture). 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. 4 (Black Mountain Ranch), Improvement Area B of Community Facilities District No. 8 (Black Mountain Ranch Phase II), Community Facilities District No. 9 (Portwood), Community Facilities District No. 10 (Torrey Highlands – Subarea IV) and Community Facilities District No. 12 (Black Mountain Ranch Phase II - Southern Village and The Clusters) (each a “District” or, collectively, the “Districts”), 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.

The scheduled payment of principal of and interest on the Bonds maturing on September 1, 2032 (CUSIP No. 73885QJN0) (the “Insured Bonds”), when due will be guaranteed under an insurance policy (the “Policy”) to be issued concurrently with the delivery of the Insured Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “BOND INSURANCE” herein.



(The Bonds which are not insured under the Policy (Bonds maturing on September 1 of the years 2017 through 2031 described on the inside cover page hereof) are referred to herein as the “Uninsured Bonds.”)

**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 Districts 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 Districts by James F. Anderson Law Firm, A Professional Corporation, 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 August 18, 2016.*

**STIFEL**

Dated: July 28, 2016

**\$46,770,000**  
**POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY**  
**SPECIAL TAX REVENUE REFUNDING BONDS, SERIES 2016A**

**MATURITY SCHEDULE**  
**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>
2017	\$1,815,000	2.00%	0.63%	101.412	HX0	2026	\$3,530,000	5.00%	1.89%	128.308	JG5
2018	2,010,000	3.00	0.75	104.537	HY8	2027	3,785,000	5.00	2.00	127.155 <sup>c</sup>	JH3
2019	2,140,000	3.00	0.85	106.430	HZ5	2028	1,000,000	2.75	2.31	103.920 <sup>c</sup>	JJ9
2020	2,295,000	4.00	0.98	111.922	JA8	2028	2,675,000	5.00	2.11	126.015 <sup>c</sup>	JP5
2021	2,470,000	4.00	1.10	114.169	JB6	2029	3,515,000	5.00	2.18	125.295 <sup>c</sup>	JK6
2022	2,660,000	4.00	1.28	115.751	JC4	2030	3,765,000	5.00	2.22	124.886 <sup>c</sup>	JL4
2023	2,840,000	5.00	1.43	123.815	JD2	2031	3,450,000	5.00	2.27	124.377 <sup>c</sup>	JM2
2024	3,055,000	5.00	1.59	125.628	JE0	2032*	2,480,000	4.00	2.52	113.051 <sup>c</sup>	JN0
2025	3,285,000	5.00	1.74	127.149	JF7						

† 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 School District, the Districts and the Underwriter take no responsibility for the accuracy of such numbers.

\* Insured Obligation.

(c) Priced to the first optional redemption date of September 1, 2026 at par.

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

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

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

**SCHOOL DISTRICT ADMINISTRATION**

Edward Valasquez, <sup>1</sup> *Interim Superintendent*  
Mel Robertson, Ed.D., *Acting Superintendent*  
Kamran Azimzadeh, <sup>2</sup> *Interim Associate Superintendent, Business Support Services*

**SPECIAL SERVICES**

**BOND COUNSEL AND SPECIAL LEGAL COUNSEL TO THE  
AUTHORITY, THE DISTRICTS AND THE SCHOOL DISTRICT**

Best Best & Krieger LLP  
San Diego, California

**DISCLOSURE COUNSEL**

James F. Anderson Law Firm, A Professional Corporation  
Laguna Hills, California

**FINANCIAL ADVISOR**

Fieldman, Rolapp & Associates, Inc.  
Irvine, California

**SPECIAL TAX CONSULTANT, CFD ADMINISTRATOR & DISSEMINATION AGENT**

Cooperative Strategies, LLC <sup>3</sup>  
Irvine, California

**VERIFICATION AGENT**

Causey Demgen & Moore P.C.  
Denver, Colorado

**TRUSTEE, FISCAL AGENT AND ESCROW BANK**

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

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<sup>1</sup> The Superintendent was placed on leave in April 2016, and dismissed on July 10, 2016. On June 22, 2016, the School District announced that Edward Velasquez will become Interim Superintendent, effective as of August 1, 2016. Associate Superintendent of Learning Support Services, Dr. Mel Robertson, was appointed as acting superintendent in April 2016.

<sup>2</sup> Malliga Tholandi, the Associate Superintendent, Business Support Services, retired from the School District effective as of June 30, 2016. Kamran Azimzadeh has been appointed Interim Associate Superintendent, Business Support Services, effective as of August 1, 2016.

<sup>3</sup> As of July 1, 2016, Dolinka Group, LLC changed its name to Cooperative Strategies, LLC.

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

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

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

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

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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## OFFICIAL STATEMENT

**\$46,770,000**

### **POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS, SERIES 2016A**

#### **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 2016A (the “Bonds”).

The Bonds are being issued pursuant to an Indenture of Trust, dated as of August 1, 2016 (the “Authority Indenture”), by and between the Poway Unified School District Public Financing Authority (the “Authority”) and Zions Bank, a division of ZB, National Association, 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”). The Authority 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 agency obligations and to provide financing and refinancing for public capital improvements, including for the Districts (as defined herein).

#### **Purpose of Issue**

Proceeds of the Bonds will be used as follows: (i) to finance the acquisition by the Authority of five Series of CFD Bonds (as defined below); (ii) to acquire a reserve insurance policy (the “Reserve Policy”) and (iii) to pay costs of issuance of the Bonds and the CFD Bonds, including the premiums, if any, for any applicable municipal bond insurance policy (the “Policy”) secured in connection with the Bonds and the Reserve Policy to satisfy the Reserve Requirement. The Bonds shall constitute special obligations of the Authority.

The five issuing Community Facilities Districts (each a “District” or, collectively, the “Districts”) and the series of special tax bonds (each a “Series of CFD Bonds” or “CFD Bonds,” as applicable), the Authority will acquire, consist of:

<u>Issuing Community Facilities District</u>	<u>Special Tax Bonds</u>
Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch) (“CFD No. 4”)	Poway Unified School District Community Facilities District No. 4 Special Tax Refunding Bonds, Series 2016 (the “CFD No. 4 CFD Bonds”)
Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II) (“CFD No. 8”)	Poway Unified School District Community Facilities District No. 8 Improvement Area B Special Tax Refunding Bonds, Series 2016 (the “CFD No. 8 CFD Bonds”)
Poway Unified School District Community Facilities District No. 9 (Portswood) (“CFD No. 9”)	Poway Unified School District Community Facilities District No. 9 Special Tax Refunding Bonds, Series 2016 (the “CFD No. 9 CFD Bonds”)
Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) (“CFD No. 10”)	Poway Unified School District Community Facilities District No. 10 Special Tax Refunding Bonds, Series 2016 (the “CFD No. 10 CFD Bonds”)
Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters) (“CFD No. 12”)	Poway Unified School District Community Facilities District No. 12 Special Tax Refunding Bonds, Series 2016 (the “CFD No. 12 CFD Bonds”)

Proceeds of the CFD Bonds will be used, together with other available funds, to refund the outstanding Poway Unified School District Public Financing Authority 2007 Revenue Bonds (the “2007 Authority Bonds”), and upon the defeasance of the 2007 Authority Bonds, the Poway Unified School District Community Facilities District No. 2 2007 Surplus Special Tax Bonds, the Poway Unified School District Community Facilities District No. 4 2007 Special Tax Bonds, Poway Unified School District Community Facilities District No. 8 2007 Improvement Area B Special Tax Bonds, Poway Unified School District Community Facilities District No. 9 2007 Special Tax Bonds, Poway Unified School District Community Facilities District No. 10 2007 Special Tax Bonds and Poway Unified School District Community Facilities District No. 12 2007 Special Tax Bonds (collectively, the “Prior 2007 CFD Bonds”) will be discharged and the pledge of the Special Tax Revenues for the Prior 2007 CFD Bonds will terminate, all as further described under “THE FINANCING PLAN,” and “APPLICATION OF BOND PROCEEDS; ESTIMATED SOURCES AND USES OF FUNDS.”

### **The Districts and the Improvement Area**

The Districts were created by the School District pursuant to proceedings taken under the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code) (the “Act”) following public hearings. 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 specific information for each District and Improvement Area B of CFD No. 8 (the “Improvement Area”) regarding the number of single-family detached and attached homes is described in APPENDIX A – “INFORMATION REGARDING THE DISTRICTS AND THE IMPROVEMENT AREA.”

As of January 1, 2016, building permits have been issued for 2,807 units (363 single-family attached units and 2,444 single-family detached units) within the Districts and the Improvement Area, as applicable, most of which have been completed and sold to individual homeowners. The taxable property in CFD No. 9 and CFD No. 10 is built out, and no additional taxable units are anticipated to be built within Improvement Area B of CFD No. 8. There are approximately 45 lots in CFD No. 4 for which building permits have not been issued and approximately 131 lots in CFD No. 12 for which building permits have not been issued. In Fiscal Year 2015-16, SPIC Del Sur LLC owned 49 parcels within CFD No. 12 with an aggregate Special Tax liability of approximately 5% of the CFD No. 12 Fiscal Year 2015-16 Special Taxes. SPIC Del Sur, LLC’s Special Tax liability will have changed as homes were completed and sales closed to individual homeowners since January 1, 2016, and as additional building permits were issued.

The Districts and the Improvement Area, as applicable, were established and the levy of Special Taxes (the “Special Taxes” or the “Special Tax”) on the real property within the boundaries of the respective Districts or the Improvement Area, as applicable, and the incurrence by the respective Districts of bonded indebtedness were authorized pursuant to the Act. Each District was established to finance the acquisition and construction of certain school facilities (the “School Facilities”) and approved the levy of special taxes. The qualified electors of each District authorized bonded indebtedness in the aggregate not-to-exceed principal amounts and approved the levy of annual special taxes in the applicable District or the Improvement Area, as applicable, pursuant to a rate and method of apportionment (each a “Rate and Method” and collectively, the “Rates and Methods”).

*CFD No. 4.* CFD No. 4 was formed December 15, 1997, and is located in a portion of the School District which is within the City of San Diego and known as Santaluz. It is located west of Carmel Valley Road. Camino del Sur runs north and south through the center of CFD No. 4. CFD No. 4 is approximately 2,937 gross acres (approximately 575.17 taxable acres). CFD No. 4 is located generally northwest from Carmel Valley Road. CFD No. 4 is located approximately 4.5 miles west of Interstate 15 in the northern portion of the County of San Diego (the “County”). As of January 1, 2016, 874 single-family detached homes were classified as Developed Property and subject to the levy of Special Taxes. In addition, there are 70 affordable units and 119 units categorized as Assigned Units which in accordance with the applicable Rate and Method are not subject to a Special Tax levy. Finally, twelve (12) homeowners in CFD No. 4 prepaid their Special Taxes and are no longer subject to the levy of Special Taxes. Total expected build-out of CFD No. 4 is an aggregate of approximately 1,121 single-family detached homes. See APPENDIX A – “INFORMATION REGARDING THE DISTRICTS AND THE IMPROVEMENT AREA.”

*CFD No. 8.* Improvement Area B of CFD No. 8 was formed December 17, 1998, and includes several non-contiguous areas of land located in a portion of the School District within the City of San Diego. Most of the parcels lie west of Camino del Sur and north of Carmel Valley Road and border the western boundary of the School District. Improvement Area B of CFD No. 8 also contains parcels located south of Del Norte High School and parcels located southeast of the Carmel Valley Road extension in the Rancho Peñasquitos area. Improvement Area B of CFD No. 8 is approximately 514 gross acres (approximately 478.37 taxable acres). Improvement Area B of CFD No. 8 is located south of San Dieguito Road and west of Camino del Sur. Other portions of Improvement Area B of CFD No. 8 are located west of Dove Canyon Road and south of Camino del Sur. Another portion of Improvement Area B of CFD No. 8 is located south of Bernardo Center Drive and south of Camino del Norte, just west of Interstate 15. As of January 1, 2016, 188 residential units are classified as Developed Property, all of which are single-family detached homes. In addition, the owners of three single-family detached units and the owners of 26 affordable units in CFD No. 8 have prepaid their Special Taxes and are no longer subject to the levy of Special Taxes. No additional taxable units are anticipated to be built within Improvement Area B of CFD No. 8. See APPENDIX A – “INFORMATION REGARDING THE DISTRICTS AND THE IMPROVEMENT AREA.”

*CFD No. 9.* CFD No. 9 was formed November 16, 1998, and is a 63-unit single family gated community of estate-sized homes in an unincorporated area of the County north of Camino Del Sur. The parcel is west of the 4S Ranch community in an area known as Santa Fe Valley. The parcel is contiguous with Four Gee Road on the westerly boundary of CFD No. 9. CFD No. 9 is located south of Camino Sante Fe and north of Artesian Road approximately 2 miles west of Interstate 15 in the northern portion of the County. CFD No. 9 is approximately 60.27 gross acres (approximately 42.12 taxable acres). CFD No. 9 is built out. None of the homeowners in CFD No. 9 have prepaid their Special Taxes. See APPENDIX A – “INFORMATION REGARDING THE DISTRICTS AND THE IMPROVEMENT AREA.”

*CFD No. 10.* CFD No. 10 was formed August 27, 2001, and includes several non-contiguous areas of land located in a portion of the School District which is within the City of San Diego. It straddles State Route 56 to the north and south and includes parcels on both the east and west side of Camino del Sur adjacent to Westview High School. CFD No. 10 is approximately 469.16 gross acres (approximately 156.07 taxable acres). CFD No. 10 is located along Camino del Sur, south of Carmel Valley Road, to the west of the community known as the Rancho Peñasquitos area, to the east by Pacific Highlands Ranch and to the south of Black Mountain Ranch. CFD No. 10 is located approximately 4 miles east of Interstate 5 and approximately 3 miles west of Interstate 15. As of May 1, 2016, 1,288 residential units are classified as Developed Property, of which 925 are single-family detached homes and 363 are single family attached units. In addition, the owners of 25 single family detached units, 3 owners of affordable units (Vista Terraza), 76 owners of affordable units (Torrey Highlands Apartments) and 26 owners of affordable units (Villa Glen Apartments) in CFD No. 10 have prepaid their Special Taxes and are no longer subject to the levy of Special Taxes. CFD No. 10 is built out. See APPENDIX A – “INFORMATION REGARDING THE DISTRICTS AND THE IMPROVEMENT AREA.”

*CFD No. 12.* CFD No. 12 was formed June 24, 2002, and includes several non-contiguous areas of land located in a portion of the School District which is within the City of San Diego. The eastern portion of CFD No. 12 consists of parcels north and south of the easterly portion of Carmel Valley Road. Additional parcels are in the northwestern portion of the School District, west of Camino del Sur and within the Del Sur community. The remaining parcels are within the Santaluz community, west of Camino del Sur between Via Azul and Lazanja Drive. CFD No. 12 is approximately 320.63 gross acres (approximately 280.63 taxable acres). CFD No. 12 is located approximately 2 miles west of Interstate 15. As of January 1, 2016, 394 single-family detached homes are classified as Developed Property. In addition, Special Taxes have been prepaid for three homes in CFD No. 12. Total expected build-out of CFD No. 12 is an aggregate of approximately 527 single-family detached homes. See APPENDIX A – “INFORMATION REGARDING THE DISTRICTS AND THE IMPROVEMENT AREA.”

There are overlapping community facilities districts and assessment districts for facilities and services on properties within each of the Districts and the Improvement Area. See “THE DISTRICTS AND THE IMPROVEMENT AREA – Direct and Overlapping Debt” 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 2015-16 academic year, is 34,554.39 and for the 2016-17 academic year is estimated to be 34,579.39. The estimated population within the School District’s boundaries was approximately 197,571 as of January 1, 2015. The School District reported 35,771 students enrolled at the California Longitudinal Pupil Achievement Data System (“CALPADS” formerly California Basic Educational Data System (“CBEDS”)) for Fiscal Year 2015-16. See APPENDIX B – “General Information About the Poway Unified School District” herein.

## **Authority for Issuance**

The Bonds are authorized to be issued in accordance with the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 (commencing with Section 6584), of Chapter 5, Division 7, Title 1 of the California Government Code and the Authority Indenture.

## **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.

**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 Districts, 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 any of the Districts 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 and moneys received under the Insurance Policy or the Reserve Policy.**

*The CFD Bonds.* Each Series of CFD Bonds is being issued by the applicable District to fund a portion of an escrow fund established to refund and defease the 2007 Authority Bonds (as such terms are defined in “THE FINANCING PLAN” below) previously issued pursuant to the Act, Upon the defeasance of the 2007 Authority Bonds, the Prior 2007 CFD Bonds will be discharged and the pledge of the Revenues (as defined in the 2007 Authority Indenture) under the 2007 Authority Indenture for the 2007 Authority Bonds will terminate.

The CFD Bonds are being issued pursuant to the following CFD Bond Indentures (as defined below):

- (i) The CFD No. 4 CFD Bonds are being issued under a Bond Indenture, dated as of April 1, 2007, by and between CFD No. 4 and Zions Bank, a division of ZB, National Association, as fiscal agent, as supplemented by a First Supplemental Indenture, dated as of May 1, 2013, by and between CFD No. 4, and Zions Bank, a division of ZB, National Association and as supplemented by a Second Supplemental Indenture, dated as of August 1, 2016, by and between CFD No. 4, and Zions Bank, a division of ZB, National Association;

- (ii) The CFD No. 8 CFD Bonds are being issued under a Bond Indenture, dated as of August 1, 2016, by and between CFD No. 8 and Zions Bank, a division of ZB, National Association, as fiscal agent;
- (iii) The CFD No. 9 CFD Bonds are being issued under a Bond Indenture, dated as of August 1, 2016, by and between CFD No. 9 and Zions Bank, a division of ZB, National Association, as fiscal agent;
- (iv) The CFD No. 10 CFD Bonds are being issued under a Bond Indenture, dated as of August 1, 2016, by and between CFD No. 10 and Zions Bank, a division of ZB, National Association, as fiscal agent; and
- (v) The CFD No.12 CFD Bonds are being issued under a Bond Indenture, dated as of April 1, 2007, by and between CFD No. 12 and Zions Bank, a division of ZB, National Association, as fiscal agent, as supplemented by a First Supplemental Indenture, dated as of May 1, 2013, by and between CFD No. 12, and Zions Bank, a division of ZB, National Association and as supplemented by a Second Supplemental Indenture, dated as of August 1, 2016, by and between CFD No. 12, and Zions Bank, a division of ZB, National Association.

Each of the foregoing Indentures, as so supplemented, as applicable, is referred to herein as a “CFD Bond Indenture” and collectively, as the “CFD Bond Indentures.” Zions Bank, a division of ZB, National Association, as fiscal agent under each of the CFD Bond Indentures, is referred to herein as the “Fiscal Agent.”

The 2007 CFD Bonds were issued under six separate Bond Indentures, each dated as of April 1, 2007 (each an “Original CFD Bond Indenture”), each by and between the applicable District and Zions Bank, a division of ZB, National Association (successor to Zions First National Bank), as fiscal agent (the “Fiscal Agent”), and in the case of CFD No. 4 and CFD No. 12, as subsequently supplemented as indicated above. The Original CFD Bond Indentures for CFD No. 8, Improvement Area B, CFD No. 9 and CFD No. 10 will each be supplemented by a First Supplemental Indenture, each dated as of August 1, 2016, each by and between the applicable District, and Zions Bank, a division of ZB, National Association to provide that upon the defeasance of the 2007 Authority Bonds, the respective Prior 2007 CFD Bonds will be discharged and the pledge of the Revenues (as defined in the 2007 Authority Indenture) under the 2007 Authority Indenture for the 2007 Authority Bonds will terminate. The Second Supplemental Indentures with respect to CFD No. 4 and with respect to CFD No. 12 contain similar provisions relating to defeasance of the 2007 Authority Bonds and discharge of the respective Prior 2007 CFD Bonds and termination of the pledge of Revenues. Each Original CFD Bond Indenture, and as applicable, as subsequently supplemented as indicated above, is referred to herein as a “2007 CFD Bond Indenture” and collectively, as the “2007 CFD Bond Indentures.”

Each Series of CFD Bonds are limited obligations of the applicable District, payable from the net amount of Special Tax levied on real property within the respective boundaries of the applicable District, 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 applicable District or the Improvement Area, as applicable. See “SOURCES OF PAYMENT FOR THE BONDS – The CFD Bonds.” See “THE DISTRICTS AND THE IMPROVEMENT AREA – 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 DISTRICTS AND THE IMPROVEMENT AREA – Rates and Methods of Apportionment of Special Tax” and APPENDIX C – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX.” Each District has covenanted

for the benefit of the Authority that, under certain circumstances described herein, such District will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within such 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.”

Each District has covenanted in the applicable CFD Bond Indenture to levy in each Fiscal Year the Special Taxes on parcels of land within such District or the Improvement Area, as applicable, pledged to the repayment of the respective Series of CFD Bonds in an amount sufficient to pay annual debt service on such Series of CFD Bonds and to pay the administrative expenses related to the applicable District, subject to the limitation of the Maximum Annual Special Tax that may be levied on such land within such District. Each District has also agreed to pay a portion of the administrative expenses of the Authority, including payment of costs incurred due to a draw on the Reserve Policy with respect to such District’s allocation of the Reserve Fund, subject to the limitation of the Maximum Annual Special Tax that may be levied on such land within such District or the Improvement Area, as applicable. See “THE DISTRICTS AND THE IMPROVEMENT AREA” for a description of each District or the Improvement Area, as applicable, and a description of the Special Tax within such District or the Improvement Area, as applicable. See also “SOURCES OF PAYMENT FOR THE BONDS” and “BOND OWNERS’ RISKS” herein.

**Each Series of CFD Bonds are special obligations of the applicable District. Each Series of CFD Bonds do not constitute a debt or liability of the School District, the State or of any political subdivision thereof, other than the applicable District. Each District shall only be obligated to pay the principal of the applicable Series of 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 Districts have 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 Authority will acquire the Reserve Policy to satisfy 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) 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 Treasury 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. 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 each 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 the proceeds of the Special Tax levied and received with respect to each District or the Improvement Area, as applicable,

including (i) net amounts collected from the redemption of delinquent Special Taxes (“Delinquency Proceeds”), (ii) prepayment of the Special Tax for one or more parcel in such District made in accordance with the applicable Rate and Method, net of the amount of the cost of the computation of the prepayment, the cost of redeeming the applicable CFD Bonds as a result of such prepayment and the cost of any notices to evidence the prepayment or the redemption of such CFD Bonds (collectively, “Prepayments”) minus, (iii) as to each Bond Year, an amount equal to the Administrative Expense Requirement (as defined in the applicable CFD Bond Indenture) applicable to the CFD Bonds for such Bond Year. 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 each District or the Improvement Area, as applicable.

Each District has covenanted for the benefit of the Authority, as the owner of the CFD Bonds, that such 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 applicable District but are limited obligations of the applicable 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 a Series of CFD Bonds are not available to pay debt service on any other Series of 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.” An increase in Special Taxes up to the maximum Special Tax with respect to a District to cure delinquencies with respect to such District or the Improvement Area, as applicable, is not available to cure delinquencies with respect to any other District or the Improvement Area.

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

The aggregate assessed values of the property within each District or the Improvement Area, as applicable (excluding Exempt Property (as defined or described in each Rate and Method) and parcels, if any, for which Special Taxes have been prepaid), are set out in Table 6 and Table 7 in the section captioned “THE DISTRICTS AND THE IMPROVEMENT AREA – Estimated Property Values and Estimated Value-to-Lien Ratios” of this Official Statement and in each of the Table 4’s and Table 5’s of APPENDIX A – “INFORMATION REGARDING THE DISTRICTS AND THE IMPROVEMENT AREA” in the sections captioned “Estimated Direct and Overlapping Indebtedness” and “Value-to-Lien Ratios.”

The assessed values result in an estimated aggregate value-to-lien ratio of 17.95:1 and combined value-to-lien ratios within the respective Districts ranging from 13.69:1 to 31.38:1 based on the assessed values, and calculated in each case with respect to estimated direct and overlapping tax and assessment debt and general obligation bonded indebtedness on the parcels constituting Developed Property in Fiscal Year 2015-16 as of the estimated closing date. The value-to-lien ratios of individual parcels will differ from the foregoing aggregate values. See “THE DISTRICTS AND THE IMPROVEMENT AREA – 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 assessed values. The assessed value of a property does not necessarily represent the market value for such property.

### **Additional Bonds and/or 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 applicable District may issue special tax bonds on a parity with such District’s CFD Bonds (i) for refunding purposes only with respect to CFD No. 9 and CFD No. 10 and (ii) for acquisition and construction of school facilities and/or for refunding purposes with respect to CFD No. 4, Improvement Area B of CFD No. 8 and CFD No. 12.

### **Description of the Bonds**

*The Bonds.* The proceeds of the Bonds will be used to acquire the CFD Bonds, to acquire the Reserve Policy in an 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 DISTRICTS AND THE IMPROVEMENT AREA” herein.

*Payments.* Interest is payable on March 1, 2017, and semiannually thereafter on September 1 and March 1 of 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 and special mandatory redemption from proceeds of redemption of CFD Bonds as a result of prepayment of Special Taxes (as defined herein) as described herein. See “THE BONDS – Redemption” herein.

*Registration, Transfers and Exchanges.* The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“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.”

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds maturing on September 1, 2032, with CUSIP No. 73885QJN0 (the “Insured Bonds”) (the “Policy”). See “BOND INSURANCE” below. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENDIX H – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

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

## **Other Matters Related to Bond Insurance**

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

## **Tax Exemption**

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the 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 DISTRICTS AND THE IMPROVEMENT AREA” 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 DISTRICTS AND THE SCHOOL DISTRICT DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## **Professionals Involved in the Offering**

Zions Bank, a division of ZB, National Association, 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 Districts and as special legal counsel to the School District. James F. Anderson Law Firm, A Professional Corporation, 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. Cooperative Strategies, LLC (formerly, Dolinka Group, LLC), Irvine, California, is acting as Special Tax Consultant, CFD Administrator and Dissemination Agent to the Authority and the Districts. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Underwriter, the Special Tax Consultant, the Trustee and the Fiscal Agent is contingent upon the issuance of the Bonds.*

## **Continuing Disclosure**

The Authority has covenanted in the Continuing Disclosure Agreement, the form of which is set forth in APPENDIX 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 and the Districts. The Annual Report will be delivered by not later than January 31 in each year, commencing with January 31, 2017 (the “Annual Report”), and to provide notices of the occurrence of certain listed events.

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

***Prior Disclosure Compliance by the Authority.*** The Authority is the obligated person under the Continuing Disclosure Agreement. A review of compliance with disclosure undertakings for filings required by the Authority, since July 15, 2011, indicates that the Authority 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 Authority, the Districts, the School District or any community facilities district formed by the School District that the late filings were material or that the School District or any community facilities district formed by the School District, is an obligated person under the Rule for this transaction. The review indicates that the annual report for Fiscal Year 2011-12 or audited financial statements for Fiscal Year 2010-11 and 2011-12 filed in 2012 and 2013 with respect to

various financings by the Authority were filed after the filing due date by a range of a few days. The Authority believes that filings providing specific information not include in an annual report have since been filed by the Authority and that the Authority is currently in compliance with its undertakings.

***Prior Disclosure Compliance by the Districts.*** The Districts are not the obligated person under the Continuing Disclosure Agreement. A review of compliance with disclosure undertakings for filings required by each District, since July 15, 2011, indicates that the Districts may not have fully complied with their respective prior continuing disclosure undertakings under the Rule. Identification of the below described events does not constitute a representation by any District that the late filings were material. The review indicates that the annual report or audited financial statement for Fiscal Year 2011-12 filed with respect to various financings by a District were filed after the filing due date by a few days. Each District believes that filings providing specific information not include in an annual report have since been filed by the applicable District and each District is currently in compliance with its undertakings.

***Prior Disclosure Compliance by the School District and Other Community Facilities Districts.*** A review of compliance with disclosure undertakings for filings required by the School District or by community facilities districts formed by the School District (other than the Districts), since July 15, 2011, 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 Authority, the Districts, the School District or any community facilities district formed by the School District that the late filings were material or that the School District or any community facilities district formed by the School District is an obligated person under the Rule for this transaction. The review indicates that annual reports or audited financial statements filed with respect to various financings by the School District or by a community facilities district formed by the School District, other than the Districts, were filed after the filing due date by a range of a few days to approximately one month or in some cases audited financial statements and budgets were incorporated by reference to the EMMA website in the Annual Reports filed by the School District, and in some cases information specifically to be included in an annual report was not included in the annual report filed.

Additionally, notices of rating changes were not always filed with respect to financings by the School District, Community Facilities District No. 1, Community Facilities District No. 6 and the Authority and a notice of redemption with respect to Improvement Area C of Community Facilities District No. 6 was prepared for filing in January 2013 but the Fiscal Agent mistakenly uploaded to the EMMA website a notice of partial redemption relating to an unrelated issuer's financing. The 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 their respective undertakings in the future, the Authority, the Districts, the School District, and the other community facilities districts formed by the School District 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 Districts, the School District, the development in the Districts or the Improvement Area, as applicable, 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. The President of the Board serves ex-officio as the Chairperson of the Authority. The Clerk of the Board serves ex-officio as the Secretary of the Authority. The Superintendent serves ex-officio as the Executive Director of the Authority and the Associate Superintendent, Business Support Services serves ex-officio as the Auditor and Treasurer 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 May 31, 2016, 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 each Series of CFD Bonds will be used, together with other available funds, to refund the outstanding 2007 Authority Bonds. Upon the defeasance of the 2007 Authority Bonds, the Prior 2007 CFD Bonds will be discharged and the pledge of the Revenues under the 2007 Authority Indenture for the Prior 2007 CFD Bonds will terminate.

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 2007 Authority Bonds and relating to each of the CFD Bonds, respectively, will be deposited into an escrow fund established under an escrow deposit and trust agreement, dated as of August 1, 2016 (the “Escrow Agreement,” by and between the Authority and Zions Bank, a division of ZB, National Association, as escrow bank (the “Escrow Bank”), and used to refund and defease the 2007 Authority Bonds, as of the date of issuance of the Bonds and the CFD Bonds.

Amounts deposited under the Escrow Agreement will be held in an escrow fund and may be invested in State and Local Government Series, open market treasury securities and/or 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 2007 Authority Bonds, to and including September 15, 2017, and a redemption price on September 15, 2017, of 100% of the principal amount thereof for each of the 2007 Authority Bonds, maturing on and after September 15, 2018, together with accrued interest thereon.

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 2007 Authority Bonds relating to: (i) the adequacy of forecasted receipts of principal and interest on the cash to be held pursuant to the Escrow Agreement; (ii) forecasted payments of principal, redemption price, and interest with respect to the Authority Bonds on September 15, 2017; and (iii) yields with respect to the Authority 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 Prior 2007 CFD Bonds.

**Table 1**

**Poway Unified School District Public Financing Authority  
Special Tax Revenue Refunding Bonds, Series 2016A  
Prior 2007 CFD Bonds and Other Parity CFD Bonds Issued and Outstanding and  
CFD Bonds to be Issued  
(as of July 28, 2016)**

<b>District</b>	<b>Formation Date</b>	<b>Authorized Aggregate Principal Amount of Bonds</b>	<b>Aggregate Prior CFD Bonds Issued</b>	<b>Prior 2007 CFD Bonds Outstanding for the Districts</b>	<b>Other Parity Bonds Remaining Outstanding on Parity Basis to the CFD Bonds <sup>(1)</sup></b>	<b>CFD Bonds <sup>(2)</sup></b>
CFD No. 4	12/17/97; and amended 11/13/00	\$32,000,000	\$11,989,000.00	\$11,177,000.00	\$7,895,000	\$8,966,000
CFD No. 8 IA B	12/17/98	20,000,000	7,329,000.00	6,227,000.00	–	5,294,000
CFD No. 9	11/16/98	15,000,000	1,711,000.00	1,504,000.00	–	1,270,000
CFD No. 10	8/27/01	45,000,000	38,230,000.00	36,454,000.00	–	34,006,000
CFD No. 12	6/24/02	18,000,000	7,689,087.48	5,139,725.80	4,415,000	6,635,000

<sup>(1)</sup> Other Parity CFD Bonds relate to CFD No. 4 Special Tax Bonds, Series 2013 and CFD No. 12 Special Tax Bonds, Series 2013 issued in connection with the Authority's 2013 Special Tax Revenue Bonds, Series B.

<sup>(2)</sup> Proceeds of the CFD Bonds will be used, together with other available funds, to refund and discharge all of the 2007 Authority Bonds, and upon the defeasance of the 2007 Authority Bonds, the Prior 2007 CFD Bonds will be discharged and the pledge of the Revenues for the Prior 2007 CFD Bonds will terminate.

*Source: Cooperative Strategies, LLC.*

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

*The Bonds.* The estimated sources and uses of Bond proceeds and available Authority funds are as follows:

*Sources:*

Authority Bond Principal Amount	\$46,770,000.00
Underwriter's Discount	(439,638.00)
Original Issue Premium	9,401,049.20
Available Authority Funds <sup>(1)</sup>	<u>15,213,917.96</u>
Total	\$70,945,329.16

*Uses:*

Acquisition of CFD Bonds <sup>(2)</sup>	\$70,357,430.12
Costs of Issuance <sup>(3)</sup>	<u>587,899.04</u>
Total	\$70,945,329.16

<sup>(1)</sup> Represents funds on deposit in the Reserve Fund, the Custodial Funds and Special Tax Funds on hand for the 2007 Authority Bonds.

<sup>(2)</sup> A portion of the proceeds of each Series of CFD Bonds will be deposited by the Districts in the Escrow Fund. See " – CFD Bonds" below. The aggregate amount in the Escrow Fund for payment of the 2007 Authority Bonds will be \$70,357,430.12.

<sup>(3)</sup> 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 each 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 Bank, the rating agency, the Verification Agent, the fees of the Special Tax Consultant and premiums for the Policy and the Reserve Policy.



CFD Bonds. The estimated sources and uses from proceeds from the CFD Bonds and CFD funds on hand are provided below:

	<u>CFD No. 2 <sup>(1)</sup></u>	<u>CFD No. 4</u>	<u>Impr. Area B of CFD No. 8</u>	<u>CFD No. 9</u>	<u>CFD No. 10</u>	<u>CFD No. 12</u>	<u>Total</u>
<i>Sources:</i>							
CFD Bonds Principal Amount	N/A	\$8,966,000.00	\$5,294,000.00	\$1,270,000.00	\$34,006,000.00	\$6,635,000.00	\$56,171,000.00
Authority Premium <sup>(2)</sup>	N/A	9.11	5.08	1.23	29.72	4.06	49.20
CFD Funds on Hand <sup>(3)</sup>	\$2,606,508.11	3,238,112.69	1,504,881.52	371,675.90	5,884,186.90	1,608,552.84	15,213,917.96
Less Amounts Allocated to Costs of Issuance <sup>(4)</sup>	<u>N/A</u>	<u>(164,710.84)</u>	<u>(96,459.61)</u>	<u>(22,833.40)</u>	<u>(622,198.11)</u>	<u>(121,335.08)</u>	<u>(1,027,537.04)</u>
Total	\$2,606,508.11	\$12,039,410.96	\$6,702,426.99	\$1,618,843.73	\$39,268,018.51	\$8,122,221.82	\$70,357,430.12
<i>Uses:</i>							
Escrow Fund <sup>(5)</sup>	\$2,606,508.11	\$12,039,410.96	\$6,702,426.99	\$1,618,843.73	\$39,268,018.51	\$8,122,221.82	\$70,357,430.12

- (1) Poway Unified School District Community Facilities District No. 2 (Subarea IV – Torrey Highlands) (“CFD No. 2”) will be fully prepaid by custodial funds on hand with respect to the CFD No. 2 Prior 2007 CFD Bonds.
- (2) Represents the difference between the principal amount of the CFD Bonds and the proportionate amount of the sum of the Bonds plus the original issuance premium paid with respect to the Bonds.
- (3) Represents funds on deposit in the Special Tax Funds, Custodial Funds and Redemption Funds for the Prior 2007 CFD Bonds.
- (4) Represents each District’s proportionate share of (i) the Underwriter’s discount with respect to the Authority Bonds, and (ii) other costs of issuance of the Bonds and the CFD Bonds, including the premiums for the Insurance Policy and the Reserve Policy.
- (5) Escrow Fund for payment of the 2007 Authority 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 each District or 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 March 1, 2017 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 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 fifteenth day of the month (whether or not such day is a business day) preceding each Interest Payment Date (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 shall be paid on each Interest Payment Date to the Persons in whose name the ownership of such Bond is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. 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, 2026, are not subject to optional redemption before maturity. The Bonds maturing on or after September 1, 2027, are subject to redemption in whole or in part, from such maturities as are selected by the Authority 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, 2026, 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 as a Result of Mandatory Redemption of CFD Bonds caused by prepayment of Special Taxes.* 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 March 1, 2017, 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
March 1, 2017 through and including March 1, 2024	103%
September 1, 2024 and March 1, 2025	102
September 1, 2025 and March 1, 2026	101
September 1, 2026 and each Interest Payment Date thereafter	100

*Selection of Bonds for Redemption.* Whenever provision is made in the Authority Indenture for the redemption of 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 or redeemed 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 the Trustee, by first-class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, such notice to be mailed not less than 30 days prior to the redemption date, nor 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 (as defined in the Authority Indenture) specified

in the Authority Indenture. The notice of redemption shall state the redemption date, the place or places of redemption, the CUSIP® numbers and the certificate numbers of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective authorized 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 a District or the Improvement Area, as applicable;
- (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 Bonds may be exchanged at the principal office of the Trustee for a like aggregate principal amount or maturity amount, as applicable, of Bonds of authorized denominations and of the same maturity. The Authority may charge a reasonable sum for each new bond issued upon any exchange and the Trustee shall require payment by the Bond Owner requesting any transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. 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 Bank, a division of ZB, National Association, 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 early redemptions are made:

**Table 2**  
**Poway Unified School District Public Financing Authority**  
**Special Tax Revenue Refunding Bonds, Series 2016A**  
**Annual Debt Service Schedule**

<b>Year Ending (September 1)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$1,815,000	\$2,154,593.06	\$3,969,593.06
2018	2,010,000	2,043,200.00	4,053,200.00
2019	2,140,000	1,982,900.00	4,122,900.00
2020	2,295,000	1,918,700.00	4,213,700.00
2021	2,470,000	1,826,900.00	4,296,900.00
2022	2,660,000	1,728,100.00	4,388,100.00
2023	2,840,000	1,621,700.00	4,461,700.00
2024	3,055,000	1,479,700.00	4,534,700.00
2025	3,285,000	1,326,950.00	4,611,950.00
2026	3,530,000	1,162,700.00	4,692,700.00
2027	3,785,000	986,200.00	4,771,200.00
2028	3,675,000	796,950.00	4,471,950.00
2029	3,515,000	635,700.00	4,150,700.00
2030	3,765,000	459,950.00	4,224,950.00
2031	3,450,000	271,700.00	3,721,700.00
<u>2032</u>	<u>2,480,000</u>	<u>99,200.00</u>	<u>2,579,200.00</u>
<b>Total</b>	<b>\$46,770,000</b>	<b>\$20,495,143.06</b>	<b>\$67,265,143.06</b>

*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 each District or the Improvement Area, as applicable, 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 scheduled payment of the principal of and interest on the Insured Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by BAM. See "BOND INSURANCE" herein and APPENDIX H hereto. Pursuant to the Authority Indenture, BAM will be deemed to be the sole owner of the Insured Bonds and the CFD Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Bonds or the CFD Bonds are entitled to take pursuant to the Authority Indenture or the District Bond Indentures.

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 AND MONEYS RECEIVED UNDER THE INSURANCE POLICY AND THE RESERVE INSURANCE POLICY FOR THE INSURED BONDS. THE BONDS ARE NOT A DEBT OF THE DISTRICTS, 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 DISTRICTS, THE SCHOOL DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER. NEITHER THE DISTRICTS, THE SCHOOL DISTRICT, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE FOR THE PAYMENT OF THE BONDS.

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

## 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 payment 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. The Authority has acquired the Reserve Policy to satisfy 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 (or reimburse Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) for any draw on the Reserve Policy) 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 \$4,771,200.00 (Maximum Annual Debt Service of the Bonds).

On the Closing Date the Authority will deposit in the Reserve Fund the Reserve Policy in an amount equal to 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, if any, shall be used solely for the purpose of (i) making transfers to the Bond Fund to pay the principal of, and interest on the Bonds when due, in the event that moneys in the Bond Fund are insufficient therefor (or to reimburse the Bond Insurer for draws on the Reserve Policy) 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.

## **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 proceeds of the Special Taxes to be levied and received by each District, Delinquency Proceeds and Prepayments, including (i) certain net proceeds, if any, of any foreclosure actions brought following a delinquency in the payment of the Special Tax, (ii) Prepayments, minus (iii) as to each Bond Year, an amount equal to the Administrative Expense Requirement applicable to such CFD Bonds for such Bond Year (“Net Special Tax Revenues”), and amounts held in certain funds pursuant to the applicable CFD Bond Indenture.

The amount of Special Taxes that each District may levy in the boundaries of the applicable District or the Improvement Area, as applicable, in any year is strictly limited by the maximum rates approved by the qualified electors within the applicable District or the Improvement Area, at the time of formation of the applicable District or the Improvement Area, including the limitation imposed by Section 53321 of the Act as applied to the applicable District. Each 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 applicable District, as applicable, as more particularly described therein. See “THE DISTRICTS AND THE IMPROVEMENT AREA – Rates and Methods of Apportionment of Special Tax” and APPENDIX C – “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 each applicable District are exempt from the tax rate limitations of California Constitution Article XIII A pursuant to Section 4 thereof as “special tax” authorized by a two-thirds vote of the qualified electors with respect to each applicable District. Consequently, each applicable 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 each applicable District have approved. See “*Special Taxes*” below. However, Article XIII C of the California Constitution may allow the voters in each applicable 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 DISTRICTS AND THE IMPROVEMENT AREA – 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 DISTRICTS BUT ARE SPECIAL OBLIGATIONS OF EACH APPLICABLE 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 each applicable District or the Improvement Area, as the then qualified electors of each applicable District, at special elections held within each applicable District. 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 each applicable District and any prepayments of Special Taxes received by each applicable District with respect to each applicable District, 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.

Each applicable 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 each applicable District, as applicable, including amounts sufficient to cover debt service on the CFD Bonds and to pay Administrative Expenses. See “THE DISTRICTS AND THE IMPROVEMENT AREA – Rates and Methods of Apportionment of Special Tax.”

The following table provides information regarding the Fiscal Year 2016-17 Special Tax Levy with respect to each applicable District.

**Table 3**  
**Poway Unified School District Public Financing Authority**  
**Special Tax Revenue Refunding Bonds, Series 2016A**  
**Combined Fiscal Year 2016-17 Special Tax Levy**

<b>CFD No.</b>	<b>Units Levied <sup>(1)</sup></b>	<b>Special Taxes Levied <sup>(1)</sup></b>	<b>Fiscal Year 2016-17 Levy as Percent of CFD Total</b>
CFD No. 4 <sup>(2)</sup>	874	\$1,504,562.26	24.67%
CFD No. 8 IA B	188	575,649.84	9.44
CFD No. 9	63	164,214.30	2.69
CFD No. 10 <sup>(3)</sup>	1,288	2,798,219.52	45.89
CFD No. 12 <sup>(4)</sup>	394	1,055,568.48	17.31
<b>Total <sup>(5)</sup></b>	<b>2,807</b>	<b>\$6,098,214.40</b>	<b>100.00%</b>

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property as of May 1 with respect to CFD No. 10 and January 1 with respect to CFD No. 4, Improvement Area B of CFD No. 8, CFD No. 9 and CFD No. 12, as confirmed by Cooperative Strategies, LLC with the City of San Diego.

<sup>(2)</sup> For CFD No. 4, as of May 1, 2016, 12 units prepaid their Special Taxes and since the 2015-16 Special Tax Levy, an additional 58 residential building permits were issued.

<sup>(3)</sup> For CFD No. 10, as of January 1, 2016, 102 affordable units prepaid their Special Taxes and since the 2015-16 Special Tax Levy, and no additional residential building permits were issued.

<sup>(4)</sup> For CFD No. 12, as of January 1, 2016, 3 units prepaid their Special Taxes and since the 2015-16 Special Tax Levy, 77 additional residential building permits were issued.

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

*Source: Cooperative Strategies, LLC.*

The levies of Special Taxes are subject to certain limitations. For example, certain properties are exempt from the Special Tax pursuant to law or the applicable Rate and Method for each District or the Improvement Area, as applicable. See “BOND OWNERS’ RISKS – The CFD Bonds – *Exempt Properties.*” The annual levy of Special Taxes on each parcel within each District or the Improvement Area, as applicable, is constrained by the maximum Special Tax rate applicable to such parcel. See “THE DISTRICTS AND THE IMPROVEMENT AREA – 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, each 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 applicable 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 a 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 such 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 each District or the Improvement Area, as applicable, by more than 10%. For such purposes, a parcel will be considered used for private residential purposes not later than the date on which an occupancy permit for private residential use is issued. See “BOND OWNERS’ RISKS” herein.

The Special Taxes imposed by each of the Districts are customarily billed with *ad valorem* property taxes and collected by the County. When received, such Special Taxes will be transferred by the applicable 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 each applicable District, as applicable, it does not constitute a personal indebtedness of the owners of property within the other Districts, as applicable. There is no assurance that the owners of real property in any of the Districts or the Improvement Area, as applicable, 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 each of the Districts, 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 each of the Districts’ receipt of Special Taxes and in any event not later than February 15 and August 15 of each year, each applicable District shall transfer such Special Tax Revenues 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 (or to reimburse the Bond Insurer for draws on the Reserve Policy) 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 proportionate share with respect to each 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 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 applicable District and the Authority reasonably determine will become due and payable during such Bond Year or the District's proportionate share of Authority Administrative Expense, as applicable, or the costs of which Administrative Expense have previously been incurred and paid by such District from funds other than the Administrative Expense Fund.

With respect to a CFD Bond Indenture relating to the applicable 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 transferred to the Joint Acquisition Agreement Fiscal Agent for deposit to the applicable Available Special Tax Revenue Account.

To the extent that there are prepaid Special Taxes with respect to each District or the Improvement Area, as applicable, the applicable 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 each 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 applicable 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 annual Administrative Expense Requirement for Fiscal Year 2015-16 under the CFD Bond Indentures ranges from \$32,986.97 to \$80,754.99 with respect to each applicable District CFD Bonds. Under most District Bond Indentures, the Administrative Expense Requirement may increase by 2% of the Administrative Expense Requirement in effect for the preceding fiscal year except for CFD No. 4 which only escalates for 15 years after the issuance of bonds.

*Bond Service Fund.* The principal of and interest due on the CFD Bonds until maturity, but 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, as applicable, 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 applicable 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 applicable 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 applicable 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, each 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 a District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$5,000 or more with respect to CFD No. 4 and CFD No. 12 and \$7,500 or more with respect to CFD No. 8, CFD No. 9 and CFD No. 10, or (ii) any parcels under common ownership subject to the Special Tax are delinquent in the payment of Special Taxes in the aggregate amount of \$10,000 or more with respect to CFD No. 4 and CFD No. 12 and \$15,000 or more with respect to CFD No. 8, CFD No. 9 and CFD No. 10, such 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. Such 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, as amended and supplemented and for which the Special Taxes remain delinquent.

*Aggregate Delinquencies.* If a District determines that it has collected less than 95% of the Special Taxes levied in the such Fiscal Year, then such 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). Such 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 CFD Bond Indenture, as amended and supplement, 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 applicable 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 a 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 applicable District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method for each District or the Improvement Area, as applicable, the applicable District may adjust the Special Taxes levied on all property within each 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 applicable 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, a 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).

CFD No. 9 and CFD No. 10 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.

CFD No. 4, CFD No. 8, with respect to Improvement Area B, and CFD No. 12 may issue bonds on a parity with the applicable CFD Bonds for refunding purposes and for new money purposes. Among the conditions with respect to CFD No. 4 CFD No. 8, with respect to Improvement Area B, and CFD No. 12 are the following:

- a. The amount, if any, to be deposited from the proceeds of such Parity Bonds in (i) the Authority Reserve Fund to increase the amount therein to equal the Proportionate Share of the Authority Reserve Requirement allocable to the applicable Outstanding CFD Bonds, including the applicable Parity Bonds, on the delivery date of such Parity Bonds or (ii) a separate reserve fund established pursuant to a supplemental indenture providing for the issuance of such Parity Bonds to fund the amount equal to the reserve requirement for such Parity Bonds which shall, as of any date of calculation, equal to the least of (i) 10% of the initial principal amount of such Parity Bonds less the original issue discount, if any, plus the original issue premium, if any, applicable to such Parity Bonds, (ii) maximum annual debt service on such Parity Bonds, or (iii) 125% of average annual debt service on such Parity Bonds; and
- b. A certificate of an Authorized Representative certifying that the CFD No. 4, CFD No. 8, with respect to Improvement Area B, or CFD No. 12, as applicable, has received a certificate from one or more independent financial consultants which, when taken together, certify that: (a) the amount of the maximum Special Taxes that may be levied pursuant to the applicable Rate and Method in each remaining Bond Year based only on the Developed Property (as such term is defined in the applicable Rate and Method) existing as of the date of such certificate is at least 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding CFD Bonds of the applicable District theretofore issued and the Parity Bonds proposed to be issued; provided that, for purposes of making the certifications required by this paragraph the independent financial consultant may rely on reports or certificates of such other persons as may be acceptable to the applicable District, Bond Counsel and the underwriter of the proposed Parity Bonds; and (b) the aggregate assessed value of all Developed Property within the applicable District as shown on the latest assessment roll maintained by the County Assessor of the County of San Diego is not less than four (4) times the aggregate amount of land secured debt allocated to such Developed Property.

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 providing for the issuance of such Parity Bonds (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 4 below illustrates that scheduled CFD Bonds debt service provides coverage for the debt service on the Bonds. Each Table 2 in Appendix A illustrates the estimated coverage of CFD Bonds debt service in relation to estimated Net Special Tax Revenues of the respective Districts. In the event of delinquencies in Special Tax payments received with respect to a District or the Improvement Area, as applicable, the estimated coverage ratio with respect to the CFD Bonds relating to such District will not be achieved. The tables in Appendix A assume there are no prepayments of any CFD Bonds or Bonds or delinquencies in the payment of Special Taxes.

As set forth in the tables in Appendix A, the expected debt service coverage from Developed Property on each Series of CFD Bonds ranges from approximately 110% with respect to CFD No. 8, Improvement Area B and CFD No. 9 to in excess of 120% with respect to CFD No. 4, CFD No. 10 and CFD No. 12 based on (i) debt service on the CFD Bonds and (ii) Net Special Tax Revenues expected to be available with respect to each District, as applicable, on September 2 of each year. See each section captioned “*Estimated Schedule of CFD Bonds Debt Service*” in APPENDIX A – “INFORMATION REGARDING THE DISTRICTS AND THE IMPROVEMENT AREA.” See each of the Table 7’s in the sections captioned “*Special Tax Delinquencies*” in APPENDIX A – “INFORMATION REGARDING THE DISTRICTS AND THE IMPROVEMENT AREA” for information of historical Special Tax delinquencies in each District or the Improvement Area, as applicable.

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

<b>Year Ending September 1</b>	<b>CFD No. 4 Bonds Debt Service</b>	<b>IA B of CFD No. 8 Bonds Debt Service</b>	<b>CFD No. 9 Bonds Debt Service</b>	<b>CFD No. 10 Bonds Debt Service</b>	<b>CFD No. 12 Bonds Debt Service</b>	<b>Aggregate CFD Debt Service</b>	<b>Authority Bonds Debt Service</b>	<b>Estimated Debt Service Coverage From CFD Bonds</b>
2017	\$696,451.69	\$482,644.13	\$115,843.84	\$2,246,194.68	\$430,803.84	\$3,971,938.18	\$3,969,593.06	100.06%
2018	709,723.80	488,632.00	118,701.20	2,291,432.40	446,568.00	4,055,057.40	4,053,200.00	100.05
2019	719,794.20	498,752.00	119,523.20	2,337,600.60	447,903.00	4,123,573.00	4,122,900.00	100.02
2020	735,352.00	509,416.00	123,272.60	2,384,970.60	464,066.00	4,217,077.20	4,213,700.00	100.08
2021	749,257.40	520,600.00	125,876.80	2,431,475.80	473,734.50	4,300,944.50	4,296,900.00	100.09
2022	766,533.70	531,280.00	128,360.00	2,481,094.00	483,037.50	4,390,305.20	4,388,100.00	100.05
2023	766,087.70	543,456.00	130,722.20	2,530,714.20	492,975.00	4,463,955.10	4,461,700.00	100.05
2024	766,315.50	555,080.00	132,963.40	2,581,292.00	502,525.50	4,538,176.40	4,534,700.00	100.08
2025	772,193.80	562,152.00	136,083.60	2,632,760.80	512,689.00	4,615,879.20	4,611,950.00	100.09
2026	771,582.80	574,768.00	139,058.60	2,686,054.00	523,444.00	4,694,907.40	4,692,700.00	100.05
2027	771,622.30	587,784.00	140,888.40	2,739,082.80	533,769.00	4,773,146.50	4,771,200.00	100.04
2028	767,289.00	306,176.00	67,597.20	2,794,802.80	543,664.00	4,479,529.00	4,471,950.00	100.17
2029	746,676.10	0.00	0.00	2,851,103.00	555,129.00	4,152,908.10	4,150,700.00	100.05
2030	753,156.40	0.00	0.00	2,907,916.80	566,121.00	4,227,194.20	4,224,950.00	100.05
2031	180,100.80	0.00	0.00	2,966,177.60	577,640.00	3,723,918.40	3,721,700.00	100.06
2032	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,200,796.60</u>	<u>411,664.50</u>	<u>2,612,461.10</u>	<u>2,579,200.00</u>	101.29
Total	\$10,672,137.19	\$6,160,740.13	\$1,478,891.04	\$41,063,468.68	\$7,965,733.84	\$67,340,970.88	\$67,265,143.06	

*Source: Cooperative Strategies, LLC.*

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

The ability of a 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 each District or the Improvement Area, as applicable. Generally, each 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 a District or the Improvement Area, as applicable, in any fiscal year, such District may increase the Special Tax levy with respect to such District 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 a District or the Improvement Area, as applicable, is all categorized as Developed Property. In the event a 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 applicable District, under no circumstances will the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within such District by more than 10% of such lesser amount. For such purposes, a parcel will be considered used for private residential purposes not later than the date on which an occupancy permit for private residential use is issued.

Each District is only obligated to pay principal and interest on the Series of CFD Bonds it issues with respect to such District or the Improvement Area, as applicable. If Special Taxes with respect to such District are not received in the requisite amount, the Special Tax rate may be escalated only in such District, and not in any other District. Purchasers of the Bonds should not assume that maximum Special Taxes may be levied in each District or the Improvement Area, as applicable, 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 within the applicable District to pay their Special Taxes. See “THE DISTRICTS AND THE IMPROVEMENT AREA – Rates and Methods of Apportionment of Special Tax” and APPENDIX C hereto for a description of each District’s procedures for increasing the amount of Special Tax in such District or the Improvement Area, as applicable, and “BOND OWNERS’ RISKS – The CFD Bonds – Insufficiency of Special Taxes.” The Special Taxes are levied at the Assigned Special Tax rate, and there may be little or no increase on Special Tax rates.

Any increase in Special Taxes up to the maximum Special Tax with respect to a District or the Improvement Area, as applicable, to cure delinquencies with respect to such District or the Improvement Area, as applicable, is not available to cure delinquencies with respect to the other community facilities districts within the School District.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM” or the “Insurer”) will issue its Municipal Bond Insurance Policy for the Bonds maturing on September 1, 2032 (CUSIP No. 73885QJN0) (the “Insured Bonds”) (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

### **Build America Mutual Assurance Company**

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

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

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

### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New

York State Department of Financial Services were \$475.0 million, \$41.6 million and \$433.4 million, respectively.

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

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

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

*Additional Information Available from BAM*

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

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

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

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

## **THE DISTRICTS AND THE IMPROVEMENT AREA**

### **General**

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

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

Following public hearings conducted pursuant to the provisions of the Act, the Board adopted a resolution establishing each District or the Improvement Area, as applicable, and determining the necessary to incur bonded indebtedness to acquire and construct facilities with respect to each District or the Improvement Area, as applicable, and a resolution calling a special election to submit the levy of the Special Tax and incurring of the bonded indebtedness to the qualified voters of each 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, each landowner of lands located within the boundaries of the proposed community facilities district is qualified to vote on the question of incurring such bonded indebtedness. A two-thirds favorable vote of the qualified voters voting on the question is necessary to authorize issuance of the bonds of a community facilities district.

For information regarding each District and the Improvement Area, as applicable, and the location and description thereof, see APPENDIX A hereto. For information regarding each Rate and Method, see APPENDIX C hereto.

### **Development Status**

As of January 1, 2016, building permits have been issued for 2,807 units (363 single-family attached units and 2,444 single-family detached units) within the Districts and the Improvement Area, as applicable, most of which have been completed and sold to individual homeowners. The taxable property in CFD No. 9 and CFD No. 10 is built out, and no additional taxable units are anticipated to be built within Improvement Area B of CFD No. 8. There are approximately 45 lots in CFD No. 4 for which building permits have not been issued and approximately 131 lots in CFD No. 12 for which building permits have not been issued. Table 5 below summarizes the total dwelling units for which building permits have been issued and subject to the levy of Special Taxes as of January 1, 2016. CFD No. 4 and

CFD No. 12 do not have current information regarding completion and sale of homes under construction in their respective District.

**Table 5**  
**Poway Unified School District Public Financing Authority**  
**The Districts/Improvement Area in Aggregate**  
**Projected Fiscal Year 2016-17 Development Status <sup>(1)</sup>**

<u>District/ Improvement Area</u>	<u>Aggregate Net Acres</u>	<u>Projected Fiscal Year 2016-17 Taxable Units</u>	<u>Estimated Lots For Which Building Permits Have Not Been Issued</u>
CFD No. 4 <sup>(2)</sup>	575.17	874	45
CFD No. 8 IA B	478.37	188	0
CFD No. 9	42.12	63	0
CFD No. 10 <sup>(3)</sup>	156.07	1,288	0
CFD No. 12 <sup>(4)</sup>	280.63	<u>394</u>	<u>131</u>
<b>Total</b>		<b>2,807</b>	<b>176</b>

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property as of May 1 with respect to CFD No. 10 and January 1 with respect to CFD No. 4, Improvement Area B of CFD No. 8, CFD No. 9 and CFD No. 12, as confirmed by Cooperative Strategies, LLC, with the City of San Diego.

<sup>(2)</sup> For CFD No. 4, as of May 1, 2016, 12 units prepaid their Special Taxes and since the 2015-16 Special Tax Levy, an additional 58 residential building permits were issued.

<sup>(3)</sup> For CFD No. 10, as of January 1, 2016, 102 affordable units prepaid their Special Taxes and since the 2015-16 Special Tax Levy, and no additional residential building permits were issued.

<sup>(4)</sup> For CFD No. 12, as of January 1, 2016, 3 units prepaid their Special Taxes and since the 2015-16 Special Tax Levy, and 77 additional residential building permits were issued.

*Source: Cooperative Strategies, LLC.*

***Top Taxpayers.*** As indicated above, the taxable property in CFD No. 9 and CFD No. 10 is built out, and no additional taxable units are anticipated to be built within Improvement Area B of CFD No. 8. In Fiscal Year 2015-16, there were entities or individuals which owned more than a single home, with the top 20 taxpayers aggregating (i) 33 units in CFD No. 4, with individual owner Special Tax liability ranging from .99% for an owner of 5 units to .25% for an owner with a single unit, (ii) 23 units in Improvement Area B of CFD No. 8, with individual owner Special Tax liability ranging from 1.08% for an owner of 2 units to .56% for each owner of a single unit, (iii) 20 units in CFD No. 9, with individual owner Special Tax liability of 1.59% for each owner of a single unit, (iv) 27 units in CFD No. 10, with individual owner Special Tax liability of .20% for one owner of a single unit, .18% to .14% for seven owners of two units and .11% for 12 owners of a single unit, and (v), 70 units in CFD No. 12, with SPIC Del Sur owning 49 units aggregating a Special Tax liability of 5.08%, two owners of two units with a Special Tax liability of .69%, and 17 owners of a single unit with a Special Tax liability ranging from .41% to .39%. SPIC Del Sur LLC's Special Tax liability will have changed as homes were completed and sales closed to individual homeowners since January 1, 2016, and as additional building permits were issued.



## **Estimated Property Values and Estimated Value-to-Lien Ratios**

Tables 6 and 7 below set forth Value-to-Lien information for the parcels subject to the levy of Special Taxes in Fiscal Year 2015-16 utilizing the respective assessed values as of January 1, 2015, which values include all of the completed homes.

The Fiscal Year 2015-16 assessed values of the property within each District and the Improvement Area, 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 parcels for which Special Taxes have been prepaid), are set forth below. The assessed values, direct and overlapping debt and total tax burden on individual parcels vary among parcels within each District and the Improvement Area. (The Fiscal Year 2016-17 assessed values are not available until after August 1, 2016.) The value of individual parcels is significant because in the event of a delinquency in the payment of Special Taxes, each District may foreclose only against delinquent parcels of such District or the Improvement Area, as applicable. The table below sets forth the estimated assessed property values and the estimated direct and overlapping land secured debt and estimated value-to-lien ratio for each District or the Improvement Area, as applicable, as a whole. All information in this section is based on the direct and overlapping debt reports prepared in April 2016, as set forth in each of the Table 3's in APPENDIX A – "INFORMATION REGARDING THE DISTRICTS AND THE IMPROVEMENT AREA" in the sections captioned "Estimated Direct and Overlapping Indebtedness."

**Table 6**  
**Poway Unified School District Public Financing Authority**  
**Combined Assessed Value-to-Lien of**  
**Parcels Constituting Developed Property**

<u>CFD No.</u>	<u>Number of Parcels <sup>(1)</sup></u>	<u>Number of Units Levied <sup>(1)</sup></u>	<u>Fiscal Year 2016-17 Special Tax Levy</u>	<u>Fiscal Year 2015-16 Assessed Value <sup>(2)</sup></u>	<u>CFD Bonds <sup>(3)</sup></u>	<u>Other CFD Bonds <sup>(3)(4)</sup></u>	<u>Other Land Secured Debt <sup>(3)(4)</sup></u>	<u>Total Lien</u>	<u>Value-to-Lien Burden Ratio <sup>(5)</sup></u>
Community Facilities District No. 4	874	874	\$1,504,562.26	\$1,264,793,391	\$8,966,000	\$7,895,000	\$38,564,960.94	\$55,425,960.94	22.82:1
Community Facilities District No. 8 IA B	188	188	575,649.84	217,748,271	5,294,000	-	6,381,008.01	11,675,008.01	18.65:1
Community Facilities District No. 9	63	63	164,214.30	83,702,325	1,270,000	-	1,397,449.00	2,667,449.00	31.38:1
Community Facilities District No. 10	1,285	1,288	2,798,219.52	827,128,357	34,006,000	-	26,427,143.57	60,433,143.57	13.69:1
Community Facilities District No. 12	<u>394</u>	<u>394</u>	<u>1,055,568.48</u>	<u>331,506,123</u>	<u>6,635,000</u>	<u>4,415,000</u>	<u>10,561,746.20</u>	<u>21,611,746.20</u>	<u>15.34:1</u>
<b>Total <sup>(6)</sup></b>	<b>2,804</b>	<b>2,807</b>	<b>\$6,098,214.40</b>	<b>\$2,724,878,467</b>	<b>\$56,171,000</b>	<b>\$12,310,000</b>	<b>\$83,332,307.73</b>	<b>\$151,813,307.73</b>	<b>17.95:1</b>

<sup>(1)</sup> The Special Taxes shown here reflect Developed Property as of May 1 with respect to CFD No. 10, January 1 with respect to CFD No. 4, Improvement Area B of CFD No. 8, CFD No. 9 and CFD No. 12, as confirmed by Cooperative Strategies, LLC, with the City of San Diego.

<sup>(2)</sup> Source: San Diego Assessor's Roll, dated January 1, 2015.

<sup>(3)</sup> Debt has been allocated based on current development.

<sup>(4)</sup> Source: Detailed Direct and Overlapping Debt Report provided by National Tax Data, Inc.; debt has been proportionately allocated to all parcels based on the Fiscal Year 2015-16 assessment.

<sup>(5)</sup> Average value-to-lien per Lot, actual value-to-lien may vary by Lot.

<sup>(6)</sup> Total may not sum due to rounding.

Source: Cooperative Strategies, LLC.

**Table 7**  
**Poway Unified School District Public Financing Authority**  
**Combined Fiscal Year 2015-16 Assessed Value-to-Lien Ratio of**  
**Parcels Constituting Developed Property**

<b>Value-to-Lien Category</b>	<b>Number of Parcels (1)</b>	<b>Units Levied (1)</b>	<b>CFD Bonds (2)</b>	<b>Other CFD Bonds (2)(3)</b>	<b>Other Land Secured Debt (3)</b>	<b>Fiscal Year 2015-16 Assessed Value (4)</b>	<b>Value-to-Lien Burden Ratio (5)</b>	<b>Fiscal Year 2016-17 Special Tax</b>	<b>Percentage Share of Special Tax</b>
30:1 and above	205	205	\$2,731,462.06	\$1,132,631.85	\$5,587,513.46	\$346,110,492.00	36.62:1	\$375,581.94	6.16%
20:1 to 30:1	792	792	12,616,067.71	4,642,427.91	25,171,536.79	1,006,210,237.00	23.71:1	1,559,049.64	25.57
10:1 to 20:1	1,598	1,598	35,708,860.86	4,934,535.11	43,233,673.46	1,276,169,132.00	15.21:1	3,565,813.32	58.47
5:1 to 10:1	154	157	3,786,838.76	1,096,418.65	5,191,858.96	70,230,980.00	6.97:1	433,278.68	7.11
3:1 to 5:1	49	49	1,207,841.01	439,508.53	3,836,168.64	25,078,187.00	4.57:1	148,360.00	2.43
3:1 and below	6	6	119,929.60	64,477.94	311,556.42	1,079,439.00	2.18:1	16,130.82	0.26
<b>Total (6)</b>	<b>2,804</b>	<b>2,807</b>	<b>\$56,171,000.00</b>	<b>\$12,310,000.00</b>	<b>\$83,332,307.73</b>	<b>\$2,724,878,467.00</b>	<b>17.95:1</b>	<b>\$6,098,214.40</b>	<b>100.00%</b>

(1) The units levied and Special Taxes shown in Table 1 reflect Developed Property as of May 1, 2016, with respect to CFD No. 10, and January 1, 2016, with respect to CFD No. 4, Improvement Area B of CFD No. 8, CFD No. 9 and CFD No. 12, as confirmed by Cooperative Strategies, LLC, with the City of San Diego for purposes of the Fiscal Year 2016-17 Special Tax levy. One parcel in CFD No. 10 has 4 units located on the parcel.

(2) Debt has been allocated based on current development.

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

(4) Source: San Diego Assessor's Roll, dated January 1, 2015.

(5) Average value-to-lien per Lot; actual value-to-lien may vary by Lot.

(6) Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.

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

## **Direct and Overlapping Debt**

See APPENDIX A hereto for tables setting forth the existing authorized indebtedness payable from taxes and assessments that may be levied within each District or the Improvement Area, as applicable, prepared by National Tax Data, Inc., in April 2016 (each a “**Debt Report**”). Each Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, and the percentage values may change as assessed values of properties outside each District or the Improvement Area, as applicable, increase due to development. The Authority, the Districts and the Underwriter 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 Districts.

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

Property in each District or the Improvement Area, as applicable, 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 Districts or the Improvement Area, as applicable varies. The tables in APPENDIX A indicate the median tax rates for Fiscal Year 2015-16 ranging from 1.28% with respect to CFD No. 4 for detached property to 2.10% with respect to CFD No. 12 for detached property with respect to a District or the Improvement Area, as applicable. 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 each District or the Improvement Area, as applicable, are shown in the tables in APPENDIX A.

The Authority and the Districts have not undertaken to commission annual appraisals of the market value of property in the corresponding Districts or the Improvement Area, as applicable, 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.

## **Overlapping Assessment and Maintenance Districts**

As indicated in the tables in APPENDIX A, properties within each District and the Improvement Area, as applicable, are subject to a variety of standby charges, direct assessments, maintenance assessments, special assessments and service charges.

The Districts have no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within a special district which may be incurred in the future by other governmental agencies, including, but not limited to, the County, the City of San

Diego or any other governmental agency having jurisdiction over all or a portion of the property within the Districts or the Improvement Area, as applicable. Furthermore, nothing prevents the owners of property within each District or the Improvement Area, as applicable, 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 each District or the Improvement Area, as applicable, on a parity with a lien of the Special Taxes of each District or the Improvement Area, as applicable.

Accordingly, the debt on the property within each 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 a District or the Improvement Area, as applicable, 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.*”

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

The Board and the qualified electors of each District or the Improvement Area, as applicable, adopted and approved the applicable Rate and Method for determining and apportioning annual amounts of Special Taxes and maximum annual amounts of Special Taxes for each District or the Improvement Area, as applicable. Copies are included herein in APPENDIX C.

Pursuant to each Rate and Method, the annual amount of Special Tax to be levied on each lot or parcel of land within each District or the Improvement Area, as applicable, is generally to be levied as follows: (i) to pay debt service on the indebtedness of each District or the Improvement Area, as applicable; (ii) for the direct cost of authorized facilities; (iii) for the administrative expenses with respect to each District or the Improvement Area, as applicable, incurred in administration of any bonded indebtedness of each 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 each District or the Improvement Area, as applicable, were levied on Developed Property as defined in the applicable Rate and Method with respect to such District or the Improvement Area, as applicable. Completed homes have been sold to individual owners and, In Fiscal Year 2015-16, except for SPIC Del Sur, LLC, the developer of homes in CFD No. 12, no single taxpayer’s District Special Tax levy exceeds 1.59% of the Special Tax liability within the applicable District. Information regarding the projected Fiscal Year 2016-17 Special Tax levy is set forth in Table 3 in SOURCES OF PAYMENT FOR THE BONDS – “The CFD Bonds – *Special Taxes.*”

*Rates and Methods.* The Board and the qualified elector(s) of each District or the Improvement Area, as applicable, adopted and approved the applicable 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 each Rate and Method is included herein in APPENDIX C.

All property within each District or the Improvement Area, as applicable, which is being taxed is classified as Developed Property.

The amount of Special Taxes projected to be levied on parcels within each District or the Improvement Area, as applicable for Fiscal Year 2016-17 are set forth in Table 3 with the amounts subject to escalation at 2% of the amount in effect the prior fiscal year. Each 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 as provided in the applicable Rate and Method. 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 applicable District has the authority and the obligation to increase the levy of Special Taxes against non-delinquent property owners if other owners in such District or the Improvement Area, as applicable, are delinquent. However, each 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 the applicable 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 such District by more than 10%. Thus, each 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 each 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 each District or the Improvement Area, as applicable. See “BOND OWNERS’ RISKS” generally, for discussion of certain potential causes of property tax delinquencies. See APPENDIX A – “INFORMATION REGARDING THE DISTRICTS AND THE IMPROVEMENT AREA” for tables which illustrate the historical delinquencies for Special Taxes levied for each District or the Improvement Area, as applicable, to and including Fiscal Year 2015-16.

### **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 each District or the Improvement Area, as applicable, are not included in the County’s Teeter Plan.

### **Property Ownership**

*Neither the Local Obligations nor the Special Taxes are personal obligations of any owners of Taxable Property within the Districts and the Improvement Area.*

The property within the Districts and the Improvement Area is primarily owned by homeowners, except for units under construction or recently completed and not yet sold in CFD No. 4 and CFD No. 12.

## **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, the Underwriter and the Districts caution prospective investors that this discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the applicable District to pay their Special Taxes when due. Any such failure to pay Special Taxes could result in the inability of the applicable 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 a District or the Improvement Area, as applicable.*

### **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 or amounts available pursuant to the Policy and the Reserve Policy, 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 a 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 applicable District or with respect to the observance or performance by a District of other agreements, conditions, covenants and terms required to be observed or performed by such District under the applicable 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 Districts 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.

*Bond Insurance Risk Factors.* The Authority has acquired a Policy to guarantee the scheduled payment of principal and interest on the Bonds. The following are risk factors relating to bond insurance.

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



would have been due absent such redemption by the Authority unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

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

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

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

*Loss of Tax Exemption.* As discussed under the caption "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 applicable 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 each 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 a 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 a District in violation of its covenants in the applicable CFD Bond 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 CFD Bond 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 a District or the Improvement Area, as applicable, 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, floods and droughts), 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 Districts 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 3.3% for the Poway area as of March 2015 (not seasonally adjusted) as compared to 4.1% for calendar year 2014 and approximately 5.1% (not seasonally adjusted) for San Diego County as compared to 6.4% for calendar year 2014. The Authority and the Districts cannot predict future economic conditions or whether or to what extent economic conditions may affect the ability of homeowners to pay Special Taxes or the marketability of the Bonds.

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

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

*Special Taxes are Not Personal Obligations.* The current and future owners of land within each applicable District are not personally liable for the payment of the Special Taxes. Rather, the Special Tax is an obligation only of the land within each applicable District, as applicable. If the value of the land within a District or the Improvement Area, as applicable, is not sufficient to fully secure the Special Tax, then the applicable 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.* Prospective purchasers of the Bonds should not assume that the land within the applicable District could be sold for the assessed amount described in this Official Statement at a foreclosure sale for delinquent Special Taxes.

The assessed values summarized hereto estimates the fee simple interest assessed value of the property within the applicable District, 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.

No assurance can be given that if any of the Taxable Property in a District or the Improvement Area, as applicable, should become delinquent in the payment of Special Taxes of such District, and be

foreclosed upon, that such property could be sold for the assessed value. See “THE DISTRICTS AND THE IMPROVEMENT AREA – 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 as represented by the principal amount of bonds repaid by such assessment or special tax. A value-to-lien ratio should not, however, be viewed as a guarantee of credit-worthiness. Land values are especially sensitive to economic cycles. A downturn of the economy may depress land values and hence the value-to-lien ratios. Further, the value-to-lien ratio typically cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a 1:1 ratio, the land is worth less than the debt on it.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. Finally, local agencies may form overlapping community facilities districts or assessment districts. Such local agencies typically do not coordinate their bond issuances. Debt issuance by another entity can dilute value-to-lien ratios. See “THE DISTRICTS AND THE IMPROVEMENT AREA – 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 applicable 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 applicable District, but are special obligations of the applicable 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 DISTRICTS AND THE IMPROVEMENT AREA – Direct and Overlapping Debt” state the presently outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property and furthermore states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels of Taxable Property. The tables do not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

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

In general, as long as the Special Taxes are collected on the County tax roll, the Special Taxes and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Taxes will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and

charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Taxes or not, this result may not apply in the case of bankruptcy.

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

*Disclosure to Future Purchasers.* Each District recorded Notices of Special Tax Lien for the territory included in such District or the Improvement Area, as applicable, in the Office of the County Recorder of the County as described in “THE DISTRICTS AND THE IMPROVEMENT AREA – 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 each applicable District, 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 each applicable District, as applicable, on the regular *ad valorem* property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular *ad valorem* property tax installments. The unwillingness or inability of a property owner to pay *ad valorem* property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future. If a substantial number of homeowners fail to pay the Special Taxes when due there could be significant special tax delinquencies.

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 applicable 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.

Each applicable District is only obligated to pay principal and interest on the CFD Bonds it issues with respect to the applicable District, as applicable. If Special Taxes with respect to the applicable District are not received in the requisite amount, the Special Tax rate may be escalated only under the applicable Rate and Method. 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 DISTRICTS AND THE IMPROVEMENT AREA – Rates and Methods of Apportionment of Special Tax” and APPENDIX C hereto for a description of the applicable District’s procedures for increasing the amount of Special Tax in the applicable District, as applicable, and “BOND OWNERS’ RISKS – The CFD Bonds – *Insufficiency of Special Taxes.*” Under each applicable 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 applicable Rate and Method to cure delinquencies with respect to the applicable District CFD Bonds is not available to cure delinquencies with respect to any other 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 each applicable 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 each applicable 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 each applicable 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 Districts or the School District. Potential investors should assume that, under current conditions, it is estimated that a judicial foreclosure of the lien of Special Taxes will take up to two or three years from initiation to the lien foreclosure sale. At a Special Tax lien foreclosure sale, each parcel will be sold for not less than the “minimum bid amount” which is equal to the sum of all delinquent Special Tax installments, penalties and interest thereon, costs of collection (including reasonable attorneys’ fees), post-judgment interest and costs of sale. Each parcel is sold at foreclosure for the amounts secured by the Special Tax lien on such parcel and multiple parcels may not be aggregated in a single “bulk” foreclosure sale. If any parcel fails to obtain a “minimum bid,” the applicable 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 each applicable 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.

The Authority and the Districts are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency on a parcel within a District or the Improvement Area, as applicable, 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 applicable 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 applicable District. The Authority and the Districts express no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

Similarly, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution (“This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any



Thing in the Constitution or Laws of any State to the contrary notwithstanding.”), in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the applicable 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 a District or the Improvement Area, as applicable, 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 a District or the Improvement Area, as applicable, 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 applicable 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 applicable 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, each District may adjust the Special Tax levied on all property within such 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 applicable 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 applicable 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 DISTRICTS AND THE IMPROVEMENT AREA – 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 each 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 C – “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 each District or the Improvement Area, as applicable, consisting of the landowners within the boundaries of the applicable District, authorized the applicable District to incur bonded indebtedness to finance the applicable project and approved the applicable Rate and Method. The Supreme Court of the State of California has not yet decided whether landowner elections (as opposed to resident elections) satisfy requirements of Section 4 of Article XIII A, nor has the Supreme Court decided whether the special taxes of a community facilities district constitute a “special tax” for purposes of Article XIII A.

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

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

Under provisions of the Act, the Special Taxes are billed to the properties within each District or the 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 each District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

*Collection of Special Tax.* In order to pay debt service on the Bonds, it is necessary that the Special Tax levied against land within each 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. Each 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 each District or 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 Districts and the Improvement Area, as applicable, 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 Districts and the Improvement Area, as applicable, are located in a seismically active region in Southern California. Active faults which could cause significant ground shaking over the Districts include, but are not limited to, the Rose Canyon fault zone (approximately 20 miles west), the Elsinore fault zone (approximately 23 miles northeast), the San Jacinto fault zone (approximately 45 miles northeast) and the San Andreas fault zone (approximately 72 miles northeast). Earthquakes of magnitude of 6 (Rose Canyon fault) to 8 (San Andreas fault) on the Richter Scale are possible.

In the event of a severe earthquake, there may be significant damage to both property and infrastructure in the Districts and the Improvement Area, as applicable. 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 Districts or the Improvement Area, as applicable, 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 Districts and the Improvement Area 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 Districts or the Improvement Area, as applicable.

*Drought Conditions.* With respect to droughts specifically, the State of California in recent years has been facing water shortfalls. Most recently, on May 9, 2016, in response to a five-year drought, Governor Edmund G. Brown Jr. issued an executive order which established a new water use efficiency framework for California. The order bolstered the State’s drought resilience and preparedness by establishing longer-term water conservation measures that include permanent monthly water use reporting, new urban water use targets, reducing system leaks and eliminating clearly wasteful practices, strengthening urban drought contingency plans and improving agricultural water management and drought plans. On May 18, 2016, the State Water Resources Control Board adopted a statewide water conservation approach that requires local water agencies to ensure a three-year supply assuming three

more dry years like the ones the State experienced from 2012 to 2015. Water agencies that face shortages under three additional dry years are required to meet a conservation standard equal to the amount of the shortage.

The historic drought has lasted for years and will not be resolved by a single year's rainfall. The implementation of mandatory water reductions is ongoing. The Authority and the Districts cannot predict how long the drought conditions will last, what effect drought conditions may have on property values, whether to what extent water reduction requirements may affect the homeowners or development in the Districts and the Improvement Area or to what extent the drought could cause disruptions to economic activity within the boundaries of the Districts and the Improvement Area.

*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, may 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 a District or the Improvement Area, as applicable, 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 XIIC ("Article XIIC") and Article XIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative as they may relate to community facilities districts are subject to interpretation by the courts.

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

“Section 3 of Article 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 of a District or the Improvement Area, as applicable, 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 Districts 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 Districts 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 or with respect to the Improvement Area, as applicable. 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 Districts are not able to predict the outcome of any such examination of the Initiative in relation to community facilities districts formed under the Act.

Each District generally 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 applicable 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 110% of maximum Annual Debt Service. Each 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 applicable 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 Districts do not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of the Initiative on the 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 Districts, the Underwriter and others and is subject to the condition that the Authority and the Districts 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 each District has 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 Authority 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 Districts 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 Districts 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 Districts taken with respect to the execution thereof. No litigation certificates executed by the Authority and the Districts 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 Districts, but are limited obligations of the Authority payable from Revenues derived from the CFD Bonds. The CFD Bonds are not general obligations of the applicable District, but are limited obligations of the applicable District, payable solely from proceeds of the Special Taxes of each 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 applicable 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 Districts 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 James F. Anderson Law Firm, A Professional Corporation, 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 Districts 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.

## **Ratings**

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

***Rating Downgrades of Municipal Bond Insurers.*** In the past, Moody's Investors Service, S&P and Fitch Ratings (the "Rating Agencies") have each downgraded the claims-paying ability and financial strength of various bond insurance companies. Downgrades or negative changes in the rating outlook are possible. In addition, in the past events in the credit markets have had a substantial negative effect on the bond insurance business. Should similar events, occur, such events could have a material adverse effect

on the claims paying ability of the Bond Insurer. The Authority and the Underwriter have not made an independent investigation into the claims paying ability of Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength thereof can be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay the principal of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

### **Underwriting**

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) at a purchase price of \$55,731,411.20 (which represents the principal amount of the Bonds of \$46,770,000.00, plus the original issue premium of \$9,401,049.20 and less the Underwriter’s discount of \$439,638.00). The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Bond Purchase Agreement.

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

In each of 2014 and 2015, the Underwriter made a contribution to the Poway Unified School District Foundation, whose mission is to provide the School District with additional resources through donations, grants, and endowments to enhance the educational opportunities of the School District’s students.

### **Professional Fees**

Fees payable to certain professionals, including Best Best & Krieger LLP, as Bond Counsel, James F. Anderson Law Firm, A Professional Corporation, as Disclosure Counsel, Fieldman, Rolapp & Associates, Inc., as Financial Advisor, the Underwriter, Nossaman LLP, as Underwriter’s Counsel, and Zions Bank, a division of ZB, National Association, 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 Cooperative Strategies, LLC, as Special Tax Consultant, are contingent upon the issuance of the Bonds.

### **Additional Information**

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the Authority, the Districts or the School District and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority and the School District and on behalf of the Districts.

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. 4,  
POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 8,  
POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 9,  
POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 10 and  
POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 12

By: /s/ Mel Robertson, Ed.D.  
Mel Robertson, Ed.D., Acting Superintendent of the  
Poway Unified School District as Executive  
Director of the Poway Unified School District  
Public Financing Authority and on behalf of Poway  
Unified School District Community Facilities  
District No. 4, Poway Unified School District  
Community Facilities District No. 8, Poway Unified  
School District Community Facilities District No. 9,  
Poway Unified School District Community  
Facilities District No. 10 and Poway Unified School  
District Community Facilities District No. 12

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**APPENDIX A**

**INFORMATION REGARDING THE DISTRICTS AND THE IMPROVEMENT AREA**

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**POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 4 (BLACK MOUNTAIN RANCH)**

***Location and Description.*** Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch) (“CFD No. 4”) was formed on December 15, 1997, is contiguous and is located in a portion of the School District which is within the City and known as Santaluz. It is located west of Carmel Valley Road. Camino del Sur runs north and south through the center of CFD No. 4. CFD No. 4 is approximately 2,937 gross acres (approximately 575.17 taxable acres). CFD No. 4 is located generally northwest from Carmel Valley Road. CFD No. 4 is located approximately 4.5 miles west of Interstate 15 in the northern portion of the County of San Diego (the “County”). As of January 1, 2016, 874 single-family detached homes are classified as Developed Property. In addition, 69 units are designated as affordable units and are not subject to the Special Tax and twelve (12) homeowners prepaid their Special Taxes. Total expected build-out of CFD No. 4 is an aggregate of approximately 1,121 single-family detached homes.

***Assigned Annual Special Taxes – Developed Property.*** The following table shows the Assigned Annual Special Taxes projected to be levied on parcels of property within CFD No. 4 for Fiscal Year 2016-17 and the percentages of the total Special Tax levy. The final maturity of the Poway Unified School District Community Facilities District No. 4 Special Tax Refunding Bonds, Series 2016 (the “CFD No. 4 CFD Bonds”) is September 1, 2031. The Special Taxes in CFD No. 4 may be levied no later than Fiscal Year 2045-46 (as defined in the Rate and Method of Apportionment for Community Facilities District No. 4 of Poway Unified School District), provided that the Annual Special Tax will cease to be levied in an earlier fiscal year if the School District has determined that (i) all required interest and principal payments on all issued bonds have been paid and (ii) CFD No. 4 will issue no additional bonds.

**Table 1**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 4 (Black Mountain Ranch)  
Assigned Annual Special Taxes**

<b>Special Tax Class</b>	<b>Building Square Feet/Land Use</b>	<b>Number of Units/Acres <sup>(1)</sup></b>	<b>Average Annual Special Tax Rate <sup>(2)</sup></b>	<b>Projected 2016-17 Special Tax Levy <sup>(3)</sup></b>	<b>Percentage Levy of Total</b>
1	< 1,500	28	\$340.20	\$9,525.60	0.63%
2	1,500 – 2,249	118	688.81	81,280.12	5.40
3	2,250 – 2,749	53	998.03	52,895.50	3.52
4	2,750 – 3,149	100	998.60	99,859.84	6.64
5	3,150 – 3,749	86	997.00	85,742.10	5.70
6	3,750 – 4,049	99	1,042.65	103,222.16	6.86
7	4,050 – 4,499	39	1,190.92	46,445.88	3.09
8	4,500 – 4,999	54	1,546.49	83,510.56	5.55
9	5,000 – 5,499	24	1,870.57	44,893.62	2.98
10	5,500 – 5,999	20	2,015.62	40,312.32	2.68
11	6,000 – 6,499	0	0.00	0.00	0.00
12	≥ 6,500	0	0.00	0.00	0.00
13	NA	253	3,386.86	856,874.56	56.95
14	NA	119	0.00	0.00	0.00
15	NA	0	0.00	0.00	0.00
16	NA	70	0.00	0.00	0.00
17	NA	0	0.00	0.00	0.00
<i>Developed Property</i>		<i>1,063</i>	<i>NA</i>	<i>\$1,504,562.26</i>	<i>100.00%</i>
<i>Undeveloped Property</i>		<i>0.000</i>	<i>\$0.00 per Acre</i>	<i>\$0.00</i>	<i>0.00%</i>
<b>Total</b>	<b>NA</b>	<b>1,063</b>	<b>NA</b>	<b>\$1,504,562.26</b>	<b>100.00%</b>

- <sup>(1)</sup> Based on permits issued as of May 1, 2016. 874 units are subject to the Special Tax. In addition, there are 70 affordable units and 119 Assigned Units (as defined in the applicable Rate and Method) which are not subject to a Special Tax levy. 12 homeowners prepaid their Special Taxes.
- <sup>(2)</sup> The average Annual Special Tax rate is the average of all the Special Tax rates in each Special Tax Class, therefore they may not reflect the actual Assigned Annual Special Tax rate for each parcel in a given Special Tax Class.
- <sup>(3)</sup> Totals may not sum due to rounding.

*Source: Cooperative Strategies, LLC.*

For the complete text of the CFD No. 4 Rate and Method, see APPENDIX C – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX.”

***Estimated Schedule of CFD Bonds Debt Service.*** Table 2 below illustrates the aggregate estimated coverage of CFD No. 4 CFD Bonds debt service in relation to estimated Net Special Tax Revenues of CFD No. 4. In the event of delinquencies in Special Tax payments received with respect to CFD No. 4, the estimated coverage ratio with respect to the CFD No. 4 CFD Bonds will not be achieved. Table 2 assumes there are no future prepayments of Special Taxes with respect to any CFD No. 4 CFD Bonds or delinquencies in the payment of Special Taxes. As set forth in Table 2, the expected debt service coverage from only currently Developed Property on the CFD No. 4 CFD Bonds will be at least 110% based on (i) debt service on the CFD No. 4 CFD Bonds and (ii) Net Special Tax Revenues expected to be available in CFD No. 4.

In the event CFD No. 4 was to levy Special Taxes on Developed Property CFD No. 4 at less than the Assigned Annual Special Tax, pursuant to Section 53321 of the Act and a resolution adopted by CFD No. 4, 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 CFD No. 4 by more than 10%.

**Table 2**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 4 (Black Mountain Ranch)  
Estimated Debt Service Coverage from Net Special Tax Revenues on Developed Property Only**

<b>Year Ending September 1</b>	<b>Net Special Tax Revenue <sup>(1)</sup></b>	<b>2013B Bonds Debt Service</b>	<b>2016A Bonds Debt Service</b>	<b>Estimated Coverage</b>
2017	\$1,422,192.00	\$425,319.00	\$696,451.69	126.78%
2018	1,450,637.00	433,919.00	709,723.80	126.84
2019	1,479,649.00	442,119.00	719,794.20	127.35
2020	1,509,242.00	449,419.00	735,352.00	127.39
2021	1,539,427.00	461,419.00	749,257.40	127.15
2022	1,570,215.00	471,819.00	766,533.70	126.80
2023	1,601,619.00	492,919.00	766,087.70	127.21
2024	1,633,652.00	523,075.00	766,315.50	126.70
2025	1,666,324.00	546,900.00	772,193.80	126.32
2026	1,699,651.00	574,475.00	771,582.80	126.27
2027	1,733,644.00	600,550.00	771,622.30	126.34
2028	1,768,317.00	605,038.00	767,289.00	128.86
2029	1,803,684.00	603,600.00	746,676.10	133.58
2030	1,839,758.00	596,000.00	753,156.40	136.36
2031	1,876,552.00	595,000.00	180,100.80	242.10
2032	1,914,084.00	593,250.00	0.00	322.64
2033	1,952,366.00	590,750.00	0.00	330.49
2034	1,991,412.00	587,500.00	0.00	338.96
2035	2,031,240.00	588,500.00	0.00	345.16
2036	2,071,865.00	583,500.00	0.00	355.08
2037	2,113,302.00	582,750.00	0.00	362.64
2038	2,155,568.00	581,000.00	0.00	371.01
2039	2,198,681.00	583,250.00	0.00	376.97
2040	2,242,654.00	579,250.00	0.00	387.17
2041	2,287,507.00	574,250.00	0.00	398.35
2042	2,333,257.00	593,250.00	0.00	393.30
<b>Total</b>	<b>\$47,886,499.00</b>	<b>\$14,258,821.00</b>	<b>\$10,672,137.19</b>	<b>N/A</b>

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

Source: Cooperative Strategies, LLC.

**Concentration of Ownership.** Based on information available to the Special Tax Consultant, as reported on the Fiscal Year 2015-16 closed tax roll of the County of San Diego dated July 1, 2015, it is estimated that no owner of Taxable Property in CFD No. 4 owns more than one home within CFD No. 4.

**Estimated Direct and Overlapping Indebtedness.** Within the boundaries of CFD No. 4 are numerous overlapping local agencies providing public services. The approximate amount of the direct and overlapping debt secured by a tax or assessment on the parcels within CFD No. 4 for Fiscal Year 2015-16 is shown in Table 3 below prepared by National Tax Data, Inc., as of April 21, 2016.

The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, and values may change when home re-sales occur and assessed values increase or decrease to reflect housing values. CFD No. 4 believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the County, may issue additional indebtedness at any time, without the consent or approval of the School District or CFD No. 4.

The Authority has not undertaken to commission annual appraisals of the market value of property in CFD No. 4 for purposes of its Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See APPENDIX E hereto for the form of the Continuing Disclosure Agreement.

**Table 3**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 4 (Black Mountain Ranch)  
Detailed Direct and Overlapping Debt  
As of April 21, 2016**

**I. Assessed Value**

2015-16 Secured Roll Assessed Value

\$1,392,108,818<sup>(1)</sup>

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	967,476	\$4,245,040,978.06	0.32214%	1,029	\$13,675,096.86
Voter Approved Debt	AVALL	967,397	509,630,033.30	0.07027	1,029	358,140.60
City of San Diego CFD No. 2, Impv Area 1	CFD	998	3,839,528.66	100.00000	998	3,839,528.66
City of San Diego Landscape Maintenance District (Black Mountain Ranch)	LMD	1,459	399,560.92	70.37810	978	281,203.40
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	52,379	1,571,749.16	0.24373	16	3,830.90
County of San Diego Service Area No. 83 (Park Maintenance)	OPENSOURCE	4,957	536,732.14	2.53495	47	13,605.90
County of San Diego Vector Control, Zone A	VECTOR	535,748	1,505,352.90	0.19969	1,002	3,006.00
County of San Diego Vector Control, Zone B	VECTOR	362,967	757,509.66	0.00843	28	63.84
County of San Diego Vector Disease Control	VECTOR	953,263	4,544,409.48	0.12397	1,030	5,633.80
Metropolitan Water District of Southern California Standby Charge	STANDBY	359,122	4,388,421.84	0.37612	1,030	16,505.66
Olivenhain Municipal Water District Sewer Service Charge	SWR/WTR	47	94,179.00	100.00000	47	94,179.00
Palomar Pomerado Health GOB 2004	GOB	190,240	16,095,163.42	0.40219	217	64,732.70
Poway Unified School District CFD No. 4	CFD	1,282	1,435,458.60	100.00000	863	1,435,458.60
San Diego County Water Authority Standby Charge	STANDBY	365,544	3,840,656.94	0.37361	1,030	14,349.10
WRCOG HERO Financing Program (2)	1915	3,327	12,587,785.82	0.04654	2	5,858.76

**2015-2016 TOTAL PROPERTY TAX LIABILITY**

**\$19,811,193.78**

**TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2015-2016 ASSESSED VALUATION**

**1.42%**

**III. Land Secured Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego CFD No. 2, Impv Area 1	CFD	\$61,020,000	\$42,770,000	100.00000%	998	\$42,770,000
Poway Unified School District CFD No. 4	CFD	19,979,000	19,072,000	100.00000	863	19,072,000

**TOTAL LAND SECURED BOND INDEBTEDNESS <sup>(3)</sup>**

**\$61,842,000**

**TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS <sup>(3)</sup>**

**\$61,842,000**

**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	\$92,865,000	0.05680%	1,029	\$65,745
Palomar Community College District GOB 2006	GOB	554,998,901	515,273,251	1.36720	1,029	7,044,827
Palomar Pomerado Health GOB 2004	GOB	495,999,997	464,510,126	0.41756	217	1,939,593

**TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS <sup>(3)</sup>**

**\$9,037,165**

**TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS <sup>(3)</sup>**

**\$9,037,165**

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

**\$70,879,165.31**

<sup>(1)</sup> Includes units categorized as Assigned Units and other parcels which are not subject to a Special Tax levy.

<sup>(2)</sup> Does not include PACE program liens due to the variable nature of each lien.

<sup>(3)</sup> Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

The following table summarizes the historical and current assessed values within CFD No. 4 for taxable Developed Property and Undeveloped Property.

**Table 4**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 4 (Black Mountain Ranch)  
Historical and Current Assessed Values <sup>(1)</sup>**

<b>Fiscal Year Ending June 30</b>	<b>Assessed Value Land</b>	<b>Assessed Value Improvement</b>	<b>Total Assessed Value</b>
2012	\$480,792,463	\$615,374,079	\$1,096,166,542
2013	447,171,573	602,288,306	1,049,459,879
2014	449,013,663	622,660,877	1,071,674,540
2015	516,338,015	713,815,628.00	1,230,153,643
2016	557,790,429	772,791,383	1,330,581,812

<sup>(1)</sup> Source: San Diego County Assessor Closed Roll Data as of July of each fiscal year; Assessed Values as of January 1 of the prior fiscal year. Includes all taxable parcels within the Community Facilities District (Developed and Undeveloped).

*Source: Cooperative Strategies, LLC.*

**Value-to-Lien Ratios.** The total assessed values of all of the taxable property within CFD No. 4, as determined by the County Assessor for Fiscal Year 2015-16, is \$1,330,581,812. The direct and overlapping land secured special tax, assessment and bonded indebtedness, but excluding general obligation bonded indebtedness within CFD No. 4, as of April 21, 2016, plus the proposed aggregate principal amount of the CFD No. 4 CFD Bonds is approximately \$55,425,960.94. The assessed value-to-lien ratio of the property within CFD No. 4, based on the Fiscal Year 2015-16 assessed values, the aggregate principal amount of the CFD No. 4 CFD Bonds and the estimated direct and overlapping land secured special tax and assessment and general obligation bonded indebtedness within CFD No. 4 is approximately 22.82-to-1. The following table summarizes the assessed value-to-lien ratios within CFD No. 4 by value-to-lien category.

**Table 5**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 4 (Black Mountain Ranch)  
Estimated Assessed Value-to-Lien Ratios on Developed Property Only**

<b>Value-to-Lien Category</b>	<b>Number of Parcels <sup>(1)</sup></b>	<b>CFD No. 4 Bonds <sup>(2)</sup></b>	<b>CFD No. 4 2013B Bonds</b>	<b>Other Land Secured Debt</b>	<b>Total Direct and Overlapping Land Secured Debt</b>	<b>Assessed Value <sup>(3)</sup></b>	<b>Value-to-Lien Burden Ratio <sup>(4)</sup></b>	<b>Projected Fiscal Year 2016-17 Special Tax</b>	<b>Percentage Share of Special Tax</b>
30:1 and Above	142	\$1,270,296.68	\$1,118,558.14	\$4,664,336.64	\$7,053,191.46	\$267,384,577.00	37.91:1	\$213,165.34	14.17%
20:1 to 30:1	480	4,619,591.91	4,067,775.83	21,251,208.09	29,938,575.83	716,967,204.00	23.95:1	775,202.28	51.52
10:1 to 20:1	228	2,590,996.22	2,281,498.45	10,976,482.61	15,848,977.29	263,609,438.00	16.63:1	434,788.66	28.90
5:1 to 10:1	15	302,763.54	266,598.05	1,039,886.15	1,609,247.74	13,363,497.00	8.30:1	50,806.00	3.38
3:1 to 5:1	5	109,126.93	96,091.58	370,369.02	\$575,587.53	2,485,307.00	4.32:1	18,312.32	1.22
3:1 and below	4	73,224.73	64,477.94	262,678.42	\$400,381.09	983,368.00	2.46:1	12,287.66	0.82
<b>Total <sup>(5)</sup></b>	<b>874</b>	<b>\$8,966,000.00</b>	<b>\$7,895,000.00</b>	<b>\$38,564,960.94</b>	<b>\$55,425,960.94</b>	<b>\$1,264,793,391.00</b>	<b>22.82:1</b>	<b>\$1,504,562.26</b>	<b>100.00%</b>

(1) Based on permits issued as of January 1, 2016.

(2) Debt has been allocated based on current development.

(3) Source: San Diego Assessor's Roll, dated January 1, 2015. Apportioned based on Developed Property as of January 1, 2015.

(4) Average value-to-lien per Lot; actual value-to-lien may vary by Lot.

(5) Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.

**Sample Tax Bill.** The following table shows the projected total effective tax rate for residential parcels within CFD No. 4, based on the average square footage of the homes located on such parcels and other characteristics described in the table.

**Table 6**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 4 (Black Mountain Ranch)  
Estimated Fiscal Year 2015-16 Tax Rates**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$1,113,397
Homeowner's Exemption	(7,000)
Net Assessed Value <sup>(2)</sup>	\$1,106,397

<b>Ad Valorem Property Taxes</b>	Percent of Total AV	Amount
General Purposes	1.00000%	\$11,063.96
Ad Valorem Tax Overrides		
San Diego City Zoological Exhibits-Maintenance	0.00500%	\$55.32
Palomar Pomerado Health Debt Service	0.02350	260.00
Palomar Community College Debt Service	0.01769	195.71
Metropolitan Water District Debt Service	0.00350	38.72
<b>Total Ad Valorem Property Taxes</b>	<b>1.04969%</b>	<b>\$11,613.72</b>

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

Poway Unified School District CFD No. 4	\$649.22
Black Mountain Ranch Maintenance	235.00
MWD Water Standby Charge	11.50
County of San Diego Mosquito Surveillance	3.00
Santa Luz CFD No. 2 IA 1	1,700.12
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	5.00
	\$2,613.84

<b>Total Assessments, Special Taxes and Parcel Charges</b>	<b>\$14,227.56</b>
<b>Total Property Taxes</b>	<b>1.28%</b>

- <sup>(1)</sup> Fiscal Year 2015-16 assessed valuation from the San Diego County Assessor's Roll for a Single Family Detached Unit containing 2,180 building square feet, selected to represent the median assessed value for a Single Family Detached Unit within CFD No. 4.
- <sup>(2)</sup> Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption.
- <sup>(3)</sup> All charges and special assessments are based on a Lot size of less than one (1) acre.

Source: Cooperative Strategies, LLC.



**Delinquencies.** The following table illustrates the historical delinquencies for Special Taxes levied for CFD No. 4 from Fiscal Year 2009-10 to Fiscal Year 2015-16 as of May 5, 2016.

**Table 7**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 4 (Black Mountain Ranch)  
Special Tax Delinquency History**

Fiscal Year Ending June 30	Subject Fiscal Year						June 30, 2015 <sup>(1)</sup>		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2010	\$1,049,367.44	\$996,296.02	794	37	\$53,071.42	5.06%	0	\$0.00	0.00%
2011	1,087,080.36	1,072,789.62	800	14	14,290.74	1.31	0	0.00	0.00
2012	1,116,698.34	1,094,135.97	802	23	22,562.37	2.02	0	0.00	0.00
2013	1,196,693.86	1,177,041.29	820	17	19,652.57	1.64	1	1,460.45	0.12
2014	1,257,275.20	1,226,688.56	828	26	30,586.64	2.43	0	0.00	0.00
2015	1,345,284.64	1,325,018.01	846	23	20,266.63	1.51	23	20,266.63	1.51
2016 <sup>(2)</sup>	1,434,482.00	1,406,862.93	863	28	27,619.07	1.93	NA	NA	NA

<sup>(1)</sup> Delinquency information for Fiscal Years ending June 30, 2010 through June 30, 2015, is provided to the School District by the County of San Diego as of June 30, 2015. Due to preparation of tax levy information for upcoming tax bills, the County system is not accessible for current status of these delinquencies.

<sup>(2)</sup> Reflects delinquencies as of May 5, 2016, for both installments.

Source: Cooperative Strategies, LLC.

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**POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 8  
(BLACK MOUNTAIN RANCH PHASE II)  
IMPROVEMENT AREA B**

***Location and Description.*** Poway Unified School District Community Facilities District No. 8 (“CFD No. 8”) and two improvement areas, including Improvement Area B therein, were formed on December 17, 1998. Improvement Area B of CFD No. 8 includes several non-contiguous areas of land located in a portion of the School District within the City. Most of the parcels lie west of Camino del Sur and north of Carmel Valley Road and border the western boundary of the School District. Improvement Area B of CFD No. 8 also contains parcels located south of Del Norte High School and parcels located southeast of the Carmel Valley Road extension in the Rancho Penasquitos area. Improvement Area B of CFD No. 8 is approximately 514 gross acres (approximately 478.37 taxable acres). Improvement Area B of CFD No. 8 is located south of San Diequito Road and west of Camino del Sur. Other portions of Improvement Area B of CFD No. 8 are located west of Dove Canyon Road and south of Camino del Sur. Another portion of Improvement Area B of CFD No. 8 is located south of Bernardo Center Drive and south of Camino del Norte, just west of Interstate 15. As of January 1, 2016, 188 residential units are classified as Developed Property, all of which are single-family detached homes. In addition, the owners of three single-family detached units and the owners of 26 affordable units prepaid their Special Taxes and are no longer subject to the levy of Special Taxes. No additional taxable units are anticipated within Improvement Area B of CFD No. 8.

***Assigned Annual Special Taxes – Developed Property.*** The following table shows the Assigned Annual Special Taxes projected to be levied on parcels of property within Improvement Area B of CFD No. 8 for Fiscal Year 2016-17 and the percentages of the total Special Tax levy. The final maturity of the Poway Unified School District Community Facilities District No. 8 Improvement Area B Special Tax Refunding Bonds, Series 2016 (the “CFD No. 8 CFD Bonds”) is September 1, 2028. The Special Taxes in Improvement Area B of CFD No. 8 may be levied for a period of twenty-five (25) Fiscal Years after the date on which all of the Permanent Facilities (as defined in the Rate and Method of Apportionment for Community Facilities District No. 8 of Poway Unified School District (Improvement Area B)) become permanently funded, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2037-38.

**Table 1**

**Poway Unified School District Public Financing Authority  
Improvement Area B of Community Facilities District No. 8 (Black Mountain Ranch Phase II)  
Assigned Annual Special Taxes**

<b>Special Tax Class</b>	<b>Building Square Feet/Land Use</b>	<b>Number of Units/Acres <sup>(1)</sup></b>	<b>Average Annual Special Tax Rate <sup>(2)</sup></b>	<b>Projected 2016-17 Special Tax Levy <sup>(3)</sup></b>	<b>Percentage Levy of Total</b>
1	Detached Unit	188	\$3,061.97	\$575,649.84	100.00%
2	Attached Unit	0	NA	0.00	0.00
3	Affordable	0	NA	0.00	0.00
4	Senior Citizen Unit	0	NA	0.00	0.00
<i>Developed Property</i>		<i>188</i>	<i>NA</i>	<i>\$575,649.84</i>	<i>100.00%</i>
<i>Undeveloped Property</i>		<i>175.920</i>	<i>\$0.00 per Acre</i>	<i>0.00</i>	<i>0.00</i>
<b>Total</b>	<b>NA</b>	<b>188</b>	<b>NA</b>	<b>\$575,649.84</b>	<b>100.00%</b>

<sup>(1)</sup> Based on permits issued as of January 1, 2016.

<sup>(2)</sup> The average Annual Special Tax rate is the average of all the Special Tax rates in each Special Tax Class, therefore they may not reflect the actual Assigned Annual Special Tax rate for each parcel in a given Special Tax Class.

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

*Source: Cooperative Strategies, LLC.*

For the complete text of the CFD No. 8 Improvement Area B Rate and Method, see APPENDIX C – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX.”

***Estimated Schedule of CFD Bonds Debt Service.*** Table 2 below illustrates the aggregate estimated coverage of CFD No. 8 CFD Bonds debt service in relation to estimated Net Special Tax Revenues of Improvement Area B of CFD No. 8. In the event of delinquencies in Special Tax payments received with respect to Improvement Area B of CFD No. 8, the estimated coverage ratio with respect to the CFD No. 8 CFD Bonds will not be achieved. Table 2 assumes there are no future prepayments of Special Taxes with respect to any CFD No. 8 CFD Bonds or delinquencies in the payment of Special Taxes. As set forth in Table 2, the expected debt service coverage from only currently Developed Property on the CFD No. 8 CFD Bonds will be at least 110% based on (i) debt service on the CFD No. 8 CFD Bonds and (ii) Net Special Tax Revenues expected to be available in CFD No. 8.

In the event CFD No. 8 was to levy Special Taxes on Developed Property within Improvement Area B of CFD No. 8 at less than the Assigned Annual Special Tax, pursuant to Section 53321 of the Act and a resolution adopted by CFD No. 8 with respect to Improvement Area B, under no circumstances will the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within Improvement Area B of CFD No. 8 by more than 10%.

**Table 2**

**Poway Unified School District Public Financing Authority  
Improvement Area B of Community Facilities District No. 8 (Black Mountain Ranch Phase II)  
Estimated Debt Service Coverage from Net Special Tax Revenues**

<b>Year Ending September 1</b>	<b>Net Special Tax Revenue <sup>(1)</sup></b>	<b>Bonds Debt Service</b>	<b>Estimated Coverage</b>
2017	\$532,803.00	\$482,644.13	110.39%
2018	543,459.00	488,632.00	111.22
2019	554,328.00	498,752.00	111.14
2020	565,414.00	509,416.00	110.99
2021	576,723.00	520,600.00	110.78
2022	588,257.00	531,280.00	110.72
2023	600,022.00	543,456.00	110.41
2024	612,023.00	555,080.00	110.26
2025	624,263.00	562,152.00	111.05
2026	636,748.00	574,768.00	110.78
2027	649,483.00	587,784.00	110.50
2028	662,473.00	306,176.00	216.37
<b>Total</b>	<b>\$7,145,996.00</b>	<b>\$6,160,740.13</b>	<b>N/A</b>

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

*Source: Cooperative Strategies, LLC.*

**Concentration of Ownership.** Based on information available to the Special Tax Consultant, as reported on the Fiscal Year 2015-16 closed tax roll of the County of San Diego dated July 1, 2015, it is estimated that no owner of Taxable Property in Improvement Area B of CFD No. 8 owns more than one home within Improvement Area B of CFD No. 8.

**Estimated Direct and Overlapping Indebtedness.** Within the boundaries of Improvement Area B of CFD No. 8 are numerous overlapping local agencies providing public services. The approximate amount of the direct and overlapping debt secured by a tax or assessment on the parcels within Improvement Area B of CFD No. 8 for Fiscal Year 2015-16 is shown in Table 3 below prepared by National Tax Data, Inc., as of April 21, 2016.

The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, and values may change when home re-sales occur and assessed values increase or decrease to reflect housing values. CFD No. 8 believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the County, may issue additional indebtedness at any time, without the consent or approval of the School District or CFD No. 8.

The Authority has not undertaken to commission annual appraisals of the market value of property in Improvement Area B of CFD No. 8 for purposes of its Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See APPENDIX E hereto for the form of the Continuing Disclosure Agreement.

**Table 3**

**Poway Unified School District Public Financing Authority  
Improvement Area B of Community Facilities District No. 8 (Black Mountain Ranch Phase II)  
Detailed Direct and Overlapping Debt  
As of April 21, 2016**

**I. Assessed Value**

**2015-2016 Secured Roll Assessed Value** **\$233,627,117<sup>(1)</sup>**

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	Applicable %	Parcels	Levy
Basic 1% Levy	PROP13	967,476	\$4,245,040,978.06	0.05474%	221	\$2,323,923.17
Voter Approved Debt	AVALL	967,397	509,630,033.30	0.01194	221	60,861.23
City of San Diego CFD No. 2, Impv Area 4	CFD	214	523,696.88	100.00000	214	523,696.88
City of San Diego Landscape Maintenance District (Black Mountain Ranch)	LMD	1,459	399,560.92	12.68125	219	50,669.30
County of San Diego Vector Control, Zone A	VECTOR	535,748	1,505,352.90	0.04404	221	663.00
County of San Diego Vector Disease Control	VECTOR	953,263	4,544,409.48	0.02380	221	1,081.64
Metropolitan Water District of Southern California Standby Charge	STANDBY	359,122	4,388,421.84	0.10236	221	4,492.00
Palomar Pomerado Health GOB 2004	GOB	190,240	16,095,163.42	0.00072	2	116.47
Poway Unified School District CFD No. 8, Impv Area B	CFD	258	564,363.28	100.00000	188	564,363.28
Poway Unified School District SFID No. 2002-1, 2011 Refunding	GOB	43,472	3,848,045.94	0.00142	1	54.51
Poway Unified School District SFID No. 2002-1, 2014 Refunding	GOB	43,472	4,126,596.77	0.00142	1	58.45
Poway Unified School District SFID No. 2002-1, Series B	GOB	43,472	2,280,071.71	0.00142	1	32.30
Poway Unified School District SFID No. 2002-1, Series C	GOB	43,472	2,100,371.04	0.00142	1	29.75
San Diego County Water Authority Standby Charge	STANDBY	365,544	3,840,656.94	0.10166	221	3,904.60
WRCOG HERO Financing Program <sup>(2)</sup>	1915	3,327	12,587,785.82	0.05128	1	6,455.52
<b>2015-2016 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$3,540,402.10</b>
<b>TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2015-2016 ASSESSED VALUATION</b>						<b>1.52%</b>

**III. Land Secured Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	Applicable %	Parcels	Amount
City of San Diego CFD No. 2, Impv Area 4	CFD	\$9,965,000	\$6,415,000	100.00000%	214	\$6,415,000
Poway Unified School District CFD No. 8, Impv Area B	CFD	7,329,000	6,227,000	100.00000	188	6,227,000
<b>TOTAL LAND SECURED BOND INDEBTEDNESS <sup>(3)</sup></b>						<b>\$12,642,000</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS <sup>(3)</sup></b>						<b>\$12,642,000</b>

**IV. General Obligation Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	Applicable %	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$92,865,000	0.00953%	225	\$8,852
Palomar Community College District GOB 2006	GOB	554,998,901	515,273,251	0.22945	225	1,182,280
Palomar Pomerado Health GOB 2004	GOB	495,999,997	464,510,126	0.00071	2	3,316
Poway Unified School District SFID No. 2002-1	GOB	197,999,320	149,697,801	0.00085	1	1,271
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS <sup>(3)</sup></b>						<b>\$1,195,719</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS <sup>(3)</sup></b>						<b>\$1,195,719</b>

**TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT** **\$13,837,719.17**

<sup>(1)</sup> Includes affordable units and other parcels which are not subject to a Special Tax levy.

<sup>(2)</sup> Does not include PACE program liens due to the variable nature of each lien.

<sup>(3)</sup> Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

The following table summarizes the historical and current assessed values within Improvement Area B of CFD No. 8.

**Table 4**

**Poway Unified School District Public Financing Authority  
Improvement Area B of Community Facilities District No. 8 (Black Mountain Ranch Phase II)  
Historical and Current Assessed Values <sup>(1)</sup>**

<b>Fiscal Year Ending June 30</b>	<b>Assessed Value Land</b>	<b>Assessed Value Improvement</b>	<b>Total Assessed Value</b>
2012	\$79,401,502	\$137,601,354	\$217,002,856
2013	78,051,728	132,776,625	210,828,353
2014	74,408,184	124,717,341	199,125,525
2015	80,912,653	137,760,458	218,673,111
2016	82,219,119	144,147,964	226,367,083

<sup>(1)</sup> Source: San Diego County Assessor Closed Roll Data as of July of each fiscal year; Assessed Values as of January 1 of the prior fiscal year. Includes all taxable parcels within the Community Facilities District (Developed and Undeveloped).

*Source: Cooperative Strategies, LLC.*

**Value-to-Lien Ratios.** The total assessed values of all of the taxable property within Improvement Area B of CFD No. 8, as determined by the County Assessor for Fiscal Year 2015-16, is \$226,367,083. The direct and overlapping land secured special tax, assessment and bonded indebtedness, but excluding general obligation bonded indebtedness within Improvement Area B of CFD No. 8, as of April 21, 2016, plus the proposed aggregate principal amount of the CFD No. 8 CFD Bonds is approximately \$11,675,008.01. The assessed value-to-lien ratio of the property within Improvement Area B of CFD No. 8, based on the Fiscal Year 2015-16 assessed values, the aggregate principal amount of the CFD No. 8 CFD Bonds and the estimated direct and overlapping land secured special tax and assessment and general obligation bonded indebtedness within Improvement Area B of CFD No. 8 is approximately 18.65-to-1. The following table summarizes the assessed value-to-lien ratios within Improvement Area B of CFD No. 8 by value-to-lien category.



**Table 5**

**Poway Unified School District Public Financing Authority  
Improvement Area B of Community Facilities District No. 8 (Black Mountain Ranch Phase II)  
Estimated Assessed Value-to-Lien Ratios on Developed Property Only**

<b>Value-to-Lien Category</b>	<b>Number of Parcels <sup>(1)</sup></b>	<b>CFD No. 8 Bonds <sup>(2)</sup></b>	<b>Other Land Secured Debt</b>	<b>Total Direct and Overlapping Land Secured Debt</b>	<b>Assessed Value <sup>(3)</sup></b>	<b>Value-to-Lien Burden Ratio <sup>(4)</sup></b>	<b>Projected Fiscal Year 2016-17 Special Tax</b>	<b>Percentage Share of Special Tax</b>
30:1 and Above	1	\$27,864.30	\$0.00	\$27,864.30	\$1,285,474.00	48.13:1	\$3,029.86	0.53%
20:1 to 30:1	53	1,498,301.46	1,820,909.76	3,319,211.23	69,543,035.00	20.95:1	162,919.72	28.30
10:1 to 20:1	134	3,767,834.24	4,560,098.25	8,327,932.49	146,919,762.00	17.84:1	409,700.26	71.17
5:1 to 10:1	0	0.00	0.00	0.00	0.00	NA	0.00	0.00
3:1 to 5:1	0	0.00	0.00	0.00	0.00	NA	0.00	0.00
3:1 and below	0	0.00	0.00	0.00	0.00	NA	0.00	0.00
<b>Total <sup>(5)</sup></b>	<b>188</b>	<b>\$5,294,000.00</b>	<b>\$6,381,008.01</b>	<b>\$11,675,008.01</b>	<b>\$217,748,271.00</b>	<b>18.65:1</b>	<b>\$575,649.84</b>	<b>100.00%</b>

<sup>(1)</sup> Based on Permits issued as of January 1, 2016.

<sup>(2)</sup> Debt has been allocated based on current development.

<sup>(3)</sup> Source: San Diego Assessor's Roll, dated January 1, 2015. Apportioned based on Developed Property as of January 1, 2015.

<sup>(4)</sup> Average value-to-lien per Lot; actual value-to-lien may vary by Lot.

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

*Source: Cooperative Strategies, LLC.*

**Sample Tax Bill.** The following table shows the projected total effective tax rate for residential parcels within Improvement Area B of CFD No. 8, based on the average square footage of the homes located on such parcels and other characteristics described in the table.

**Table 6**

**Poway Unified School District Public Financing Authority  
Improvement Area B of Community Facilities District No. 8 (Black Mountain Ranch Phase II)  
Estimated Fiscal Year 2015-16 Tax Rates**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$1,124,529
Homeowner's Exemption	0
<hr/>	
Net Assessed Value <sup>(2)</sup>	\$1,124,529

<b>Ad Valorem Property Taxes</b>	Percent of Total AV	Amount
General Purposes	1.00000%	\$11,245.29
Ad Valorem Tax Overrides		
San Diego City Zoological Exhibits-Maintenance	0.00500%	\$56.23
Palomar Community College Debt Service	0.01769	198.93
Metropolitan Water District Debt Service	0.00350	39.36
<hr/>		
Total Ad Valorem Property Taxes	1.02619%	\$11,539.80

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

Poway Unified School District CFD No. 8 Improvement Area B	\$2,970.46
Santa Luz CFD No. 2 IA 4	3,294.42
Black Mountain Ranch Maintenance	235.00
MWD Water Standby Charge	11.50
County of San Diego Mosquito Surveillance	2.28
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	5.00
<hr/>	
	\$6,528.66

Total Assessments, Special Taxes and Parcel Charges

\$18,068.46

**Total Property Taxes**

1.61%

<sup>(1)</sup> Fiscal Year 2015-16 assessed valuation for a Single Family Detached Unit containing 4,765 building square feet, selected to represent the median effective tax rate for a Single Family Detached Unit within Improvement Area B of CFD No. 8.

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

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

Source: Cooperative Strategies, LLC.

**Delinquencies.** The following table illustrates the historical delinquencies for Special Taxes levied for Improvement Area B of CFD No. 8 from Fiscal Year 2010-11 to Fiscal Year 2015-16 as of May 5, 2016.

**Table 7**

**Poway Unified School District Public Financing Authority  
Improvement Area B of Community Facilities District No. 8 (Black Mountain Ranch Phase II)  
Special Tax Delinquency History**

Fiscal Year Ending June 30	Subject Fiscal Year					June 30, 2015 <sup>(1)</sup>			
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2010	\$515,279.82	\$482,118.58	190	15	\$33,161.24	6.44%	0	\$0.00	0.00%
2011	525,585.86	514,603.51	190	5	10,982.35	2.09	0	0.00	0.00
2012	533,202.20	517,863.04	189	6	15,339.16	2.88	0	0.00	0.00
2013	543,868.70	543,868.70	189	0	0.00	0.00	0	0.00	0.00
2014	542,449.92	537,933.15	188	2	4,516.77	0.83	0	0.00	0.00
2015	553,298.64	550,306.83	188	2	2,991.81	0.54	2	2,991.81	0.54
2016 <sup>(2)</sup>	564,363.28	555,208.36	188	4	9,154.92	1.62	NA	NA	NA

<sup>(1)</sup> Delinquency information for Fiscal Years ending June 30, 2010 through June 30, 2015, is provided to the School District by the County of San Diego as of June 30, 2015. Due to preparation of tax levy information for upcoming tax bills, the County system is not accessible for current status of these delinquencies.

<sup>(2)</sup> Reflects delinquencies as of May 5, 2016, for both installments.

Source: *Cooperative Strategies, LLC.*

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**POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 9 (PORTSWOOD)**

**Location and Description.** Poway Unified School District Community Facilities District No. 9 (“CFD No. 9”) was formed on November 16, 1998. CFD No. 9 is a 63-unit single family gated community of estate-sized homes in an unincorporated area of the County north of Camino Del Sur. The parcel is west of the 4S Ranch community in an area known as Santa Fe Valley. The parcel is contiguous with Four Gee Road on the westerly boundary of CFD No. 9. CFD No. 9 is located south of Camino Sante Fe and north of Artesian Road approximately 2 miles west of Interstate 15 in the northern portion of the County. CFD No. 9 is approximately 60.27 gross acres (approximately 42.12 taxable acres). CFD No. 9 is completely built out. None of the homeowners prepaid their Special Taxes.

**Annual Assigned Special Taxes – Developed Property.** The following table shows the Assigned Special Taxes projected to be levied on parcels of property within CFD No. 9 for Fiscal Year 2016-17 and the percentages of the total Special Tax levy. The Board shall levy the Special Tax according to the Rate and Method of Apportionment of Special Tax for CFD No. 9. The final maturity of the Poway Unified School District Community Facilities District No. 9 Special Tax Refunding Bonds, Series 2016 (the “CFD No. 9 CFD Bonds”) is September 1, 2028. The Special Taxes in CFD No. 9 may be levied for a term of twenty-five (25) Fiscal Years after the last series of Bonds (as defined in the Rate and Method of Apportionment for Community Facilities District No. 9 of Poway Unified School District) are issued for CFD No. 9, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.

**Table 1**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 9 (Portswood)  
Annual Assigned Special Taxes**

<b>Special Tax Class</b>	<b>Building Square Feet/Land Use</b>	<b>Number of Units/Acres <sup>(1)</sup></b>	<b>Average Annual Special Tax Rate <sup>(2)</sup></b>	<b>Projected 2016-17 Special Tax Levy <sup>(3)</sup></b>	<b>Percentage Levy of Total</b>
1	Developed	63	\$2,606.58	\$164,214.30	100.00%
	<i>Developed Property</i>	63	NA	\$164,214.30	100.00%
	<i>Undeveloped Property</i>	0.000	\$0.00 per Acre	0.00	0.00
<b>Total</b>	<b>NA</b>	<b>63</b>	<b>NA</b>	<b>\$164,214.30</b>	<b>100.00%</b>

<sup>(1)</sup> Based on permits issued as of January 1, 2016.

<sup>(2)</sup> The average Annual Special Tax rate is the average of all the Special Tax rates in each Special Tax Class, therefore they may not reflect the actual Annual Assigned Special Tax rate for each parcel in a given Special Tax Class.

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

*Source: Cooperative Strategies, LLC.*

For the complete text of the CFD No. 9 Rate and Method, see APPENDIX C – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX.”

***Estimated Schedule of CFD Bonds Debt Service.*** Table 2 below illustrates the aggregate estimated coverage of CFD No. 9 CFD Bonds debt service in relation to estimated Net Special Tax Revenues of CFD No. 9. In the event of delinquencies in Special Tax payments received with respect to CFD No. 9, the estimated coverage ratio with respect to the CFD No. 9 CFD Bonds will not be achieved. Table 2 assumes there are no future prepayments of Special Taxes with respect to any CFD No. 9 CFD Bonds or delinquencies in the payment of Special Taxes. As set forth in Table 2, the expected debt service coverage from only currently Developed Property on the CFD No. 9 CFD Bonds will be at least 110% based on (i) debt service on the CFD No. 9 CFD Bonds and (ii) Net Special Tax Revenues expected to be available in CFD No. 9.

In the event CFD No. 9 was to levy Special Taxes on Developed Property at less than the Annual Assigned Special Tax, pursuant to Section 53321 of the Act and a resolution adopted by CFD No. 9, 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 CFD No. 9 by more than 10%.

**Table 2**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 9 (Portswood)  
Estimated Debt Service Coverage from Net Special Tax Revenues**

<b>Year Ending September 1</b>	<b>Net Special Tax Revenue <sup>(1)</sup></b>	<b>Bonds Debt Service</b>	<b>Estimated Coverage</b>
2017	\$128,508.00	\$115,843.84	110.93%
2018	131,079.00	118,701.20	110.43
2019	133,700.00	119,523.20	111.86
2020	136,374.00	123,272.60	110.63
2021	139,102.00	125,876.80	110.51
2022	141,884.00	128,360.00	110.54
2023	144,721.00	130,722.20	110.71
2024	147,616.00	132,963.40	111.02
2025	150,568.00	136,083.60	110.64
2026	153,579.00	139,058.60	110.44
2027	156,650.58	140,888.40	111.19
2028	159,783.59	67,597.20	236.38
Total	<u>\$1,723,565.17</u>	<u>\$1,478,891.04</u>	<u>N/A</u>

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

*Source: Cooperative Strategies, LLC.*

**Concentration of Ownership.** Based on information available to the Special Tax Consultant, as reported on the Fiscal Year 2015-16 closed tax roll of the County of San Diego dated July 1, 2015, it is estimated that no owner of Taxable Property in CFD No. 9 owns more than one home within CFD No. 9.

**Estimated Direct and Overlapping Indebtedness.** Within the boundaries of CFD No. 9 are numerous overlapping local agencies providing public services. The approximate amount of the direct and overlapping debt secured by a tax or assessment on the parcels within CFD No. 9 for Fiscal Year 2015-16 is shown in Table 3 below prepared by National Tax Data, Inc., as of April 21, 2016.

The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, and values may change when home re-sales occur and assessed values increase or decrease to reflect housing values. CFD No. 9 believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the County, may issue additional indebtedness at any time, without the consent or approval of the School District or CFD No. 9.

The Authority has not undertaken to commission annual appraisals of the market value of property in CFD No. 9 for purposes of its Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See APPENDIX E hereto for the form of the Continuing Disclosure Agreement.



**Table 3**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 9 (Portswood)  
Detailed Direct and Overlapping Debt  
As of April 21, 2016**

**I. Assessed Value**

2015-2016 Secured Roll Assessed Value \$83,702,325

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total		%		Levy
		Parcels	Total Levy	Applicable	Parcels	
Basic 1% Levy	PROP13	967,476	\$4,245,040,978	0.01965%	63	\$833,943.25
Voter Approved Debt	AVALL	967,397	509,630,033	0.00347	63	17,670.58
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	52,379	1,571,749	0.11456	63	1,800.54
County of San Diego Service Area No. 83 (Park Maintenance)	OPENSACE	4,957	536,732	1.38270	63	7,421.40
County of San Diego Street Lighting, Zone A	LLMD	97,530	707,703	0.05769	63	408.24
County of San Diego Vector Control, Zone B	VECTOR	362,967	757,510	0.01896	63	143.64
County of San Diego Vector Disease Control	VECTOR	953,263	4,544,409	0.00693	63	315.00
Metropolitan Water District of Southern California Standby Charge	STANDBY	25,122	401,239	0.18077	63	725.32
Olivenhain Municipal Water District AD No. 96-1	1915	23,110	1,398,289	0.01694	63	236.88
Palomar Pomerado Health GOB 2004	GOB	190,240	16,095,163	0.12176	63	19,597.69
Poway Unified School District CFD No. 9	CFD	66	160,995	100.00000	63	160,995.04
Rancho Santa Fe Community Services District CFD No. 1	CFD	999	3,689,605	3.28468	63	121,191.84
Rancho Santa Fe Community Services District Sewer Service Charge	SEWER	1,022	781,542	6.44879	63	50,400.00
Rancho Santa Fe Fire Protection District Special Tax	FIRE	12,285	1,029,790	0.31560	63	3,250.00
San Diego County Water Authority Standby Charge	STANDBY	25,127	350,021	0.18019	63	630.70
<b>2015-2016 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$1,218,730.12</b>
<b>TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2015-2016 ASSESSED VALUATION</b>					<b>1.46%</b>	

**III. Land Secured Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	%		Amount
				Applicable	Parcels	
Olivenhain Municipal Water District AD No. 96-1	1915	\$22,530,000	\$12,555,000	0.01694%	63	\$2,127
Poway Unified School District CFD No. 9	CFD	1,711,000	1,504,000	100.00000	63	1,504,000
Rancho Santa Fe Community Services District CFD No. 1	CFD	48,660,000	42,480,000	3.28468	63	1,395,332
<b>TOTAL LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$2,901,459</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)</b>						<b>\$2,901,459</b>

**IV. General Obligation Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	%		Amount
				Applicable	Parcels	
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$92,865,000	0.00342%	63	\$3,171
Palomar Community College District GOB 2006	GOB	554,998,901	515,273,251	0.08220	63	423,579
Palomar Pomerado Health GOB 2004	GOB	495,999,997	464,510,126	0.12057	63	560,075
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$986,826</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)</b>						<b>\$986,826</b>

**TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT \$3,888,284.50**

- (1) Does not include PACE program liens due to the variable nature of each lien.
- (2) Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

The following table summarizes the historical and current assessed values within CFD No. 9.

**Table 4**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 9 (Portswood)  
Historical and Current Assessed Values <sup>(1)</sup>**

<b>Fiscal Year Ending June 30</b>	<b>Assessed Value Land</b>	<b>Assessed Value Improvement</b>	<b>Total Assessed Value</b>
2012	\$23,829,131	\$53,179,017	\$77,008,148
2013	23,769,838	52,627,946	76,397,784
2014	24,848,901	52,731,930	77,580,831
2015	26,515,619	55,203,548	81,719,167
2016	27,058,194	56,644,131	83,702,325

<sup>(1)</sup> Source: San Diego County Assessor Closed Roll Data as of July of each fiscal year; Assessed Values as of January 1 of the prior fiscal year. Includes all taxable parcels within the Community Facilities District (Developed and Undeveloped).

Source: *Cooperative Strategies, LLC.*

**Value-to-Lien Ratios.** The total assessed values of all of the taxable property in CFD No. 9, as determined by the County Assessor for Fiscal Year 2015-16, is \$83,702,325. The direct and overlapping land secured special tax, assessment and bonded indebtedness, but excluding general obligation bonded indebtedness within CFD No. 9, as of April 21, 2016, plus the proposed aggregate principal amount of the CFD No. 9 CFD Bonds is approximately \$2,667,449.00. The assessed value-to-lien ratio of the property within CFD No. 9, based on the Fiscal Year 2015-16 assessed values, the aggregate principal amount of the CFD No. 9 CFD Bonds and the estimated direct and overlapping land secured special tax and assessment and general obligation bonded indebtedness within CFD No. 9 is approximately 31.38-to-1. The following table summarizes the assessed value-to-lien ratios within CFD No. 9 by value-to-lien category.

**Table 5**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 9 (Portswood)  
Estimated Assessed Value-to-Lien Ratios on Developed Property Only**

<b>Value-to-Lien Category</b>	<b>Number of Parcels <sup>(1)</sup></b>	<b>CFD No. 9 Bonds <sup>(2)</sup></b>	<b>Other Land Secured Debt</b>	<b>Total Direct and Overlapping Land Secured Debt</b>	<b>Assessed Value <sup>(3)</sup></b>	<b>Value-to-Lien Burden Ratio <sup>(4)</sup></b>	<b>Projected Fiscal Year 2016-17 Special Tax</b>	<b>Percentage Share of Special Tax</b>
30:1 and Above	42	\$846,969.83	\$923,176.81	\$1,770,146.65	\$58,498,421.00	33.05:1	\$109,515.40	66.69%
20:1 to 30:1	21	423,030.17	474,272.19	897,302.35	25,203,904.00	28.09:1	54,698.90	33.31
10:1 to 20:1	0	0.00	0.00	0.00	0.00	NA	0.00	0.00
5:1 to 10:1	0	0.00	0.00	0.00	0.00	NA	0.00	0.00
3:1 to 5:1	0	0.00	0.00	0.00	0.00	NA	0.00	0.00
3:1 and below	0	0.00	0.00	0.00	0.00	NA	0.00	0.00
<b>Total <sup>(5)</sup></b>	<b>63</b>	<b>\$1,270,000.00</b>	<b>\$1,397,449.00</b>	<b>\$2,667,449.00</b>	<b>\$83,702,325.00</b>	<b>31.38:1</b>	<b>\$164,214.30</b>	<b>100.00%</b>

(1) Based on Permits as of January 1, 2016.

(2) Debt has been allocated based on current development.

(3) Source: San Diego Assessor's Roll, dated January 1, 2015. Apportioned based on Developed Property as of January 1, 2015.

(4) Average value-to-lien per Lot; actual value-to-lien may vary by Lot.

(5) Totals may not sum due to rounding.

*Source: Cooperative Strategies, LLC.*

**Sample Tax Bill.** The following table shows the projected total effective tax rate for residential parcels in CFD No. 9, based on the average square footage of the homes located on such parcels and other characteristics described in the table.

**Table 6**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 9 (Portswood)  
Estimated Fiscal Year 2015-16 Tax Rates**

Assessed Value <sup>(1)</sup>	\$1,325,000		
Homeowner's Exemption	(7,000)		
<hr/>			
Net Assessed Value <sup>(2)</sup>	\$1,318,000		
<b>Ad Valorem Property Taxes</b>		<b>Percent of</b>	<b>Amount</b>
General Purposes		1.00000%	\$13,179.99
Ad Valorem Tax Overrides			
Palomar Pomerado Health Debt Service		0.02350%	309.73
Palomar Community College Debt Service		0.01769%	233.15
Metropolitan Water District Debt Service		0.00350%	46.13
<hr/>			
Total Ad Valorem Property Taxes		1.04469%	\$13,769.00
<b>Assessments, Special Taxes and Parcel Charges <sup>(3)</sup></b>			
Poway Unified School District CFD No. 9			\$2,563.74
Rancho Santa Fe CSD- CFD No. 1			1,713.84
CSA 83A Park Maintenance			117.80
MWD Water Standby Charge			11.50
San Diego County Street and Lighting Zone A			6.48
County of San Diego Mosquito Surveillance			2.28
Assessment District 96-1			3.76
Fire District Special Tax			50.00
San Diego County CWA Water Availability Standby Charge			10.00
CSA 17 Emergency Ambulance Service			28.58
County of San Diego Vector Disease Control			5.00
Sewer Service Charge			800.00
<hr/>			
Total Assessments, Special Taxes and Parcel Charges			\$5,312.98
<hr/>			
<b>Total Property Taxes</b>			<b>\$19,081.98</b>
			<b>1.44%</b>

- <sup>(1)</sup> Fiscal Year 2015-16 assessed valuation for a Single Family Detached Unit containing 4,474 building square feet, selected to represent the median effective tax rate for a Single Family Detached Unit within CFD No. 9.
- <sup>(2)</sup> Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption.
- <sup>(3)</sup> All charges and special assessments are based on a Lot size of less than one (1) acre.

*Source: Cooperative Strategies, LLC.*

**Delinquencies.** The following table illustrates the historical delinquencies for Special Taxes levied for CFD No. 9 from Fiscal Year 2010-11 to Fiscal Year 2015-16 as of May 5, 2016.

**Table 7**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 9 (Portswood)  
Special Tax Delinquency History**

Fiscal Year Ending June 30	Subject Fiscal Year					June 30, 2015 <sup>(1)</sup>			
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2010	\$142,958.62	\$140,682.10	63	2	\$2,276.52	1.59%	0	\$0.00	0.00%
2011	145,817.70	145,817.70	63	0	0.00	0.00	0	0.00	0.00
2012	148,734.04	146,365.54	63	1	2,368.50	1.59	0	0.00	0.00
2013	151,708.34	151,708.34	63	0	0.00	0.00	0	0.00	0.00
2014	154,743.00	148,589.48	63	4	6,153.52	3.98	0	0.00	0.00
2015	157,837.58	151,553.93	63	3	6,283.65	3.98	3	6,283.65	3.98
2016 <sup>(2)</sup>	160,995.04	159,713.17	63	1	1,281.87	0.80	NA	NA	NA

<sup>(1)</sup> Delinquency information for Fiscal Years ending June 30, 2010 through June 30, 2015, is provided to the School District by the County of San Diego as of June 30, 2015. Due to preparation of tax levy information for upcoming tax bills, the County system is not accessible for current status of these delinquencies.

<sup>(2)</sup> Reflects delinquencies as of May 5, 2016, for both installments.

Source: Cooperative Strategies, LLC.

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**POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 10 (TORREY HIGHLANDS – SUB AREA IV)**

***Location and Description.*** Poway Unified School District Community Facilities District No. 10 (“CFD No. 10”) was formed on August 27, 2001. CFD No. 10 includes several non-contiguous areas of land located in a portion of the School District which is within the City. It straddles State Route-56 to the north and south and includes parcels on both the east and west side of Camino del Sur adjacent to Westview High School. CFD No. 10 is approximately 469.16 gross acres (approximately 156.07 taxable acres). CFD No. 10 is located along Camino del Sur, south of Carmel Valley Road, to the west of the community known as the Rancho Peñasquitos area, to the east by Pacific Highlands Ranch and to the south of Black Mountain Ranch. CFD No. 10 is located approximately 4 miles east of Interstate 5 and approximately 3 miles west of Interstate 15. As of May 1, 2016, 1,288 residential units are classified as Developed Property, of which 925 are single-family detached homes and 363 are single-family attached units. In addition, the owners of 25 single-family detached units, 3 owners of affordable units (Vista Terraza), 76 owners of affordable units (Torrey Highlands Apartments) and 26 owners of affordable units (Villa Glen Apartments) prepaid their Special Taxes and are no longer subject to the levy of Special Taxes. CFD No. 10 is built out.

***Annual Assigned Special Taxes – Developed Property.*** The following table shows the Assigned Special Taxes projected to be levied on parcels of property within CFD No. 10 for Fiscal Year 2016-17 and the percentages of the total Special Tax levy. The Board shall levy the Special Tax according to the Rate and Method of Apportionment of Special Tax for CFD No. 10. The final maturity of the Poway Unified School District Community Facilities District No. 10 Special Tax Refunding Bonds, Series 2016 (the “CFD No. 10 CFD Bonds”) is September 1, 2032. The Special Taxes in CFD No. 10 may be levied for a period of thirty-one (31) Fiscal Years after the last series of Bonds (as defined in the Rate and Method of Apportionment for Community Facilities District No. 10 of Poway Unified School District) have been issued, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.

**Table 1**  
**Poway Unified School District Public Financing Authority**  
**Community Facilities District No. 10 (Torrey Highlands – Sub Area IV)**  
**Annual Assigned Special Taxes**

Special Tax Class	Building Square Feet/Land Use	Number of Units/Acres <sup>(1)</sup>	Average Annual Special Tax Rate <sup>(2)</sup>	Projected 2016-17 Special Tax Levy <sup>(3)</sup>	Percentage Levy of Total
<i>Zone 1</i>					
1	Detached Unit	925	\$2,508.69	\$2,320,538.38	82.93%
2	Attached Unit	84	\$1,033.96	86,852.64	3.10
<i>Developed Property</i>		<i>1,009</i>	<i>NA</i>	<i>\$2,407,391.02</i>	<i>86.03%</i>
<i>Undeveloped Property</i>		<i>0.000</i>	<i>\$0.00 per Acre</i>	<i>0.00</i>	<i>0.00</i>
<b><i>Zone 1 Subtotal</i></b>		<b><i>1,009</i></b>	<b><i>NA</i></b>	<b><i>\$2,407,391.02</i></b>	<b><i>86.03%</i></b>
<i>Zone 2</i>					
3	Detached Unit	0	NA	\$0.00	0.00%
4	Attached Unit	279	\$1,400.82	390,828.50	13.97
<i>Developed Property</i>		<i>279</i>	<i>NA</i>	<i>\$390,828.50</i>	<i>13.97%</i>
<i>Undeveloped Property</i>		<i>0.000</i>	<i>\$0.00 per Acre</i>	<i>0.00</i>	<i>0.00</i>
<b><i>Zone 2 Subtotal</i></b>		<b><i>279</i></b>	<b><i>NA</i></b>	<b><i>\$390,828.50</i></b>	<b><i>13.97%</i></b>
<b>Total</b>		<b>1,288</b>	<b>NA</b>	<b>\$2,798,219.52</b>	<b>100.00%</b>

<sup>(1)</sup> Based on permits issued as of January 1, 2016.

<sup>(2)</sup> The average Annual Special Tax rate is the average of all the Special Tax rates in each Special Tax Class, therefore they may not reflect the actual Annual Assigned Special Tax rate for each parcel in a given Special Tax Class.

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

Source: Cooperative Strategies, LLC.

For the complete text of the CFD No. 10 Rate and Method, see APPENDIX C – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX.”

***Estimated Schedule of CFD Bonds Debt Service.*** Table 2 below illustrates the aggregate estimated coverage of CFD No. 10 CFD Bonds debt service in relation to estimated Net Special Tax Revenues of CFD No. 10. In the event of delinquencies in Special Tax payments received with respect to CFD No. 10, the estimated coverage ratio with respect to the CFD No. 10 CFD Bonds will not be achieved. Table 2 assumes there are no future prepayments of Special Taxes with respect to any CFD No. 10 CFD Bonds or delinquencies in the payment of Special Taxes. As set forth in Table 2, the expected debt service coverage from only currently Developed Property on the CFD No. 10 CFD Bonds will be at least 110% based on (i) debt service on the CFD No. 10 CFD Bonds and (ii) Net Special Tax Revenues expected to be available in CFD No. 10.

In the event CFD No. 10 was to levy Special Taxes on Developed Property at less than the Annual Assigned Special Tax, pursuant to Section 53321 of the Act and a resolution adopted by CFD No. 10, 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 CFD No. 10 by more than 10%.



**Table 2**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 10 (Torrey Highlands – Sub Area IV)  
Estimated Debt Service Coverage from Net Special Tax Revenues**

<b>Year Ending September 1</b>	<b>Net Special Tax Revenue <sup>(1)</sup></b>	<b>Bonds Debt Service</b>	<b>Estimated Coverage</b>
2017	\$2,764,573.00	\$2,246,194.68	123.08%
2018	2,819,864.00	2,291,432.40	123.06
2019	2,876,262.00	2,337,600.60	123.04
2020	2,933,787.00	2,384,970.60	123.01
2021	2,992,463.00	2,431,475.80	123.07
2022	3,052,311.00	2,481,094.00	123.02
2023	3,113,358.00	2,530,714.20	123.02
2024	3,175,626.00	2,581,292.00	123.02
2025	3,239,138.00	2,632,760.80	123.03
2026	3,303,920.00	2,686,054.00	123.00
2027	3,369,999.00	2,739,082.80	123.03
2028	3,437,399.00	2,794,802.80	122.99
2029	3,506,147.00	2,851,103.00	122.98
2030	3,576,269.00	2,907,916.80	122.98
2031	3,647,795.00	2,966,177.60	122.98
2032	3,720,751.00	2,200,796.60	169.06
Total	\$51,529,662.00	\$41,063,468.68	N/A

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

Source: Cooperative Strategies, LLC.

**Concentration of Ownership.** Based on information available to the Special Tax Consultant, as reported on the Fiscal Year 2015-16 closed tax roll of the County of San Diego dated July 1, 2015, it is estimated that no owner of Taxable Property in CFD No. 10 owns more than one home within CFD No. 10.

**Estimated Direct and Overlapping Indebtedness.** Within the boundaries of CFD No. 10 are numerous overlapping local agencies providing public services. The approximate amount of the direct and overlapping debt secured by a tax or assessment on the parcels within CFD No. 10 for Fiscal Year 2015-16 is shown in Table 3 below prepared by National Tax Data, Inc., as of April 21, 2016.

The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, and values may change when home re-sales occur and assessed values increase or decrease to reflect housing values. CFD No. 10 believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the County, may issue additional indebtedness at any time, without the consent or approval of the School District or CFD No. 10.

The Authority has not undertaken to commission annual appraisals of the market value of property in CFD No. 10 for purposes of its Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See APPENDIX E hereto for the form of the Continuing Disclosure Agreement.

**Table 3**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 10 (Torrey Highlands – Sub Area IV)  
Detailed Direct and Overlapping Debt  
As of April 21, 2016**

**I. Assessed Value**

**2015-2016 Secured Roll Assessed Value**

**\$1,099,703,043<sup>(1)</sup>**

**II. Secured Property Taxes**

<b>Description on Tax Bill</b>	<b>Type</b>	<b>Total Parcels</b>	<b>Total Levy</b>	<b>% Applicable</b>	<b>Parcels</b>	<b>Levy</b>
Basic 1% Levy	PROP13	967,476	\$4,245,040,978.06	0.25288%	1,322	\$10,734,846.68
Voter Approved Debt	AVALL	967,397	509,630,033.30	0.05516	1,322	281,132.34
City of San Diego Penasquitos East Maintenance District	LMD	10,223	242,085.74	0.00749	1	18.14
City of San Diego Torrey Highlands Maintenance District	LMD	1,883	475,258.16	61.25874	1,255	291,137.14
County of San Diego Vector Control, Zone A	VECTOR	535,748	1,505,352.90	0.26366	1,323	3,969.00
County of San Diego Vector Disease Control	VECTOR	953,263	4,544,409.48	0.14376	1,323	6,533.00
Metropolitan Water District of Southern California Standby	STANDBY	359,122	4,388,421.84	0.35263	1,323	15,475.10
Poway Unified School District CFD No. 10	CFD	1,405	2,740,959.92	100.00000	1,284	2,740,959.92
Poway Unified School District CFD No. 10, Impv Area A	CFD	388	964,313.24	100.00000	388	964,313.24
Poway Unified School District CFD No. 10, Impv Area B	CFD	235	591,770.30	100.00000	235	591,770.30
Poway Unified School District CFD No. 10, Impv Area C	CFD	191	308,621.70	100.00000	191	308,621.70
Poway Unified School District CFD No. 10, Impv Area D	CFD	141	425,779.40	100.00000	141	425,779.40
Poway Unified School District CFD No. 10, Impv Area E	CFD	275	501,987.48	100.00000	275	501,987.48
Poway Unified School District CFD No. 10, Impv Area F	CFD	73	140,385.78	100.00000	73	140,385.78
Poway Unified School District CFD No. 10, Impv Area F (Supplemental)	CFD	73	61,301.46	100.00000	73	61,301.46
San Diego County Water Authority Standby Charge	STANDBY	365,544	3,840,656.94	0.35266	1,324	13,544.30
WRCOG HERO Financing Program (2)	1915	3,327	12,587,785.82	0.03478	2	4,378.42

**2015-2016 TOTAL PROPERTY TAX LIABILITY**

**\$17,086,153.40**

**TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2015-2016 ASSESSED VALUATION**

**1.55%**

**III. Land Secured Bond Indebtedness**

<b>Outstanding Direct and Overlapping Bonded Debt</b>	<b>Type</b>	<b>Issued</b>	<b>Outstanding</b>	<b>% Applicable</b>	<b>Parcels</b>	<b>Amount</b>
Poway Unified School District CFD No. 10	CFD	\$38,230,000	\$36,454,000	100.00000%	1,284	\$36,454,000
Poway Unified School District CFD No. 10, Impv Area A	CFD	9,700,000	8,525,000	100.00000	388	8,525,000
Poway Unified School District CFD No. 10, Impv Area B	CFD	6,345,000	5,655,000	100.00000	235	5,655,000
Poway Unified School District CFD No. 10, Impv Area C	CFD	3,000,000	2,485,000	100.00000	191	2,485,000
Poway Unified School District CFD No. 10, Impv Area D	CFD	5,125,000	4,025,000	100.00000	141	4,025,000
Poway Unified School District CFD No. 10, Impv Area E	CFD	5,750,000	4,515,000	100.00000	275	4,515,000
Poway Unified School District CFD No. 10, Impv Area F	CFD	1,695,000	1,695,000	100.00000	73	1,695,000

**TOTAL LAND SECURED BOND INDEBTEDNESS<sup>(3)</sup>**

**\$63,354,000**

**TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS<sup>(3)</sup>**

**\$63,354,000**

**IV. General Obligation Bond Indebtedness**

<b>Outstanding Direct and Overlapping Bonded Debt</b>	<b>Type</b>	<b>Issued</b>	<b>Outstanding</b>	<b>% Applicable</b>	<b>Parcels</b>	<b>Amount</b>
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$92,865,000	0.04487%	1,322	\$41,666
Palomar Community College District GOB 2006	GOB	554,998,901	515,273,251	1.08003	1,322	5,565,095

**TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS<sup>(3)</sup>**

**\$5,606,761**

**TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS<sup>(3)</sup>**

**\$5,606,761**

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

**\$68,960,761.00**

(1) Includes affordable units, units categorized as Assigned Units and other parcels which are not subject to a Special Tax levy.

(2) Does not include PACE program liens due to the variable nature of each lien.

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

The following table summarizes the historical and current assessed values within CFD No. 10.

**Table 4**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 10 (Torrey Highlands – Sub Area IV)  
Historical and Current Assessed Values <sup>(1)</sup>**

<b>Fiscal Year Ending June 30</b>	<b>Assessed Value Land</b>	<b>Assessed Value Improvement</b>	<b>Total Assessed Value</b>
2012	\$319,103,556	\$625,979,205	\$945,082,761
2013	320,655,688	628,247,638	948,903,326
2014	337,126,997	648,380,641	985,507,638
2015 <sup>(2)</sup>	322,765,393	478,154,463	800,919,856
2016	333,176,864	493,951,493	827,128,357

<sup>(1)</sup> Source: San Diego County Assessor Closed Roll Data as of July of each fiscal year; Assessed Values as of January 1 of the prior fiscal year. Includes all taxable parcels within the Community Facilities District (Developed and Undeveloped).

<sup>(2)</sup> Commercial Property was reclassified as exempt between 2014 and 2015 which accounts for the decrease in Assessed Value.

*Source: Cooperative Strategies, LLC.*

**Value-to-Lien Ratios.** The total assessed values of all of the taxable property in CFD No. 10, as determined by the County Assessor for Fiscal Year 2015-16, is \$827,128,357. The direct and overlapping land secured special tax, assessment and bonded indebtedness, but excluding general obligation bonded indebtedness within CFD No. 10, as of April 21, 2016, plus the proposed aggregate principal amount of the CFD No. 10 CFD Bonds is approximately \$60,444,143.57. The assessed value-to-lien ratio of the property within CFD No. 10, based on the Fiscal Year 2015-16 assessed values, the aggregate principal amount of the CFD No. 10 CFD Bonds and the estimated direct and overlapping land secured special tax and assessment and general obligation bonded indebtedness within CFD No. 10 is approximately 13.69-to-1. The following table summarizes the assessed value-to-lien ratios within CFD No. 10 by value-to-lien category.

**Table 5**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 10 (Torrey Highlands – Sub Area IV)  
Estimated Assessed Value-to-Lien Ratios on Developed Property Only**

<b>Value-to-Lien Category</b>	<b>Number of Parcels <sup>(1)</sup></b>	<b>Number of Units</b>	<b>CFD No. 10 Bonds <sup>(2)</sup></b>	<b>Other Land Secured Debt</b>	<b>Total Direct and Overlapping Land Secured Debt</b>	<b>Assessed Value <sup>(3)</sup></b>	<b>Value-to-Lien Burden Ratio <sup>(4)</sup></b>	<b>Projected Fiscal Year 2016-17 Special Tax</b>	<b>Percentage Share of Special Tax</b>
30:1 and Above	19	19	\$565,180.83	\$0.00	\$565,180.83	\$17,522,731.00	31.00:1	\$46,506.50	1.66%
20:1 to 30:1	175	175	5,211,539.07	42,141.17	5,253,680.24	129,838,768.00	24.71:1	428,836.98	15.33
10:1 to 20:1	994	994	25,362,963.99	19,531,407.08	44,894,371.07	619,850,466.00	13.81:1	2,087,018.20	74.58
5:1 to 10:1	75	78	2,236,994.89	4,033,560.18	6,270,555.07	44,243,047.00	7.06:1	184,073.48	6.58
3:1 to 5:1	20	20	582,616.35	2,771,157.13	3,353,773.49	15,577,274.00	4.64:1	47,941.20	1.71
3:1 and below	2	2	46,704.88	48,878.00	95,582.88	96,071.00	1.01:1	3,843.16	0.14
<b>Total <sup>(4)</sup></b>	<b>1,285</b>	<b>1,288</b>	<b>\$34,006,000.00</b>	<b>\$26,427,143.57</b>	<b>\$60,433,143.57</b>	<b>\$827,128,357.00</b>	<b>13.69:1</b>	<b>\$2,798,219.52</b>	<b>100.00%</b>

(1) Permits issued as of May 1, 2016.

(2) Debt has been allocated based on current development.

(3) Source: San Diego Assessor's Roll, dated January 1, 2015. Apportioned based on Developed Property as of May 1, 2015.

(4) Average value-to-lien per Lot; actual value-to-lien may vary by Lot.

(5) Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.

**Sample Tax Bill.** The following table shows the projected total effective tax rate for residential parcels in CFD No. 10, based on the average square footage of the homes located on such parcels and other characteristics described in the table.

**Table 6**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 10 (Torrey Highlands – Sub Area IV)  
Estimated Fiscal Year 2015-16 Tax Rates**

**Assessed Valuations and Property Taxes**

Assessed Value <sup>(1)</sup>	\$580,935
Homeowner’s Exemption	0
<hr/>	
Net Assessed Value <sup>(2)</sup>	\$580,935

<b>Ad Valorem Property Taxes</b>	Percent of Total AV	Amount
General Purposes	1.00000%	\$5,809.34
Ad Valorem Tax Overrides		
San Diego City Zoological Exhibits-Maintenance	0.00500%	\$29.05
Palomar Community College Debt Service	0.01769	102.77
Metropolitan Water District Debt Service	0.00350	20.33
<hr/>		
Total Ad Valorem Property Taxes	1.02619%	\$5,961.49

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

Poway Unified School District CFD No. 10	\$2,459.60
Poway Unified School District CFD No. 10 Improvement Area A	1,569.04
Torrey Highlands Maintenance	154.04
MWD Water Standby Charge	11.50
County of San Diego Mosquito Surveillance	3.00
San Diego County CWA Water Availability Standby Charge	10.00
County of San Diego Vector Disease Control	5.00
<hr/>	
	\$4,212.18

Total Assessments, Special Taxes and Parcel Charges \$10,173.67

**Total Property Taxes** 1.75%

- <sup>(1)</sup> Fiscal Year 2015-16 assessed valuation for a Single Family Attached Unit containing 2,171 building square feet, selected to represent the median effective tax rate for a Single Family Attached Unit within CFD No. 10.
- <sup>(2)</sup> Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner’s exemption.
- <sup>(3)</sup> All charges and special assessments are based on a Lot size of less than one (1) acre.

Source: Cooperative Strategies, LLC.

**Delinquencies.** The following table illustrates the historical delinquencies for Special Taxes levied for CFD No. 10 from Fiscal Year 2010-11 to Fiscal Year 2015-16 as of May 5, 2016.

**Table 7**  
**Poway Unified School District Public Financing Authority**  
**Community Facilities District No. 10 (Torrey Highlands – Sub Area IV)**  
**Special Tax Delinquency History**

Fiscal Year Ending June 30	Subject Fiscal Year						June 30, 2015 <sup>(1)</sup>		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2010	\$2,254,452.16	\$2,187,660.73	1,215	43	\$66,791.43	2.96%	0	\$0.00	0.00%
2011	2,363,969.42	2,343,453.13	1,240	16	20,516.29	0.87	0	0.00	0.00
2012	2,476,147.08	2,438,192.52	1,264	21	37,954.56	1.53	0	0.00	0.00
2013	2,591,927.84	2,563,001.04	1,288	18	28,926.80	1.12	1	2,317.74	0.09
2014	2,639,139.84	2,612,409.67	1,286	20	26,730.17	1.01	4	5,450.10	0.21
2015	2,691,919.34	2,656,766.85	1,286	24	35,152.49	1.31	24	35,152.49	1.31
2016 <sup>(2)</sup>	2,743,358.34	2,711,317.16	1,285	28	32,041.18	1.17	NA	NA	NA

<sup>(1)</sup> Delinquency information for Fiscal Years ending June 30, 2010 through June 30, 2015, is provided to the School District by the County of San Diego as of June 30, 2015. Due to preparation of tax levy information for upcoming tax bills, the County system is not accessible for current status of these delinquencies.

<sup>(2)</sup> Reflects delinquencies as of May 5, 2016, for both installments.

Source: Cooperative Strategies, LLC.

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**POWAY UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 12  
(BLACK MOUNTAIN RANCH PHASE II - SOUTHERN VILLAGE AND THE CLUSTERS)**

***Location and Description.*** Poway Unified School District Community Facilities District No. 12 (“CFD No. 12”) was formed by the School District on June 24, 2002, to finance authorized school facilities. CFD No. 12 includes several non-contiguous areas of land located in a portion of the School District which is within the City. The eastern portion of CFD No. 12 consists of parcels north and south of the easterly portion of Carmel Valley Road. Additional parcels are in the northwestern portion of the School District, west of Camino del Sur and within the Del Sur community. The remaining parcels are within the Santaluz community west of Camino del Sur between Via Azul and Lanza Drive. CFD No. 12 is approximately 320.63 gross acres (approximately 280.63 taxable acres). CFD No. 12 is located approximately 2 miles west of Interstate 15. As of January 1, 2016, 394 single-family detached homes are classified as Developed Property. In addition, 42 units are designated as affordable units and are not subject to the Special Tax and Special Taxes have been prepaid with respect to three homes. Total expected build-out of CFD No. 12 is an aggregate of approximately 527 single-family detached homes.

***Annual Assigned Special Taxes – Developed Property.*** The following table shows the Assigned Special Taxes projected to be levied on parcels of property within CFD No. 12 for Fiscal Year 2016-17 and the percentages of the total Special Tax levy. The Board shall levy the Special Tax according to the Rate and Method of Apportionment of Special Tax for CFD No. 12. The final maturity of the Poway Unified School District Community Facilities District No. 12 Special Tax Refunding Bonds, Series 2016 (the “CFD No. 12 CFD Bonds”) is September 1, 2032. The Special Taxes in CFD No. 12 may be levied for a period of thirty-three (33) Fiscal Years after the last series of Bonds (as defined in the Rate and Method of Apportionment for Community Facilities District No. 12 of Poway Unified School District) has been issued, as determined by the Board, provided that Annual Special Taxes shall not be levied after Fiscal Year 2042-43.

**Table 1**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 12  
(Black Mountain Ranch Phase II - Southern Village and the Clusters)  
Annual Assigned Special Taxes**

<b>Special Tax Class</b>	<b>Building Square Feet/Land Use</b>	<b>Number of Units/Acres <sup>(1)</sup></b>	<b>Average Annual Special Tax Rate <sup>(2)</sup></b>	<b>Projected 2016-17 Special Tax Levy <sup>(3)</sup></b>	<b>Percentage Levy of Total</b>
1	> 3,750	166	\$3,223.20	\$535,050.50	50.69%
2	3,501 - 3,750	57	2,644.32	150,726.48	14.28
3	3,251 - 3,500	22	2,441.54	53,713.96	5.09
4	3,001 - 3,250	70	2,277.58	159,430.82	15.10
5	2,751 - 3,000	36	2,187.59	78,753.08	7.46
6	2,501 - 2,750	43	1,811.48	77,893.64	7.38
7	2,251 - 2,500	0	0.00	0.00	0.00
8	2,001 - 2,250	0	0.00	0.00	0.00
9	1,751 - 2,000	0	0.00	0.00	0.00
10	1,501 - 1,750	0	0.00	0.00	0.00
11	≤ 1500	0	0.00	0.00	0.00
12	NA	0	0.00	0.00	0.00
13	NA	42 <sup>(4)</sup>	0.00	0.00	0.00
14	NA	0	0.00	0.00	0.00
<i>Developed Property</i>		<i>436 <sup>(4)</sup></i>	<i>NA</i>	<i>\$1,055,568.48</i>	<i>100.00%</i>
<i>Undeveloped Property</i>		<i>44.880</i>	<i>\$0.00 per Acre</i>	<i>\$0.00</i>	<i>0.00%</i>
<b>Total</b>	<b>NA</b>	<b>436</b>	<b>NA</b>	<b>\$1,055,568.48</b>	<b>100.00%</b>

<sup>(1)</sup> Based on permits issued as of January 1, 2016.

<sup>(2)</sup> The average Annual Special Tax rate is the average of all the Special Tax rates in each Special Tax Class, therefore they may not reflect the actual Annual Assigned Special Tax rate for each parcel in a given Special Tax Class.

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

<sup>(4)</sup> There are 42 affordable units for which in accordance with the applicable Rate and Method no Special Tax is levied.

Source: Cooperative Strategies, LLC.

For the complete text of the CFD No. 12 Rate and Method, see APPENDIX C – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX.”

***Estimated Schedule of CFD Bonds Debt Service.*** Table 2 below illustrates the aggregate estimated coverage of CFD No. 12 CFD Bonds debt service in relation to estimated Net Special Tax Revenues of CFD No. 12. In the event of delinquencies in Special Tax payments received with respect to CFD No. 12, the estimated coverage ratio with respect to the CFD No. 12 CFD Bonds will not be achieved. Table 2 assumes there are no future prepayments of Special Taxes with respect to any CFD No. 12 CFD Bonds or delinquencies in the payment of Special Taxes. As set forth in Table 2, the expected debt service coverage from only currently Developed Property on the CFD No. 12 CFD Bonds will be at least 110% based on (i) debt service on the CFD No. 12 CFD Bonds and (ii) Net Special Tax Revenues expected to be available in CFD No. 12.

In the event CFD No. 12 was to levy Special Taxes on Developed Property at less than the Annual Assigned Special Tax, pursuant to Section 53321 of the Act and a resolution adopted by CFD No. 12, 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 CFD No. 12 by more than 10%.

**Table 2**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 12 (Black Mountain Ranch Phase II - Southern Village and the Clusters)  
Estimated Debt Service Coverage from Net Special Tax Revenues on Developed Property Only**

<b>Year Ending September 1</b>	<b>Net Special Tax Revenue <sup>(1)</sup></b>	<b>2013B Bonds Debt Service</b>	<b>Bonds Debt Service</b>	<b>Estimated Coverage</b>
2017	\$1,008,462.00	\$230,338.00	\$430,803.84	152.53%
2018	1,028,631.24	224,938.00	446,568.00	153.18
2019	1,049,203.86	239,600.00	447,903.00	152.61
2020	1,070,187.94	233,700.00	464,066.00	153.37
2021	1,091,591.70	237,950.00	473,734.50	153.38
2022	1,113,423.53	246,750.00	483,037.50	152.57
2023	1,135,692.01	250,550.00	492,975.00	152.74
2024	1,158,405.85	254,144.00	502,525.50	153.09
2025	1,181,573.96	257,519.00	512,689.00	153.41
2026	1,205,205.44	265,663.00	523,444.00	152.73
2027	1,229,309.55	268,388.00	533,769.00	153.25
2028	1,253,895.74	275,850.00	543,664.00	153.00
2029	1,278,973.66	282,850.00	555,129.00	152.63
2030	1,304,553.13	289,250.00	566,121.00	152.51
2031	1,330,644.19	294,250.00	577,640.00	152.62
2032	1,357,257.08	298,750.00	411,664.50	191.05
2033	1,384,402.22	302,750.00	0.00	457.28
2034	1,412,090.26	311,250.00	0.00	453.68
2035	1,440,332.07	319,000.00	0.00	451.51
2036	1,469,138.71	326,000.00	0.00	450.66
2037	1,498,521.48	332,250.00	0.00	451.02
2038	1,528,491.91	337,750.00	0.00	452.55
2039	1,559,061.75	342,500.00	0.00	455.20
2040	1,590,242.99	351,500.00	0.00	452.42
2041	1,622,047.85	1,059,500.00	0.00	153.10
2042	1,654,488.80	1,081,500.00	0.00	152.98
<b>Total</b>	<b>\$33,955,828.92</b>	<b>\$8,914,490.00</b>	<b>\$7,965,733.84</b>	<b>N/A</b>

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

Source: Cooperative Strategies, LLC.

**Concentration of Ownership.** Based on information available to the Special Tax Consultant, as reported on the Fiscal Year 2015-16 closed tax roll of the County of San Diego dated July 1, 2015, it is estimated that no owner of Taxable Property in CFD No. 12 owns more than one home within CFD No. 12.

**Estimated Direct and Overlapping Indebtedness.** Within the boundaries of CFD No. 12 are numerous overlapping local agencies providing public services. The approximate amount of the direct and overlapping debt secured by a tax or assessment on the parcels within CFD No. 12 for Fiscal Year 2015-16 is shown in Table 3 below prepared by National Tax Data, Inc., as of April 21, 2016.

The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, and values may change when home re-sales occur and assessed values increase or decrease to reflect housing values. CFD No. 12 believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the County, may issue additional indebtedness at any time, without the consent or approval of the School District or CFD No. 12.

The Authority has not undertaken to commission annual appraisals of the market value of property in CFD No. 12 for purposes of its Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See APPENDIX E hereto for the form of the Continuing Disclosure Agreement.

**Table 3**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 12 (Black Mountain Ranch Phase II - Southern Village and the Clusters)  
Detailed Direct and Overlapping Debt  
As of April 21, 2016**

2015-2016 Secured Roll Assessed Value \$345,250,586<sup>(1)</sup>

**II. Secured Property Taxes**

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	967,476	\$4,245,040,978.06	0.08087%	440	\$3,432,765.86
Voter Approved Debt	AVALL	967,397	509,630,033.30	0.01764	440	89,899.73
City of San Diego CFD No. 4	CFD	362	1,371,846.12	100.00000	362	1,371,846.12
City of San Diego Landscape Maintenance District (Black Mountain Ranch)	LMD	1,459	399,560.92	16.94065	262	67,688.22
County of San Diego Service Area No. 17 (Emergency Medical)	CSA	52,379	1,571,749.16	0.01637	9	257.22
County of San Diego Vector Control, Zone A	VECTOR	535,748	1,505,352.90	0.06198	311	933.00
County of San Diego Vector Control, Zone B	VECTOR	362,967	757,509.66	0.03883	129	294.12
County of San Diego Vector Disease Control	VECTOR	953,263	4,544,409.48	0.04022	440	1,827.62
Metropolitan Water District of Southern California Standby Charge	STANDBY	359,122	4,388,421.84	0.13001	440	5,705.52
Palomar Pomerado Health GOB 2004	GOB	190,240	16,095,163.42	0.21148	178	34,038.35
Poway Unified School District CFD No. 12	CFD	506	801,016.78	100.00000	319	801,016.78
San Diego County Water Authority Standby Charge	STANDBY	365,544	3,840,656.94	0.12917	440	4,960.80
WRCOG HERO Financing Program <sup>(2)</sup>	1915	3,327	12,587,785.82	0.09297	2	11,703.46
<b>2015-2016 TOTAL PROPERTY TAX LIABILITY</b>						<b>\$5,822,936.80</b>
<b>TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2015-2016 ASSESSED VALUATION</b>						<b>1.69%</b>

**III. Land Secured Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of San Diego CFD No. 4	CFD	\$12,365,000	\$10,660,000	100.00000%	362	\$10,660,000
Poway Unified School District CFD No. 12	CFD	15,679,087	9,542,922	100.00000	319	9,542,922
<b>TOTAL LAND SECURED BOND INDEBTEDNESS <sup>(3)</sup></b>						<b>\$20,202,922</b>
<b>TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS <sup>(3)</sup></b>						<b>\$20,202,922</b>

**IV. General Obligation Bond Indebtedness**

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$92,865,000	0.01409%	440	\$13,081
Palomar Community College District GOB 2006	GOB	554,998,901	515,273,251	0.33907	440	1,747,156
Palomar Pomerado Health GOB 2004	GOB	495,999,997	464,510,126	0.20929	178	972,184
<b>TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS <sup>(3)</sup></b>						<b>\$2,732,421</b>
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS <sup>(3)</sup></b>						<b>\$2,732,421</b>

**TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT \$22,935,343.00**

- (1) Includes affordable units, units categorized as Assigned Units and other parcels which are not subject to a Special Tax levy.
- (2) Does not include PACE program liens due to the variable nature of each lien.
- (3) Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

*National Tax Data, Inc.*

The following table summarizes the historical and current assessed values within CFD No. 12.

**Table 4**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 12  
(Black Mountain Ranch Phase II - Southern Village and the Clusters)  
Historical and Current Assessed Values <sup>(1)</sup>**

<b>Fiscal Year Ending June 30</b>	<b>Assessed Value Land</b>	<b>Assessed Value Improvement</b>	<b>Total Assessed Value</b>
2012	\$108,782,627	\$168,471,669	\$277,254,296
2013	105,235,426	169,573,723	274,809,149
2014	109,196,320	172,288,581	281,484,901
2015	119,220,152	189,321,167	308,541,319
2016	138,265,044	199,150,062	337,415,106

<sup>(1)</sup> Source: San Diego County Assessor Closed Roll Data as of July of each fiscal year; Assessed Values as of January 1 of the prior fiscal year. Includes all taxable parcels within the Community Facilities District (Developed and Undeveloped).

*Source: Cooperative Strategies, LLC.*

**Value-to-Lien Ratios.** The total assessed values of all of the taxable property in CFD No. 12, as determined by the County Assessor for Fiscal Year 2015-16, is \$337,415,106. The direct and overlapping land secured special tax, assessment and bonded indebtedness, but excluding general obligation bonded indebtedness within CFD No. 12, as of April 21, 2016, plus the proposed aggregate principal amount of the CFD No. 12 CFD Bonds is approximately \$21,611,746.20. The assessed value-to-lien ratio of the property within CFD No. 12, based on the Fiscal Year 2015-16 assessed values, the aggregate principal amount of the CFD No. 12 CFD Bonds and the estimated direct and overlapping land secured special tax and assessment and general obligation bonded indebtedness within CFD No. 12 is approximately 15.34-to-1. The following table summarizes the assessed value-to-lien ratios within CFD No. 12 by value-to-lien category.

**Table 5**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 12  
(Black Mountain Ranch Phase II - Southern Village and the Clusters)  
Estimated Assessed Value-to-Lien Ratios on Developed Property Only**

<b>Value-to-Lien Category</b>	<b>Number of Parcels <sup>(1)</sup></b>	<b>CFD No. 12 Bonds <sup>(2)</sup></b>	<b>CFD No. 12 2013B Bonds</b>	<b>Other Land Secured Debt</b>	<b>Total Direct and Overlapping Land Secured Debt</b>	<b>Assessed Value <sup>(3)</sup></b>	<b>Value-to-Lien Burden Ratio <sup>(4)</sup></b>	<b>Projected Fiscal Year 2016-17 Special Tax</b>	<b>Percentage Share of Special Tax</b>
30:1 and Above	1	\$21,150.42	\$14,073.71	\$0.00	\$35,224.13	\$1,419,289.00	40.29:1	\$3,364.84	0.32%
20:1 to 30:1	63	863,605.10	574,652.08	1,583,005.58	3,021,262.76	64,657,326.00	21.40:1	137,391.76	13.02
10:1 to 20:1	242	3,987,066.42	2,653,036.66	8,165,685.51	14,805,788.59	245,789,466.00	16.60:1	634,306.20	60.09
5:1 to 10:1	64	1,247,080.33	829,820.60	118,412.63	2,195,313.56	12,624,436.00	5.75:1	198,399.20	18.80
3:1 to 5:1	24	516,097.73	343,416.95	694,642.49	1,554,157.17	7,015,606.00	4.51:1	82,106.48	7.78
3:1 and below	0	0.00	0.00	0.00	0.00	0.00	NA	0.00	0.00
<b>Total <sup>(5)</sup></b>	<b>394</b>	<b>\$6,635,000.00</b>	<b>\$4,415,000.00</b>	<b>\$10,561,746.20</b>	<b>\$21,611,746.20</b>	<b>\$331,506,123.00</b>	<b>15.34:1</b>	<b>\$1,055,568.48</b>	<b>100.00%</b>

(1) Based on Permits issued as of January 1, 2016.

(2) Debt has been allocated based on current development.

(3) Source: San Diego Assessor's Roll, dated January 1, 2015. Apportioned based on Developed Property as of January 1, 2015.

(4) Average value-to-lien per Lot; actual value-to-lien may vary by Lot.

(5) Totals may not sum due to rounding.

Source: Cooperative Strategies, LLC.

**Sample Tax Bill.** The following table shows the projected total effective tax rate for residential parcels in CFD No. 12, based on the average square footage of the homes located on such parcels and other characteristics described in the table.

**Table 6**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 12  
(Black Mountain Ranch Phase II - Southern Village and the Clusters)  
Estimated Fiscal Year 2015-16 Tax Rates**

<b>Assessed Valuations and Property Taxes</b>		
Assessed Value <sup>(1)</sup>	\$927,167	
Homeowner's Exemption	(7,000)	
<hr/>		
Net Assessed Value <sup>(2)</sup>	\$920,167	
<b>Ad Valorem Property Taxes</b>	<b>Percent of Total AV</b>	<b>Amount</b>
General Purposes	1.00000%	\$9,201.67
Ad Valorem Tax Overrides		
San Diego City Zoological Exhibits-Maintenance	0.00500%	\$46.01
Palomar Pomerado Health Debt Service	0.02350	216.24
Palomar Community College Debt Service	0.01769	162.78
Metropolitan Water District Debt Service	0.00350	32.21
<hr/>		
Total Ad Valorem Property Taxes	1.04969%	\$9,658.90
<b>Assessments, Special Taxes and Parcel Charges <sup>(3)</sup></b>		
Poway Unified School District CFD No. 12		\$3,137.32
Black Mountain Ranch CFD No. 4		\$6,601.60
MWD Water Standby Charge		12.88
County of San Diego Mosquito Surveillance		2.28
San Diego County CWA Water Availability Standby Charge		11.20
County of San Diego Vector Disease Control		5.00
<hr/>		
		\$9,770.28
Total Assessments, Special Taxes and Parcel Charges		
<hr/>		
		\$19,429.18
<hr/>		
<b>Total Property Taxes</b>		<b>2.10%</b>

<sup>(1)</sup> Fiscal Year 2015-16 assessed valuation for a Single Family Detached Unit containing 4,368 building square feet, selected to represent the median effective tax rate for a Single Family Detached Unit within CFD No. 12.

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

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

Source: Cooperative Strategies, LLC.



**Delinquencies.** The following table illustrates the historical delinquencies for Special Taxes levied for CFD No. 12 from Fiscal Year 2010-11 to Fiscal Year 2015-16 as of May 5, 2016.

**Table 7**

**Poway Unified School District Public Financing Authority  
Community Facilities District No. 12  
(Black Mountain Ranch Phase II - Southern Village and the Clusters)  
Special Tax Delinquency History**

Fiscal Year Ending June 30	Subject Fiscal Year						June 30, 2015 <sup>(1)</sup>		
	Aggregate Special Tax	Total Special Taxes Collected	Parcels Levied	Parcels Delinquent	Fiscal Year Amount Delinquent	Fiscal Year Delinquency Rate	Remaining Parcels Delinquent	Remaining Amount Delinquent	Remaining Delinquency Rate
2010	\$617,723.72	\$604,417.47	287	9	\$13,306.25	2.15%	0	\$1,109.70	0.18%
2011	647,127.38	638,767.12	293	5	8,360.26	1.29	0	2,263.78	0.35
2012	666,101.34	664,126.46	295	1	1,974.88	0.30	0	0.00	0.00
2013	703,802.64	695,102.91	303	6	8,699.73	1.24	0	0.00	0.00
2014	730,562.94	720,909.90	307	5	9,653.04	1.32	0	0.00	0.00
2015	745,395.00	730,378.22	307	9	15,016.78	2.01	1	15,016.78	2.01
2016 <sup>(2)</sup>	801,016.78	785,116.32	319	9	15,900.46	1.99	NA	NA	NA

<sup>(1)</sup> Delinquency information for Fiscal Years ending June 30, 2010 through June 30, 2015, is provided to the School District by the County of San Diego as of June 30, 2015. Due to preparation of tax levy information for upcoming tax bills, the County system is not accessible for current status of these delinquencies.

<sup>(2)</sup> Reflects delinquencies as of May 5, 2016, for both installments.

Source: Cooperative Strategies, LLC.

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## APPENDIX B

### GENERAL INFORMATION ABOUT THE POWAY UNIFIED SCHOOL DISTRICT

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

#### Introduction

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

#### General Information

The Poway Unified School District (the "School District") is a school district organized under the laws of the State of California (the "State"). The School District was established in 1962. The School District provides 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), 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, for the 2014-15 academic year, was 34,490.30 and for the 2015-16 academic year is 34,554.59 and for the 2016-17 academic year is estimated to be 34,579.39. The estimated population within the School District's boundaries was approximately 197,571 as of January 1, 2015. The School District reported 35,498 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. The School District reports 35,771 students enrolled at the California Longitudinal Pupil Achievement Data System ("CALPADS" formerly CBEDS) during Fiscal Year 2015-16.

#### Administration and Enrollment

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

The administrative staff of the School District includes Edward Velasquez,<sup>1</sup> Interim Superintendent, Mel Robertson, Ed.D., Acting Superintendent, and Kamran Azimzadeh, Interim Associate Superintendent, Business Support Services.<sup>2</sup>

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<sup>1</sup> The Superintendent was placed on leave in April 2016, and dismissed on July 10, 2016. On June 22, 2016, the School District announced that Edward Velasquez will become Interim Superintendent effective as of August 1, 2016. Associate Superintendent of Learning Support Services, Dr. Mel Robertson, was appointed as Acting Superintendent in April 2016.

<sup>2</sup> Malliga Tholandi, the Associate Superintendent, Business Support Services, retired from the School District effective as of June 30, 2016. Kamran Azimzadeh has been appointed Interim Associate Superintendent, Business Support Services, effective as of August 1, 2016.

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

From Fiscal Year 2006-07 through Fiscal Year 2015-16 the School District’s enrollment has been stable. The demographics of the School District reflect an increasing trend in elementary school population, stable trend in middle school population and slight decrease in high school population. Experience shows that the east side of the School District is substantially built out with incidences of in-fill throughout the east side and west and north areas are experiencing developments and new families. California voters approved Proposition 13 that not only limits the tax rate on property, but gives an incentive for owners to occupy longer resulting in slower turnover of homes to new families. This impacts the east side with declining enrollment. The School District however has offsetting growth on the west side. Information concerning enrollment for these years is set forth below:

**Poway Unified School District  
Student Enrollment**

<b>Fiscal Year</b>	<b>CBEDS/CALPADS Enrollment</b>	<b>District Average Daily Attendance</b>	<b>District Base Revenue Limit</b>
2006-07	32,873	31,817	\$5,527
2007-08	33,283	32,075	5,780
2008-09	33,305	32,366	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 <sup>(2)</sup>
2014-15	35,629	34,490 <sup>(1)</sup>	N/A <sup>(2)</sup>
2015-16	35,771	34,554 <sup>(1)</sup>	N/A

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

<sup>(2)</sup> 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 January 2016, the School District employed approximately 1,951 certificated professionals and approximately 2,182 classified employees. The professionals, except management and some part-time employees, are represented by the bargaining units as noted below:

### Poway Unified School District District Employees

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

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

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

*Source: The School District.*

## Retirement Programs

The School District participates in the State of California Teachers' Retirement System ("STRS"). This plan covers certificated employees. The School District's contribution to STRS in Fiscal Year 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 was \$12,578,187. The School District's contribution to STRS for Fiscal Year 2015-16 is estimated to be \$17,087,930. 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 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 was \$7,908,524. The School District's contribution to PERS for Fiscal Year 2015-16 is estimated to be \$8,668,446. In order to receive PERS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

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

The School District offers post-retirement benefits for employees up to age 65. The School District's contribution for these benefits for the Fiscal Year ending June 30, 2013, was \$1,763,725, for the Fiscal Year ending June 30, 2014 was \$1,617,998, for the Fiscal Year ending June 30, 2015, was \$1,503,467, and for the Fiscal Year ending June 30, 2016, was \$1,416,969. The School District's contribution for these benefits is estimated to be \$1,554,846 for Fiscal Year 2016-17 (adopted budget). The program is operated on a pay-as-you go basis and budgets the current costs each year with an increase based on actual health and welfare increases.

## **Insurance**

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

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

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

**APPENDIX C**

**RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX**

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**FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR  
COMMUNITY FACILITIES DISTRICT NO. 4  
OF THE POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the First Amended Rate and Method of Apportionment for the levy and collection of Special Taxes of Poway Unified School District ("District") Community Facilities District No. 4 ("CFD No. 4"). Special Taxes as herein provided will be levied on and collected in CFD No. 4 each Fiscal Year, in an amount determined through the application of the First Amended Rate and Method of Apportionment described below. All the real property in CFD No. 4, unless exempted by law or by the provisions hereof, will be taxed for the purposes, to the extent, and in the manner herein provided.

**A. DEFINITIONS**

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

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

**"Actual EDU Deficit"** means, for each Final Map Area, the difference between (i) the Actual Final Map Area Quotient and (ii) the Average EDU times the number of Planned Units, provided such result is negative.

**"Actual EDU Surplus"** means, for each Final Map Area, the difference between (i) the Actual Final Map Area Quotient and (ii) the Average EDU times the number of Planned Units, provided such result is positive.

**"Actual Final Map Area Quotient"** means the sum of the Projected Development Block Quotients within a Final Map Area.

**"Administrative Expenses"** means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 4 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of CFD No. 4 including the Bonds, the payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 4, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 4.

**"Affordable Unit"** means any Unit subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City or County providing for affordable housing.

**"Annual Special Tax"** means the Special Tax levied in any Fiscal Year on any Assessor's Parcel pursuant to Section K below.

**"Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay: (i) the debt service on all outstanding Bonds and other periodic costs on all outstanding Bonds or other obligations of CFD No. 4, (ii) Administrative Expenses of CFD No. 4, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds or other obligations of CFD No. 4, (v) lease payments for existing or future Facilities, and (vi) the accumulation of funds reasonably required for future debt service or for the construction, expansion, or rehabilitation of existing or future Facilities, less (vi) any amounts available to pay for debt service and Administrative Expenses pursuant to any bond indenture, fiscal agent, or trust agreement.

**"Assessor's Parcel"** means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 4.

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

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

**"Assigned Annual Special Tax"** means the Special Tax of that name described in Section I below.

**"Assigned Unit"** means any of up to 119 Units assigned to this Special Tax Class in writing to the Assistant Superintendent at the Developer's election at the time the applicable Building Permit is issued, provided that each such Unit is an Affordable Unit and/or a Companion Unit. Under no circumstances may the Developer assign more than 119 Units to this Special Tax Class.

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

**"Average EDU"** means 1.057.

**"Board"** means the Governing Board of Poway Unified School District or its designee as the legislative body of CFD No. 4.

**"Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds; notes; loans from government agencies, banks, other financial institutions, private businesses, or individuals; long-term contracts; or any other obligations, including any refunding thereof, which may be incurred by CFD No. 4 or the School District and to which Special Taxes are pledged.

**"Building Permit"** means a permit for the construction of one or more Units. For purposes of this definition, "Building Permit" will not include permits for construction or installation of commercial/industrial structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation.

**"Building Square Feet"** or **"BSF"** means the square footage of assessable internal living space of a Unit, exclusive of garages or other structures not used as living space, as determined by reference to the Building Permit for such Unit.

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

**"Certificate of Improved Status"** means a written certificate provided to the Assistant Superintendent by the Developer attesting to the completion and acceptance of all necessary infrastructure with respect to an Assessor's Parcel on which a Custom Unit is expected to be constructed.

**"CFD No. 4"** means Community Facilities District No. 4 established by the School District under the Act.

**"City"** means the City of San Diego.

**"Companion Unit"** means a Unit that is not a Senior Unit and which is (i) the second Unit for which a Building Permit is issued on an Assessor's Parcel if the Building Permits for the first two (2) Units are issued sequentially, or (ii) the smaller Unit, measured in terms of Building Square Feet, if the Building Permits are issued simultaneously for the first two (2) Units on an Assessor's Parcel. Additional Units after the second Unit on an Assessor's Parcel will not be classified as a Companion Unit, nor will any Unit on an Assessor's Parcel be classified as a Companion Unit if Building Permits are initially issued for more than two (2) Units on such Assessor's Parcel. In either such case described in the immediately preceding sentence, the Units that may not be classified as Companion Units will be classified as Production Units, provided that such Units are not classifiable as Affordable Units, Custom Units, or Senior Units.

**"County"** means the County of San Diego.

**"Custom Unit"** means a Unit identified in writing by the Developer to the Assistant Superintendent at the time a Final Map is recorded as a Unit which is owned or expected to be owned by a party not in the regular course of business of constructing Units or developing property.

**"Developed Property"** means all Assessor's Parcels for which a Building Permit was issued on or before January 1 of the prior Fiscal Year.

**"Developer"** means Santaluz, LLC.

"**Developer's Account**" means the account of that name established and maintained by the Assistant Superintendent which will be credited and debited as described in Section D below.

"**Development Block**" means any geographical region within a Final Map Area identified by the Developer no later than the time of the recordation of the first Final Map within a Final Map Area as sold or intended to be sold to a single purchaser.

"**Development Block Special Tax**" means the Special Tax of that name as described and calculated in Section G.

"**Equivalent Dwelling Unit**" or "**EDU**" means that number assigned to each Special Tax Class in accordance with Table 1.

"**Excess Affordable Unit**" means any Affordable Unit which is not an Assigned Unit.

"**Excess Companion Unit**" means any Companion Unit which is not an Assigned Unit.

"**Exempt Property**" means all Assessor's Parcels designated as being exempt from Special Taxes in Section O.

"**Facilities**" means those school facilities (including land, equipment, furniture and technology) and other facilities which the School District is authorized by law to construct, own or operate.

"**Final Map**" means (i) that portion of a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates individual lots for which Building Permits could be issued or (ii) a condominium plan recorded pursuant to California Civil Code Section 1352 that creates individual lots for which Building Permits could be issued. The term "Final Map" will not include any parcel map or subdivision map or a portion thereof that does not create individual lots for which a Building Permit may be issued. The term "Final Map" will not include an interim final map or parcel map approved pursuant to provisions of law authorizing or permitting subdivision of land subject to restrictions requiring further subdivision before Building Permits may be issued.

"**Final Map Area**" means any of the geographical regions within CFD No. 4 which are shown as Final Map Areas in Exhibit A.

"**Final Map Area Special Tax**" means the Special Tax of that name as described and calculated in Section F.

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

**"Golf Course Property"** means any Assessor's Parcel utilized or expected to be utilized, as determined by the Assistant Superintendent, for golf course purposes, including fairways, greens, driving ranges, tennis facilities, club houses, locker rooms, maintenance facilities, garages, pro shops, restaurants, or banquet facilities.

**"Gross Floor Area" or "GFA"** means the covered and enclosed space determined to be within the perimeter of a commercial/industrial structure, not including any storage areas incidental to the principal use of the development, garage, parking structure, enclosed walkway, or utility or disposal area, as determined by reference to the building permit application for such Assessor's Parcel.

**"Gross Prepayment Amount"** means any of the amounts of that name shown in Table 5 below.

**"Improved Property"** means all Assessor's Parcels for which a Final Map has been recorded and on which one or more Custom Units will be built and for which the Developer has completed a Certificate of Improved Status, attesting to the completion and acceptance of all necessary infrastructure.

**"Index"** means the Marshall & Swift Western Region Class D Wood Frame Index, or if the Marshall & Swift Western Region Class D Wood Frame Index ceases to be published, a reasonably comparable index determined by the Board to estimate changes in school construction costs, or in the absence of such an index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc.

**"Inflator"** means the greater of (i) two percent (2.00%) or (ii) the percentage generated from the following equation:

$$(4.00\% \text{ H } 14.13\%) + (\Delta \text{Index} \times 85.87\%)$$

For purposes of this calculation, the change in the Index will be measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

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

**"Maximum Annual Special Tax"** means the maximum Special Tax that can be levied by CFD No. 4 in any Fiscal Year on any Assessor's Parcel as defined in Section E.

**"Minimum Gross Prepayment Amount" or "MGPA"** means \$15,100.46 per EDU in Calendar Year 2000. In each Calendar Year thereafter, the MGPA will be increased by the Inflator.

**"Net Prepayment Amount"** means any of the amounts of that name shown in Table 5 below.

**"One-Time Special Tax"** means the single payment Special Tax which will be paid with respect to an Assessor's Parcel prior to a Building Permit being issued by the City or County for such Assessor's Parcel as shown in Table 3 below.

**"Planned Unit"** means any of the Units listed on the development plan from which the Assistant Superintendent calculated the Projected Development Block Quotient for a Development Block.

**"Prepayment Amount"** means the amount required to prepay the Annual Special Tax obligation in full for an Assessor's Parcel, as described in Section L.

**"Production Unit"** means a Unit which is not an Affordable Unit, a Companion Unit, a Custom Unit, or a Senior Unit.

**"Projected Development Block Quotient"** means the sum of the EDUs of the Planned Units within a Development Block.

**"Projected EDU Deficit"** means any of those amounts of that name listed in Table 2 below.

**"Projected EDU Surplus"** means any of those amounts of that name listed in Table 2 below.

**"Projected Final Map Area Quotient"** means any of those amounts of that name listed in Table 2 below.

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

**"Running EDU Total"** means, for each Development Block, that number calculated and updated by the Assistant Superintendent pursuant to Section G.

**"Running EDU Total Account"** means the account of that name established and maintained by the Assistant Superintendent which will be credited and debited as described in Section G below.

**"Senior Unit"** means a Unit designated as senior citizen housing, residential care facilities for the elderly, or multi-level care facilities for the elderly as referred to in California Government Code Section 65995.1. For purposes hereof, it will be sufficient to designate units as Senior Citizen Housing if Senior Citizen Restrictions have been effected.

"**Senior Citizen Restriction**" means (i) a restriction limiting the use of Units to senior citizen housing under the Subarea Plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

"**Special Tax**" means any of the special taxes authorized to be levied by CFD No. 4 pursuant to the Act.

"**Special Tax Class**" means any of the special tax classes listed in Table.1 below.

"**Taxable Property**" means all Assessor's Parcels within the boundaries of CFD No. 4 which are not exempt from the Special Tax pursuant to law or Section O below.

"**Undeveloped Property**" means all Taxable Property which is not Developed Property, Improved Property, or Golf Course Property.

"**Unit**" means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

## **B. CLASSIFICATION OF PROPERTY**

### **1. Classification of Assessor's Parcels by Land Use**

Each Fiscal Year, each Assessor's Parcel will be classified as Exempt Property (as described in Section O) or Taxable Property. All Taxable Property will be further classified as Developed Property (i.e., Assessor's Parcels for which a Building Permit was issued on or before January 1 of the prior Fiscal Year); Improved Property (see definition of Improved Property in Section A); Golf Course Property (see definition of Golf Course Property in Section A; or Undeveloped Property (i.e., all other Assessor's Parcels of Taxable Property).

### **2. Classification of Units by Special Tax Class**

Each Unit will be assigned to a Special Tax Class in accordance with Table 1 below. The EDUs for each Unit is also provided in Table 1 below.

**Table 1**

**Special Tax Classes**

<b>Special Tax Class</b>	<b>Description</b>	<b>EDU</b>
1	Production Unit (< 1,500 BSF)	0.25
2	Production Unit (1,500 – 2,249 BSF)	0.50
3	Production Unit (2,250 – 2,749 BSF)	0.75
4	Production Unit (2,750 – 3,149 BSF)	0.75
5	Production Unit (3,150 – 3,749 BSF)	0.75
6	Production Unit (3,750 – 4,049 BSF)	0.75
7	Production Unit (4,050 – 4,499 BSF)	0.85
8	Production Unit (4,500 – 4,999 BSF)	1.10
9	Production Unit (5,000 – 5,499 BSF)	1.40
10	Production Unit (5,500 – 5,999 BSF)	1.50
11	Production Unit (6,000 – 6,499 BSF)	1.60
12	Production Unit (6,500 + BSF)	1.80
13	Custom Unit	2.20
14	Assigned Unit	0.00
15	Excess Companion Unit	0.25
16	Excess Affordable Unit	0.00
17	Senior Unit	0.00

**3. Classification of Assessor's Parcels by Final Map Area**

Each Assessor's Parcel will be assigned to a Final Map Area in accordance with Exhibit A.

The Projected Final Map Area Quotient for each Final Map Area, as shown in Table 2 below, reflects the sum of the EDUs projected to be constructed within such Final Map Area. The Projected EDU Surplus or Projected EDU Deficit, as applicable, for each Final Map Area, as shown in Table 2 below, reflects the extent to which such Final Map Area is expected to subsidize or be subsidized by other Final Map Areas. A Projected EDU Surplus indicates that the Final Map Area is expected to generate more Special Taxes than needed to mitigate its school facilities impact. Conversely, a Projected EDU Deficit indicates that the Final Map Area is expected to generate insufficient Special Taxes to mitigate its school facilities impact. Therefore, a Projected EDU Surplus indicates that the Final Map Area is subsidizing other Final Map Areas while a Projected EDU Deficit indicates that the Final Map Area is being subsidized by other Final Map Areas. For the entire CFD No. 4, the sum of all the Projected EDU Surpluses and Projected EDU Deficits is approximately zero (0). Therefore, as a whole, CFD No. 4 is expected to produce exactly the amount of Special Taxes needed to mitigate its school facilities impact.



**Table 2**

**Projected Final Map Area Quotients  
and Projected EDU Surpluses/(Deficits)**

<b>Final Map Area</b>	<b>Projected Final Map Area Quotient</b>	<b>Projected EDU Surplus/(Deficit)<sup>1</sup></b>
1	162.30	(56.42)
2	104.85	(16.66)
3	104.25	3.87
4	134.10	24.21
5	41.70	5.77
6	63.80	33.16
7	61.60	32.01
8	55.00	28.58
9	30.80	16.01
10	0.00	0.00
11	48.00	(19.62)
12	47.25	(19.32)
13	55.65	(19.37)
14	56.45	(12.23)

1. These amounts do not sum exactly to zero (0) because of rounding.

**4. Classification of Assessor's Parcels by Development Block**

At the recordation of the first Final Map in a Final Map Area, each Assessor's Parcel within such Final Map Area will be assigned to a Development Block (i.e., a geographical region within a Final Map Area that has been sold or is intended to be sold by the Developer to a single purchaser). In most cases, there will be several Development Blocks within a Final Map Area. In all cases, the Development Blocks within a Final Map Area, taken together, will make up the entire Final Map Area.

**C. DEVELOPMENT PLAN CALCULATIONS**

At or before the recordation of the first Final Map in a Final Map Area, the Developer must provide the Assistant Superintendent with a development plan for each Development Block within such Final Map Area. The development plan must be in a form satisfactory to the Assistant Superintendent and must identify the expected EDUs of each Planned Unit (i.e., each Unit expected to be constructed) in such Development Block. Based upon this information (or, if the Developer fails to provide the required information in a form satisfactory to the Assistant Superintendent, then at his own reasonable discretion), the Assistant Superintendent will calculate for each such Development Block (i) a Projected Development Block Quotient (i.e., the sum of the EDUs of the Planned Units within a Development Block), (ii) an Actual EDU Surplus or Actual EDU Deficit, as applicable (see definitions of Actual EDU Surplus and Actual

EDU Deficit in Section A), and (iii) an Actual Final Map Area Quotient (i.e., the sum of the Projected Development Block Quotients).

For each Development Block, the Projected Development Block Quotient will be used in calculating the Development Block Special Taxes, if any, that will be due, as described in Section G. Prior to the issuance of all Bonds, the Actual EDU Surplus or Actual EDU Deficit, as applicable, will be used in calculating the Final Map Area Special Taxes, if any, that will be due for such Final Map Area, as described in Section F. After the issuance of all Bonds, the Actual Final Map Area Quotient will be used in calculating the Final Map Area Special Taxes, if any, that will be due for such Final Map Area, as described in Section F. In addition, prior to the issuance of all Bonds, the Actual EDU Surplus or Actual EDU Deficit, as applicable, will be used in determining the amount, if any, which the Developer's Account must be credited, as described in Section D.

#### **D. DEVELOPER'S ACCOUNT**

Prior to the recordation of the first Final Map in CFD No. 4, a Developer's Account will be established, and thereafter will be maintained by the Assistant Superintendent. The Developer's Account will be credited and debited as described below.

##### **1. Credits to Developer's Account**

###### **a. Prior to Issuance of All Bonds**

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, CFD No. 4 will credit the Developer's Account at the recordation of the first Final Map within a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is greater (i.e., more positive) than a Projected EDU Surplus or Projected EDU Deficit. The amount of the credit will be equal to the dollar equivalent of such excess (i.e., unexpectedly positive) EDUs and will be calculated as described below:

Step One: Subtract the Projected EDU Surplus or Projected EDU Deficit, as applicable, from the Actual EDU Surplus or Actual EDU Deficit, as applicable.

Step Two: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the credit to the Developer's Account.

For convenience, an example of a Developer's Account credit calculation is provided below:

Actual EDU Surplus	4.0
Projected EDU Surplus	2.5
Minimum GPA	\$15,100.46

Credit	=	(4.0- 2.5) x \$15,100.46
	=	\$22,650.69

**b. After Issuance of All Bonds**

After the issuance of all Bonds, as determined by the Assistant Superintendent, the Developer's Account will not be credited.

**2. Debits to the Developer's Account**

**a. Debits for Final Map Area Special Taxes**

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is less than (i.e., more negative) than a Projected EDU Surplus or Projected EDU Deficit. Similarly, after the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual Final Map Area Quotient is less than a Projected Final Map Area Quotient. Whenever a Final Map Area Special Tax is due, the Developer may debit the Developer's Account to pay for some or all of such Final Map Area Special Tax, provided that the Developer's Account contains sufficient credits to cover such debits. If the balance of the Developer's Account is insufficient to cover such debits at such time, the unsatisfied portion of such Final Map Area Special Tax must be paid in cash.

**b. Debits After Final Map Recordations**

If credits remain in the Developer's Account after at least one Final Map has been recorded in every Final Map Area, the entire balance of the Developer's Account will be debited, the Developer's Account will be closed, and such balance will be reimbursed to the Developer in cash from the next available Bond proceeds after all other obligations have been satisfied.

**c. Debits After Issuance of All Bonds**

If credits remain in the Developer's Account after the issuance of all Bonds, as determined by the Assistant Superintendent, the entire balance of the Developer's Account will be debited, the Developer's Account will be closed, and such balance will be reimbursed to the Developer in cash from the next available Bond proceeds after all other obligations have been satisfied.

**E. MAXIMUM ANNUAL SPECIAL TAX**

**1. Developed Property**

The Maximum Annual Special Tax for each Assessor's Parcel of Developed Property in each Fiscal Year will be the sum of (i) the Assigned Annual Special Tax and (ii) the amount of any portion of any Special Tax previously levied and not collected with respect to the Assessor's Parcel.

**2. Improved Property**

The Maximum Annual Special Tax for each Assessor's Parcel of Improved Property in each Fiscal Year will be the sum of (i) the Final Map Area Special Tax, (ii) the Development Block Special Tax, (iii) the One-Time Special Tax, and (iv) the greater of (a) the Assigned Annual Special Tax or (b) the Back-Up Annual Special Tax.

**3. Golf Course Property**

The Maximum Annual Special Tax for each Assessor's Parcel of Golf Course Property in each Fiscal Year will be the One-Time Special Tax.

**4. Undeveloped Property**

The Maximum Annual Special Tax for each Assessor's Parcel of Undeveloped Property in each Fiscal Year will be the sum of (i) the Final Map Area Special Tax, (ii) the Development Block Special Tax, (iii) the One-Time Special Tax, and (iv) the Assigned Annual Special Tax.

**F. FINAL MAP AREA SPECIAL TAX**

At the recordation of the first Final Map in a Final Map Area, a Final Map Area Special Tax for the Assessor's Parcels within that Final Map Area will be calculated as described below.

**1. Prior to Issuance of All Bonds**

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is less than (i.e., more negative) than a Projected EDU Surplus or Projected EDU Deficit. The amount of the Final Map Area Special Tax will be equal to the dollar equivalent of such deficit (i.e., unexpectedly negative) EDUs and will be calculated as described below:

Step One: Subtract the Actual EDU Surplus or Actual EDU Deficit, as applicable, from the Projected EDU Surplus or Projected EDU Deficit, as applicable.

Step Two: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the Final Map Area Special Tax.

For convenience, an example of a Final Map Area Special Tax calculation prior to the issuance of all Bonds is provided below:

Projected EDU Deficit	(1.5)	
Actual EDU Deficit	(3.0)	
MGPA	\$15,100.46	
Final Map Area Special Taxes	=	$((-1.5) - (-3.0)) \times \$15,100.46$
	=	\$22,650.69

It should be noted that neither locating a Custom Unit on more than one (1) Lot nor combining Lots for the placement of a Custom Unit will necessarily trigger the levy of a Final Map Area Special Tax prior to the issuance of all Bonds. Such occurrences will trigger the levy a Final Map Area Special Tax prior to the issuance of all Bonds only to the extent that they cause the Actual EDU Surplus or Actual EDU Deficit for the applicable Final Map Area to be less than (i.e., more negative) than the Projected EDU Surplus or Projected EDU Deficit for such Final Map Area.

## 2. After Issuance of All Bonds

After the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual Final Map Area Quotient is less than a Projected Final Map Area Quotient. The amount of the Final Map Area Special Tax will be equal to the dollar equivalent of such deficit (i.e., unexpectedly negative) EDUs and will be calculated as described below:

Step One: Subtract the Actual Final Map Area Quotient from the Projected Final Map Area Quotient.

Step Two: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the Final Map Area Special Tax.

For convenience, an example of a Final Map Area Special Tax calculation after the issuance of all Bonds is provided below:

Projected Final Map Area Quotient	32.0
Actual Final Map Area Quotient	25.5
MGPA	\$15,100.46

Final Map Area Special Taxes	=	(32.0 – 25.5) x \$15,100.46
	=	\$98,152.99

It should be noted that neither locating a Custom Unit located on more than one (1) Lot nor combining Lots for the placement of a Custom Unit will necessarily trigger the levy of a Final Map Area Special Tax after the issuance of all Bonds. Such occurrences will trigger the levy a Final Map Area Special Tax after the issuance of all Bonds to the extent that it is causes the Actual Final Map Area Quotient for the applicable Final Map Area to be less than the Projected Final Map Area Quotient for such Final Map Area.

**G. DEVELOPMENT BLOCK SPECIAL TAX**

Prior to the issuance of a Building Permit for the construction of a Unit on an Assessor's Parcel, the Development Block Special Tax for such Assessor's Parcel will be calculated as described below.

**1. Assignment of Units to Planned Units**

Each time a Building Permit is issued for the construction of a Unit, the Assistant Superintendent will assign such Unit to a Planned Unit in such Development Block, provided that no more than one (1) Unit may be assigned to any Planned Unit. In addition, each time a Building Permit is issued for the construction of a Unit, the Assistant Superintendent will update the Running EDU Total for such Development Block. The Assistant Superintendent will perform such assignment and such update as described below.

**a. Assignment of Units to Planned Units**

The Assistant Superintendent will assign each Unit to a Planned Unit in the following order of priority:

- i. The Assistant Superintendent shall assign the Unit to a Planned Unit with the same number of EDUs as the Unit.
- ii. The Assistant Superintendent shall assign the Unit to a Planned Unit with a lower number of EDUs than the Unit.
- iii. The Assistant Superintendent shall assign the Unit to a Planned Unit with a greater number of EDUs than the Unit.

**b. Update of Running EDU Total**

The Assistant Superintendent will update the Running EDU Total for each Development Block as follows:

- i. If the Unit is assigned pursuant to Section G.1.a.i. above, then no adjustment shall be made to the Running EDU Total.

- ii. If the Unit is assigned pursuant to Section G.1.a.ii. above, then the Running EDU Total shall be increased by the difference between the EDUs of the Unit and the EDUs of the Planned Unit.
- iii. If the Unit is assigned pursuant to Section G.1.a.iii. above, then the Running EDU Total shall be decreased by the difference between the EDUs of the Planned Unit and the EDUs of the Unit, provided that if such decrease would otherwise reduce the Running EDU Total below zero (0), then the Running EDU Total will be reduced to zero and Development Block Special Tax will be due. In this event, the amount of the Development Block Special Tax will be calculated pursuant to Section G.2 below, and will be paid first by credits in the Running EDU Total Account (see Section G.3. below) to the extent such credits are available, and then, when such credits are not available, in cash, as described in Section G.3.b. below.

It should be noted that a Custom Lot located on more than one (1) Lot will not necessarily trigger the levy a Development Block Special Tax. Such a Custom Unit will only trigger the levy of a Development Block Special Tax to the extent that it reduces the Running EDU Total below zero (0).

**2. Calculation of Development Block Special Tax**

Subject to the foregoing, the Development Block Special Tax with respect to each Building Permit will be equal to the dollar equivalent of the EDU deficit described in Section G.1.B.iii. above and will be calculated as described below:

- Step One: Add the EDUs of the Unit and the Running EDU Total.
- Step Two: Subtract the result of Step One from the EDUs of the Planned Unit.
- Step Three: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the Development Block Special Tax.

For convenience, an example of a Development Block Special Tax calculation is provided below:

EDUs of Planned Unit:	4.0
EDUs of Unit:	2.0
Running EDU Total	1.0
MGPA	\$15,100.46

$$\begin{aligned} \text{Development Block Special Taxes} &= (4.0 - (2.0 + 1.0)) \times \$15,100.46 \\ &= \$15,100.46 \end{aligned}$$

### **3. Running EDU Total Account**

The Assistant Superintendent will establish and maintain a Running EDU Total Account as follows:

#### **a. Credits to Running EDU Total Account**

After all the Building Permits expected to be issued within a Development Block have been issued, as determined by the Assistant Superintendent, the Assistant Superintendent will credit Running EDU Total Account in an amount equal to (i) the full amount of the Running EDU Total applicable to such Development Block at such time times (ii) the Minimum Gross Prepayment Amount in effect at such time.

#### **b. Debits to Running EDU Total Account**

Whenever a Development Block Special Tax is due, the Assistant Superintendent shall debit the Running EDU Total Account to pay for such Development Block Special Tax, provided that the Running EDU Total Account contains sufficient credits to cover such debits. If the balance of the Running EDU Total Account is insufficient to cover such debits at such time, the unsatisfied portion of such Development Block Special Tax must be paid in cash.

## **H. ONE-TIME SPECIAL TAX**

Prior to the issuance of a Building Permit for any Assessor's Parcel of Undeveloped Property or Improved Property, a One-Time Special Tax will be due. The One-Time Special Tax in each Calendar Year will be calculated in accordance with Table 3 below, subject to adjustment as described below.



**Table 3**

**Calendar Year 2000 One-Time Special Tax**

<b>Special Tax Class</b>	<b>Description</b>	<b>CY 2000 One-Time Special Tax</b>
1	Production Unit (< 1,500 BSF)	\$2,000.00 per Unit
2	Production Unit (1,500 – 2,249 BSF)	\$3,444.52 per Unit
3	Production Unit (2,250 – 2,749 BSF)	\$3,927.27 per Unit
4	Production Unit (2,750 – 3,149 BSF)	\$4,768.05 per Unit
5	Production Unit (3,150 – 3,749 BSF)	\$5,445.09 per Unit
6	Production Unit (3,750 – 4,049 BSF)	\$6,242.07 per Unit
7	Production Unit (4,050 – 4,499 BSF)	\$6,857.54 per Unit
8	Production Unit (4,500 – 4,999 BSF)	\$7,674.37 per Unit
9	Production Unit (5,000 – 5,499 BSF)	\$8,320.00 per Unit
10	Production Unit (5,500 – 5,999 BSF)	\$9,198.40 per Unit
11	Production Unit (6,000 – 6,499 BSF)	\$9,998.40 per Unit
12	Production Unit (6,500 + BSF)	\$10,398.40 per Unit
13	Custom Unit	\$13,325.00 per Unit
14	Assigned Unit	\$1,000.00 per Unit
15	Excess Companion Unit	\$2,000.00 per Unit
16	Excess Affordable Unit	\$7,057.21 per Unit
17	Senior Unit	\$0.3314. per BSF
NA	NA	\$0.3314 per GFA

For each Calendar Year after Calendar Year 2000, the One-Time Special Tax will be increased by the Inflator.

**I. ASSIGNED ANNUAL SPECIAL TAX**

**1. Developed Property**

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property will be calculated in accordance with Table 4 below, subject to adjustment as described below.

**Table 4**

**Fiscal Year 2000-01 Assigned Annual Special Tax**

<b>Special Tax Class</b>	<b>Description</b>	<b>FY 2000-01 Assigned Annual Special Tax</b>
1	Production Unit (< 1,500 BSF)	\$239.75 per Unit
2	Production Unit (1,500 – 2,249 BSF)	\$479.50 per Unit
3	Production Unit (2,250 – 2,749 BSF)	\$719.25 per Unit
4	Production Unit (2,750 – 3,149 BSF)	\$719.25 per Unit
5	Production Unit (3,150 – 3,749 BSF)	\$719.25 per Unit
6	Production Unit (3,750 – 4,049 BSF)	\$719.25 per Unit
7	Production Unit (4,050 – 4,499 BSF)	\$815.15 per Unit
8	Production Unit (4,500 – 4,999 BSF)	\$1,054.90 per Unit
9	Production Unit (5,000 – 5,499 BSF)	\$1,342.60 per Unit
10	Production Unit (5,500 – 5,999 BSF)	\$1,438.50 per Unit
11	Production Unit (6,000 – 6,499 BSF)	\$1,534.40 per Unit
12	Production Unit (6,500 + BSF)	\$1,726.20 per Unit
13	Custom Unit	\$2,109.80 per Unit
14	Assigned Unit	\$0.00 per Unit
15	Excess Companion Unit	\$239.75 per Unit
16	Excess Affordable Unit	\$0.00 per Unit
17	Senior Unit	\$0.00 per BSF
NA	NA	\$0.00 per GFA

For Custom Units which are located on more than one (1) Assessor's Parcel, the Assigned Annual Special Tax shall be allocated to each Assessor's Parcel prorata based upon the Acreage of each applicable Assessor's Parcel.

For each Fiscal Year after Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property will be increased by the Inflation. For each Fiscal Year after the first Fiscal Year in which each Assessor's Parcel was classified as Developed Property, the Assigned Annual Special Tax for such Assessor's Parcel in such Fiscal Year will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

**2. Improved Property**

For Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Improved Property will be \$719.25 per Assessor's Parcel. For each Fiscal Year thereafter, the Assigned Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the

prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

### **3. Undeveloped Property**

For Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Undeveloped Property will be \$2,660.00 per acre of Acreage. For each Fiscal Year thereafter, the Assigned Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

### **J. BACK-UP ANNUAL SPECIAL TAX FOR IMPROVED PROPERTY**

Backup-Annual Special Taxes are required in order to ensure that CFD No. 4 will be able to levy a sufficient amount of Annual Special Taxes to satisfy the Annual Special Tax Requirement in the event that development plans change significantly after the issuance of Bonds. Annual Special Taxes will be levied pursuant to the third step of Section K only to the extent necessary to satisfy the Annual Special Tax Requirement.

For Fiscal Year 2000-01, the Back-Up Annual Special Tax for each Assessor's Parcel of Improved Property will be \$2,660.00 per acre of Acreage, provided that no Back-Up Annual Special Tax shall be in effect (i) prior to the issuance of Bonds or (ii) after the issuance of all Bonds. Subject to the foregoing, for each Fiscal Year after Fiscal Year 2000-01, the Back-Up Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

### **K. METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX**

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Assistant Superintendent will determine the Annual Special Tax Requirement to be collected from Taxable Property in such Fiscal Year. The Special Tax will be levied as follows until the amount of the levy equals the Annual Special Tax Requirement:

**First:** The Annual Special Tax will be levied on each Assessor's Parcel of Developed Property and Improved Property at the Assigned Annual Special Tax.

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

**Third:** If the sum of the amounts levied on Assessor's Parcels in the first and second step is less than the Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Improved Property shall be increased Proportionately up to the Back-Up Annual Special Tax to satisfy the Annual Special Tax Requirement.

## **L. PREPAYMENT OF ANNUAL SPECIAL TAX OBLIGATION**

If there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to an Assessor's Parcel, the Annual Special Tax obligation of an Assessor's Parcel for which a Building Permit has been issued may be prepaid in full in the manner described below. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 4 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Assistant Superintendent shall determine the Prepayment Amount of such Assessor's Parcel as described below and shall notify such owner of such Prepayment Amount.

### **1. Prior to Issuance of All Bonds**

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, the Prepayment Amount for an eligible Assessor's Parcel shall be the applicable Net Prepayment Amount less any Partial Prepayment Amounts actually made with respect to such Assessor's Parcel. Table 5 below shows the Net Prepayment Amounts applicable in Calendar Year 2000. For convenience, Table 5 below also shows the derivation of each Net Prepayment Amount, which was determined by subtracting the applicable One-Time Special Tax from the applicable Gross Prepayment Amount.

**TABLE 5**

**Calendar Year 2000 Net Prepayment Amounts**

<b>Special Tax Class</b>	<b>CY 2000 Gross Prepayment Amount</b>	<b>CY 2000 One-Time Special Tax</b>	<b>CY 200 Net Prepayment Amount</b>
1	\$15,955.43 per Unit	\$2,000.00 per Unit	\$13,955.43 per Unit
2	\$15,955.43 per Unit	\$3,444.52 per Unit	\$12,501.91 per Unit
3	\$15,955.43 per Unit	\$3,927.27 per Unit	\$12,028.16 per Unit
4	\$15,955.43 per Unit	\$4,768.05 per Unit	\$11,187.38 per Unit
5	\$15,955.43 per Unit	\$5,445.09 per Unit	\$10,510.34 per Unit
6	\$15,955.43 per Unit	\$6,242.07 per Unit	\$9,713.37 per Unit
7	\$15,955.43 per Unit	\$6,857.54 per Unit	\$9,097.89 per Unit
8	\$16,945.50 per Unit	\$7,674.37 per Unit	\$9,271.13 per Unit
9	\$20,119.62 per Unit	\$8,320.00 per Unit	\$11,799.62 per Unit
10	\$21,840.85 per Unit	\$9,198.40 per Unit	\$12,642.45 per Unit
11	\$23,483.68 per Unit	\$9,998.40 per Unit	\$13,485.28 per Unit
12	\$25,569.34 per Unit	\$10,398.40 per Unit	\$15,179.94 per Unit
13	\$31,867.26 per Unit	\$13,325.00 per Unit	\$18,542.26 per Unit
14	\$1,000.00 per Unit	\$1,000.00 per Unit	\$0.00 per Unit
15	\$15,955.43 per Unit	\$2,000.00 per Unit	\$13,955.43 per Unit
16	\$7,057.21 per Unit	\$7,057.21 per Unit	\$0.00 per Unit
17	\$0.3314 per BSF	\$0.3314 per BSF	\$0.00 per Unit

For each Calendar Year after Calendar Year 2000, the Net Prepayment Amounts will be increased by the Inflation.

**2. After Issuance of All Bonds**

After the issuance of all Bonds, as determined by the Assistant Superintendent, the Prepayment Amount for each eligible Assessor's Parcel shall be the amount calculated as shown below.

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
less	Reserve Fund Credit
equals	Prepayment Amount

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

1. Divide the Assigned Annual Special Tax for the Assessor's Parcel by the estimated Assigned Annual Special Taxes applicable to all Assessor's

Parcels of Developed Property at build-out, as reasonably determined by the Assistant Superintendent.

2. Multiply the result of paragraph 1 above by the principal amount of Bonds outstanding. The result is the "Bond Redemption Amount."
3. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
4. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 8) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
5. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
6. Subtract the amount computed pursuant to paragraph 5 from the amount computed pursuant to paragraph 4. This difference is the "Defeasance."
7. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
8. Determine the lesser of: (a) the expected reduction in the applicable reserve requirement, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve fund on the prepayment date. If the result is greater than zero, then the result is the "Reserve Fund Credit." If the result is less than zero, then no Reserve Fund Credit shall be given.
9. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

Notwithstanding any of the foregoing, no prepayment will be allowed unless the sum of the Assigned Annual Special Taxes applicable to Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

**M. PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX OBLIGATION**

Prior to the issuance of the first Building Permit in a Development Block, the owner of all the Assessor's Parcels in the Development Block may elect to prepay a portion of the applicable Annual Special Tax obligation for all the Assessor's Parcels in such Development Block. The owner desiring such a partial prepayment shall notify the Assistant Superintendent of (i) such owner's intent to partially prepay the Annual Special Tax obligation and (ii) the percentage by which the Annual Special Tax obligation shall be prepaid. The partial prepayment of the Annual Special Tax obligation for each such Assessor's Parcel shall be collected prior to the issuance of a Building Permit.

The Partial Prepayment Amount shall be calculated as follows:

$$PP = P_L \times F$$

These terms have the following meanings:

PP = the Partial Prepayment Amount

PL = the Prepayment Amount calculated according to Section L

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation

With respect to an Annual Special Tax obligation that is partially prepaid, the Assistant Superintendent shall indicate in the records of CFD No. 4 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Annual Special Tax obligation to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax obligation shall cease.

Notwithstanding any of the foregoing, no prepayment will be allowed unless the sum of the Assigned Annual Special Taxes applicable to Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

**N. TERMINATION OF ANNUAL SPECIAL TAX**

The Annual Special Tax will be levied no later than Fiscal Year 2045-46, provided that the Annual Special Tax will cease to be levied in an earlier Fiscal Year if the Assistant Superintendent has determined that (i) all required interest and principal payments on all issued Bonds have been paid and (ii) CFD No. 4 will issue no additional Bonds.

**O. EXEMPTIONS**

The Assistant Superintendent will classify as Exempt Property (i) properties owned by the State of California, Federal or other local governments except as otherwise provided in Sections 53317.3, 53317.5 and 53340.1 of the Government Code, (ii) properties used as places of worship and which are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) properties owned or designated for use by a homeowners' association, (iv) properties encumbered with public or utility or access easements making impractical their utilization for purposes other than those set forth in the easement, or (v) other properties not used or expected not to be used for commercial/industrial or residential use, as determined at the reasonable discretion of the Assistant Superintendent, provided that no such classification would reduce the Acreage of Taxable Property to less than 522.44 acres.

**P. APPEALS**

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

**Q. MANNER OF COLLECTION**

**1. Final Map Area Special Taxes**

The Final Map Area Special Tax applicable to a Final Map Area, if any, will be due prior to the issuance of the first Building Permit in such Final Map Area, and shall be levied *pro rata* on each Assessor's Parcel of Taxable Property within such Final Map Area based upon the Acreage of such Assessor's Parcels. Notwithstanding the foregoing, the Assistant Superintendent shall give the Developer written notice of the amount of the Final Map Area Special Tax due at least fifteen (15) days prior to enrolling such Final Map Area Special Tax with the County, provided that the first Building Permit is issued in such Final Map Area at least thirty (30) days prior to the due date for enrolling Special Taxes with the County, and if such written notice is given, then the Developer shall have ten (10) days to pay the Final Map Area Special Taxes before the Assistant Superintendent may enroll the Final Map Area Special Taxes with the County. Moreover, notwithstanding the foregoing, no Building Permits will be issued in such Final Map Area until all Final Map Area Special Taxes which are due for such Final Map Area are paid.



**2. Development Block Special Taxes**

Development Block Special Taxes due for any Assessor's Parcel in a Final Map Area will be due prior to the issuance of the first Building Permit for such Assessor's Parcel. No Building Permits will be issued for any Assessor's Parcels in such Final Map Area until such Development Block Special Taxes are paid.

**3. One-Time Special Taxes**

One-Time Special Taxes due for any Assessor's Parcel will be due prior to the issuance of the applicable Building Permit for such Assessor's Parcel.

**4. Annual Special Taxes**

The Annual Special Taxes will be collected in the same manner and at the same time as regular *ad valorem* property taxes, provided, however, that Annual Special Taxes may be collected at a different time or in a different manner if necessary to meet its financial obligations.

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**RATE AND METHOD OF APPORTIONMENT  
OF THE SPECIAL TAX  
FOR COMMUNITIES FACILITIES DISTRICT NO. 8  
OF THE POWAY UNIFIED SCHOOL DISTRICT  
(IMPROVEMENT AREA B)**

Special taxes shall be levied on and collected in Improvement Area B ("IA B") of Community Facilities District No. 8 ("CFD No. 8") of the Poway Unified School District (the "School District") in amounts to be determined through the application of this Rate and Method of Apportionment of the Special Tax ("RMA"). All of the real property in CFD No. 8, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A  
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

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

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

**"Administrative Expenses"** means any ordinary and necessary expense incurred by the School District on behalf of IA B related to the determination of the amount of the levy of special taxes, the collection of special taxes including the expenses of collecting delinquencies, the administration of Bonds, the cost of complying with disclosure requirements of applicable federal and state security laws and the Act, the costs of the appropriate allocable share of salaries and benefits of any School District employee whose duties are directly related to the administration of IA B, and costs otherwise incurred in order to carry out the authorized purposes of IA B.

**"Affordable Unit"** means a Unit that (i) is either (a) located or shall be located within a building in which each of the individual Units has or shall have at least one common wall with another Unit or (b) is a Companion Unit and (ii) is subject to affordable housing restrictions under any applicable law.

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

**"Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay: (i) the debt service on all Bonds or other indebtedness or other periodic costs on the Bonds or other indebtedness of IA B, (ii) the cost of acquisition, construction, financing or equipping of future Facilities, (iii) Administrative Expenses, (iv) the costs associated with the release of funds from an escrow account, (v) any amount required to establish or replenish any reserve funds established in association with the Bonds or other indebtedness of IA B, (vi) lease payments for existing or future Facilities, (vii) the accumulation of funds reasonably required for future debt service of Bonds and (viii) any other payments required by law.

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

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

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

**"Assigned Annual Special Tax"** means the special tax applicable to an Assessor's Parcel of Developed Property or Undeveloped Property determined pursuant to Section E below.

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

**"Attached Unit"** means a Unit that (i) is located or shall be located within a building in which each of the individual Units has or shall have at least one common wall with another Unit and (ii) is not an Affordable Unit or a Senior Citizen Unit.

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

**"Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, which obligation may be incurred by IA B.

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

**"Building Square Footage"** or **"BSF"** means, for an Assessor's Parcel of Residential Property, the square footage of internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor's Parcel.

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

**"CFD No. 8"** means Community Facilities District No. 8 established by the School District under the Act.

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

**"Companion Unit"** means a Unit of the type defined at page 5 of Exhibit "F" to the Phase I Development Agreement.

**"County"** means the County of San Diego.

**"Detached Unit"** means a Unit which is not an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

**"Developed Property"** means all Assessor's Parcels of Taxable Property for which Building Permits were issued as of January 1 of the prior Fiscal Year.

**"Escalation Termination Date"** means the date on which all of the Permanent Facilities become completely funded.

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

**"Facilities"** means those school facilities (including land) and other facilities which the School District is authorized by law to construct, own or operate and which would service the properties within CFD No. 8.

**"Final Map"** means (i) that portion of a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates individual lots for which Building

Permits could be issued or (ii) for condominiums, a Final Map and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual lots. The term "Final Map" shall not include any parcel map or subdivision map or a portion thereof that does not create individual lots for which a Building Permit may be issued. The term "Final Map" shall not include an interim final map or parcel map approved pursuant to provisions of law authorizing or permitting subdivision of land subject to restrictions requiring further subdivision before Building Permits may be issued.

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

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

**"Gross Prepayment Amount"** for any Assessor's Parcel means that gross prepayment amount determined by reference to Table 3 and adjusted as set forth in Section G.

**"Improvement Area B" or "IA B"** means the area identified as Improvement Area B on the Community Facilities District Map, attached hereto as Exhibit A.

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

**"Inflator"** means the greater of (i) 2.00% or (ii) the percentage generated from the following equation:  $4.00\% \times 17.45\% + \Delta\text{Index} \times 82.55\%$ , where  $\Delta\text{Index}$  is the change in the Index as measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

**"Maximum Special Tax"** means the maximum special tax, determined in accordance with Section C, that can be levied on any Assessor's Parcel in IA B in any Fiscal Year.

**"One-Time Special Tax"** means the single payment special tax which shall be paid to IA B for each Assessor's Parcel of Undeveloped Property, determined pursuant to Section D.

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

**"Permanent Facilities"** means all Facilities except interim relocatable classroom facilities and central administrative facilities.

**"Phase I Development Agreement"** means the "Second Amended and Restated Development Agreement between the City of San Diego and Black Mountain Ranch Limited Partnership Negotiated and Entered into Pursuant to City Council Policy 600-37 Adopted by the City Council on August 9, 1988 and as Amended on September 13, 1988," which agreement was approved by the City Council, by adoption of Ordinance No. 0-97-83, which ordinance became effective April 16, 1997, and which agreement was recorded in the official records of the County, June 30, 1997, as Document No. 1997-0307774.

**"Planning Area"** means any of the areas designated as a Planning Area on the Community Facilities District Map, attached hereto as Exhibit A.

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

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

**"Proportionately"** means that the ratio of the Annual Special Tax to the applicable special tax is the same for all applicable Assessor's Parcels.

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

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

**"Senior Citizen Restriction"** means (i) a restriction limiting the use of Units to senior citizen housing under specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

**"Taxable Property"** means all Assessor's Parcels within the boundaries of IA B which are not exempt from the special tax pursuant to law or Section J below.

**"Undeveloped Property"** means all Assessor's Parcels of Taxable Property for which no Building Permit was issued as of January 1 of the prior Fiscal Year.

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

## **SECTION B PROPERTY CLASSIFICATION**

For each Fiscal Year, beginning Fiscal Year 1998-99, each Assessor's Parcel in IA B shall be classified as an Assessor's Parcel of Taxable Property or Exempt Property. Each Assessor's Parcel of Taxable Property shall be further classified as Developed Property or Undeveloped Property. Each Assessor's Parcel of Developed Property shall be further classified as Residential Property or Commercial/Industrial Property. In addition, each Unit shall be classified as a Detached Unit, an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

## **SECTION C MAXIMUM SPECIAL TAX**

### **1. Developed Property**

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



**2. Undeveloped Property**

In any Fiscal Year the Maximum Special Tax for each Assessor's Parcel of Undeveloped Property shall be the sum of (i) the One-Time Special Tax and (ii) the Assigned Annual Special Tax.

**SECTION D  
ONE-TIME SPECIAL TAXES**

A One-Time Special Tax shall be collected for each Assessor's Parcel of Undeveloped Property prior to the time a Building Permit is issued for such Assessor's Parcel. The One-Time Special Tax shall be determined by reference to Table 1 below, subject to increase as described below.

**TABLE 1  
ONE-TIME SPECIAL TAX**

<b>Property Type</b>	<b>Unit Type</b>	<b>One-Time Special Tax Calendar Year 1998</b>
Residential	Detached	\$0.00 per Unit
Residential	Attached	\$0.00 per Unit
Residential	Affordable	\$0.00 per Unit
Residential	Senior Citizen	\$0.31 per BSF
Commercial/Industrial	NA	\$0.31 GFA

On each January 1 until the Escalation Termination Date, commencing January 1, 1999, the amount of the One-Time Special Tax shall be increased by the Inflation.

**SECTION E  
ASSIGNED ANNUAL SPECIAL TAX**

**1. Developed Property**

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

The Assigned Annual Special Tax for an Assessor's Parcel of Developed Property in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be determined by reference to Table 2 below, subject to increase as described below.

**TABLE 2  
ASSIGNED ANNUAL SPECIAL TAX**

<b>Property Type</b>	<b>Unit Type</b>	<b>Assigned Annual Special Tax Fiscal Year 1998-99</b>
Residential	Detached	\$1,989.00 per Unit
Residential	Attached	\$856.57 per Unit
Residential	Affordable	\$856.57 per Unit
Residential	Senior Citizen	\$0.00 per BSF
Commercial/Industrial	NA	\$0.00 GFA

On each July 1 until the Escalation Termination Date, commencing July 1, 1999, the amount of the Assigned Annual Special Tax shall be increased by the Inflator.

**b. Assigned Annual Special Tax for Existing Developed Property**

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

**2. Undeveloped Property**

The Assigned Annual Special Tax for Undeveloped Property shall be \$1,000 per acre of Acreage in Fiscal Year 1998-99. On each July 1, commencing July 1, 1999, the Assigned Annual Special Tax shall be increased by two percent (2.00%).

**SECTION F  
APPORTIONMENT OF ANNUAL SPECIAL TAXES**

Commencing Fiscal Year 1998-99 and for each subsequent Fiscal Year, the Assistant Superintendent shall determine the Annual Special Tax Requirement. Annual Special Taxes shall be levied as follows:

**First:** An Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement.

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

**SECTION G  
PREPAYMENT OF ANNUAL SPECIAL TAXES**

If there are no delinquent special taxes, penalties, or interest charges outstanding with respect to an Assessor's Parcel, the Annual Special Tax obligation for such Assessor's Parcel may be prepaid in full at the issuance of a Building Permit for such Assessor's Parcel. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 8 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Assistant Superintendent shall determine the Prepayment Amount of such Assessor's Parcel as described below and shall notify such owner of such Prepayment Amount.

**1. Bond Proceeds Allocation**

Prior to the calculation of any Prepayment Amount, a calculation shall be performed by the Assistant Superintendent to determine the amount of Bond proceeds that are allocable to the Assessor's Parcel for which the Annual Special Tax obligation is to be prepaid, if any. For purposes of this analysis, Bond proceeds shall equal the par amount of Bonds. For each series of Bonds, Bond proceeds of such series shall be allocated to each Assessor's Parcel in an amount equal to the Bond proceeds times the Prepayment Ratio applicable to such

Assessor's Parcel for such series of Bonds. If, after such allocations, the amount of Bond proceeds allocated to the Assessor's Parcel for which the Annual Special Tax obligation is to be prepaid is less than the sum of the Gross Prepayment Amounts applicable to such Assessor's Parcel less the sum of all Partial Prepayment Amounts actually paid with respect to such Assessor's Parcel, then the Prepayment Amount for such Assessor's Parcel shall be calculated pursuant to Section G.2. Otherwise, the Prepayment Amount shall be calculated pursuant to Section G.3.

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

The Prepayment Amount for each Assessor's Parcel for which the Prepayment Amount is to be calculated pursuant to this Section G.2. shall be the sum of the Gross Prepayment Amounts applicable to such Assessor's Parcel, determined by reference to Table 3, subject to adjustment as described below, less the sum of all Partial Prepayment Amounts actually paid with respect to such Assessor's Parcel.

**TABLE 3  
GROSS PREPAYMENT AMOUNT  
CALENDAR YEAR 1998**

<b>Property Type</b>	<b>Unit Type</b>	<b>Gross Prepayment Amount Calendar Year 1998</b>
Residential	Detached	\$16,044.33 per Unit
Residential	Attached	\$6,918.03 per Unit
Residential	Affordable	\$6,918.03 per Unit
Residential	Senior Citizen	\$0.00 per Unit
Commercial/Industrial	NA	\$0.00 per GFA

On each January 1 until the Escalation Termination Date, commencing January 1, 1999, the Gross Prepayment Amounts shall be increased by the Inflation.

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

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

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

Detailed explanations of items A through F follow:

**A. Redemption Premium**

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

**B. Defeasance**

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

**C. Prepayment Fees and Expenses**

The Prepayment Fees and Expenses are the costs of the computation of the Prepayment Amount and an allocable portion of the costs of redeeming Bonds and recording any notices to evidence the

prepayment and the redemption, as calculated reasonably by the Board.

D. Reserve Fund Credit

The Reserve Fund credit, if any, shall be calculated as the reduction in the applicable reserve fund requirements resulting from the redemption of Bonds with the Prepayment Amount.

E. Regularly Retired Principal Credit

The Regularly Retired Principal Credit is the total regularly scheduled retirement of principal that has occurred with respect to the Assessor's Parcel. For purposes of this calculation, it shall be assumed that the Annual Special Taxes actually collected from each Assessor's Parcel in any Fiscal Year are applied *prorata* to the regularly scheduled principal payment on the outstanding Bonds in the immediately following Fiscal Year based on each Assessor's Parcel's share of the total Annual Special Taxes which are actually collected from all Taxable Property in the current Fiscal Year and are applied to such regularly scheduled principal payment in the immediately following Fiscal Year. In no event shall any amount of Annual Special Taxes determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any index or other basis subsequent to the date of the applicable principal payment.

F. Partial Prepayment Credit

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

Notwithstanding any of the foregoing, no prepayment will be allowed unless the amount of Assigned Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

## SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX

At the time a Final Map is recorded for any portion of any Planning Area, the owner filing said Final Map for recordation may concurrently elect to prepay a portion of the applicable Annual Special Tax obligation for all the Assessor's Parcels in such Planning Area. The owner of any Assessor's Parcel who desires such partial prepayment shall notify the Assistant Superintendent of (i) such owner's intent to partially prepay the Annual Special Tax obligation and (ii) the percentage by which the Annual Special Tax obligation shall be prepaid. The Assistant Superintendent shall provide the owner with a statement of the amount required for the partial prepayment of the Annual Special Tax obligation for an Assessor's Parcel within thirty (30) days of the request. The partial prepayment of the Annual Special Tax obligation for each such Assessor's Parcel shall be collected prior to the issuance of a Building Permit.

The Partial Prepayment Amount shall be calculated as follows:

$$PP = P_G \times F$$

These terms have the following meanings:

PP = the Partial Prepayment Amount

$P_G$  = the Prepayment Amount calculated according to Section G

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation

With respect to an Annual Special Tax obligation that is partially prepaid, the Assistant Superintendent shall indicate in the records of CFD No. 8 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Annual Special Tax obligation to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax obligation shall cease.

Notwithstanding any of the foregoing, no prepayment will be allowed unless the amount of Assigned Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

### **SECTION I TERMINATION OF ANNUAL SPECIAL TAX**

The Annual Special Tax shall be levied for a term of twenty-five (25) Fiscal Years after the Escalation Termination Date, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2037-38.

### **SECTION J EXEMPTIONS**

The Assistant Superintendent shall not levy a special tax on Assessor's Parcels (i) owned by the State of California, Federal or other local governments except as otherwise provided in Sections 53317.3, 53317.5 and 53340.1 of the Government Code, (ii) used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) designated entirely for use by a homeowners' association, (iv) encumbered with public or utility or access easements making impractical their use for purposes other than those set forth in the easements, (v) designated entirely as open space on a Final Map, or (vi) located in a Planning Area in which no Final Map has been recorded.

### **SECTION K APPEALS**

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



**SECTION L**  
**MANNER OF COLLECTION**

One-Time Special Taxes shall be collected on or before the date a Building Permit is issued, provided that any portion of a One-Time Special Tax that is not collected at the issuance of a Building Permit may be levied on the applicable Assessor's Parcel in any following Fiscal Year. Annual Special Taxes shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided that CFD No. 8 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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**RATE AND METHOD OF APPORTIONMENT FOR  
COMMUNITY FACILITIES DISTRICT NO. 9  
OF THE POWAY UNIFIED SCHOOL DISTRICT**

An Annual Special Tax shall be levied on and collected in Community Facilities District No. 9 (the "CFD") of the Poway Unified School District (the "School District") in each Fiscal Year, in an amount determined through the application of the rate and method of apportionment described below. All of the real property in the CFD, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A  
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

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

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

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

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

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

**"Assigned Annual Special Tax"** means the Annual Special Tax on an Assessor's Parcel of Developed Property determined pursuant to Section C below.

**"Assistant Superintendent"** means the Assistant Superintendent of Business of the School District or his/her designee.

**"Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, which obligation may be incurred by the CFD or the School District.

**"CFD"** means Community Facilities District No. 9 established by the School District under the Act.

**"County"** means the County of San Diego.

**"Detached Unit"** means an Assessor's Parcel of Residential Property.

**"Developed Property"** means an Assessor's Parcel in the CFD for which a building permit for new construction of a Residential Unit was issued on or before January 1 of the prior Fiscal Year.

**"Exempt Property"** means each Assessor's Parcel that is not Developed Property and the property designated as being exempt from Special Taxes in Section H.

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

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

**"Gross Prepayment Amount"** for any Assessor's Parcel of Developed Property means that gross prepayment amount calculated as provided in Section E.1.

**"Index"** means the Marshall & Swift Construction Cost Index for Class D Construction or such other index as is used from time to time by the State Allocation Board to estimate school construction costs (collectively, the "SAB Index"), or in the absence of the SAB Index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc. ("ENR Index"), or in the absence of such ENR Index, an index which reasonably approximates increases in costs of school construction.

**"Initial Assigned Annual Special Tax"** means the Assigned Annual Special Tax for an Assessor's Parcel which has been designated as Developed Property for the first time in that Fiscal Year.

**"Maximum Special Tax"** means the maximum Special Tax, determined in accordance with Section C, that can be levied by the CFD in any Fiscal Year on an Assessor's Parcel of Developed Property.

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

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

**"Residential Unit"** means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

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

Developed Property.

**SECTION B  
ASSIGNMENT TO LAND USE CLASS**

For each Fiscal Year, beginning with Fiscal Year 1998-99, each Assessor's Parcel within the CFD shall be classified as Developed Property or as Exempt Property.

**SECTION C  
MAXIMUM SPECIAL TAX**

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

The Initial Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 1998-99 shall be \$1,753.67 per Residential Unit.

Each July 1, commencing July 1, 1999, the amount of the Initial Assigned Annual Special Tax shall be increased by the greater of the annual percentage change in the Index or two percent (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Fiscal Year.

For Fiscal Years following the Fiscal Year in which the Initial Assigned Annual Special Tax was applied, the Assigned Annual Special Tax shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

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

Commencing Fiscal Year 1998-99 and for each subsequent Fiscal Year, the Assistant Superintendent shall levy the Maximum Special Tax on each Assessor's Parcel of Developed Property.

**SECTION E  
PREPAYMENT OF ANNUAL SPECIAL TAX**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of property for which a building permit has been issued may be prepaid in full.

An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide the CFD with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

**1. Prior to Issuance of Bonds**

Prior to the issuance of any Bonds, the prepayment Amount for each Assessor's Parcel of Developed

Property shall be the amount equal to the Gross Prepayment Amount in the Fiscal Year in which prepayment is made. The Gross Prepayment Amount for the Fiscal Year 1998-99 is \$17,060.02 per Residential Unit.

On each July 1, commencing July 1, 1999, the Gross Prepayment Amount shall be increased by the greater of the annual percentage change in the Index or two (2.00%) of the amount in effect in the prior Fiscal Year. The annual percentage change in the Index shall be calculated for the twelve (12) months ending November 30 of the prior Fiscal Year.

## **2. Subsequent to Issuance of Bonds**

After the issuance of any Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property shall be the amount equal to (i) the Gross Prepayment Amount (as calculated in Section E.1) minus (ii) the amount of regularly scheduled principal of such Bonds retired in the CFD with respect to such Assessor's Parcel, which amount shall be determined by multiplying (a) the amount of regularly scheduled principal that has been retired on such Bonds, times (b) 0.0158730 (1/63).

### **SECTION F PARTIAL PREPAYMENT OF SPECIAL TAX**

At the time a residential Final Subdivision Map is recorded within CFD No. 9, the property owner filing said Final Subdivision Map for recordation concurrently may elect for all of the Assessor's Parcels created by said Final Subdivision Map to prepay a portion of the applicable future Annual Special Taxes. In order to prepay a portion of the applicable future Annual Special Taxes, the residential Final Subdivision Map must contain at least nine (9) Residential Units. The partial prepayment of the Annual Special Tax shall be collected at the time of the issuance of a building permit. The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_E \times F$$

These terms have the following meanings:

PP = the Partial Prepayment Amount

P<sub>E</sub> = the Prepayment Amount calculated according to Section E

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation.

The owner of any Assessor's Parcel who desires such partial prepayment shall notify the Assistant Superintendent of (i) such owner's intent to partially prepay the Annual Special Tax obligation and, (ii) the percentage by which the Annual Special Tax obligation shall be prepaid. The Assistant Superintendent shall provide the owner with a statement of the amount required for the partial prepayment of the Annual Special Tax obligation for an Assessor's Parcel within ten (10) working days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the Assistant Superintendent shall indicate in the records of the CFD that there has been a partial prepayment of the Annual Special Tax and shall cause a suitable notice to be recorded in compliance with the Act within 30 days of receipt of such partial prepayment of Annual Special Taxes, to indicate the partial prepayment of Annual Special Taxes and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease. The portion of the Annual Special Tax with respect to any Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Annual Special Tax, shall continue to be levied on such Assessor's Parcel.

The amount of the Partial Prepayment Amount deposited in the applicable redemption fund may be in an amount able to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the applicable redemption fund to be used with the next prepayment of Bonds.

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

## **SECTION G TERMINATION OF SPECIAL TAX**

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

## **SECTION H EXEMPTIONS**

The Assistant Superintendent shall not levy a Special Tax on (i) properties owned by the State of California, Federal or other local Government Code, (ii) properties within the boundaries of the CFD which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) properties owned by a homeowners' association (iv) properties with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, or (v) properties that are not Developed Property. Only Developed Property shall be subject to Special Tax.

## **SECTION I APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent no later than one (1) calendar year after having paid the first installment of the Special Tax, that is disputed. The Assistant

Superintendent shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Assistant Superintendents decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

**SECTION J**  
**MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that the CFD may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.



April 10, 2001

**RATE AND METHOD OF APPORTIONMENT FOR  
COMMUNITY FACILITIES DISTRICT NO. 10  
OF THE POWAY UNIFIED SCHOOL DISTRICT**

An Annual Special Tax and a One-Time Special Tax shall be levied on and collected in Community Facilities District No. 10 ("CFD No. 10") of the Poway Unified School District ("School District") in each Fiscal Year, in an amount determined through the application of the rate and method of apportionment described below. All of the real property in CFD No. 10, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A  
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

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

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

**"Administrative Expenses"** means any ordinary and necessary expenses of the School District to carry out its duties as the legislative body of CFD No. 10.

**"Annual Special Tax"** means the Special Tax levied in each Fiscal Year on an Assessor's Parcel as set forth in Section F.

**"Assessor's Parcel"** means a lot or parcel of land in CFD No. 10 which is designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

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

**"Assistant Superintendent"** means the Assistant Superintendent of Business of the School District or his/her designee.

**"Attached Unit"** means a Unit that (i) consists or shall consist of a building or buildings in which each of the individual Units has at least one common wall with another Unit and (ii) is not a Senior Citizen Unit.

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

**"Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to the repayment of which Special Taxes of CFD No. 10 are pledged.

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

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

**"City"** means the City of San Diego.

**"County"** means the County of San Diego.

**"Detached Unit"** means a Unit which is not an Attached Unit or a Senior Citizen Unit.

**"Developed Property"** means all Assessor's Parcels for which building permits were issued for the construction of Units on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels were created on or before January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot, as determined reasonably by the Assistant Superintendent.

**"Exempt Property"** means the property designated as Exempt Property in Section I.

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

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

**"Gross Floor Area" or "GFA"** means the covered and enclosed space within the perimeters of a commercial or industrial structure, not including any storage area incidental to the principal use of the development, garage, parking structure, unenclosed walkway, or utility or disposable area, as used in Section 65995 of the Government Code.

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

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

**"Inflator"** means the greater of (i) the annual percentage change in the Index, as calculated for the twelve (12) months ending December 31 of the prior Calendar Year or (ii) two percent (2.0%).

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

**"One-Time Special Tax"** means the single payment Special Tax to be levied as set forth in Section D.

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

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

**"Senior Citizen Restriction"** means (i) a restriction limiting the use of Units to senior citizen housing under a specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

**"Special Tax"** means any of the special taxes authorized to be levied by CFD No. 10 under the Act.

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

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

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

**"Zone"** means either of the areas identified as a Zone in Exhibit A to this Rate and Method of Apportionment.

**"Zone 1"** means all property located within the area identified as Zone 1 in Exhibit A to this Rate and Method of Apportionment.

**"Zone 2"** means all property located within the area identified as Zone 2 in Exhibit A to this Rate and Method of Apportionment.

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

For each Fiscal Year, beginning with Fiscal Year 2001-02, (i) each Assessor's Parcel shall be classified as Exempt Property or Taxable Property; (ii) each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property; and (iii) each Assessor's Parcel shall be assigned to a Zone in accordance with Exhibit A.

**SECTION C  
MAXIMUM SPECIAL TAX**

**1. Developed Property**

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

**2. Undeveloped Property**

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

**SECTION D  
ONE-TIME SPECIAL TAX**

The One-Time Special Tax shall be collected for each Assessor's Parcel on or before the date a building permit is issued for such Assessor's Parcel in the amounts described below.

**1. Zone 1**

From May 1, 2001 to April 30, 2002, the One-Time Special Tax amounts in Zone 1 shall be (i) \$2.14 per square foot of BSF for Detached Units, (ii) \$2.14 per square foot of BSF for Attached Units, (iii) \$0.36 per square foot of BSF for Senior Citizen Units, and (iv) \$0.36 per GFA. On each May 1, commencing May 1, 2002, the One-Time Special Tax amounts in Zone 1 shall be increased by the Inflator.

**2. Zone 2**

From May 1, 2001 to April 30, 2002, the One-Time Special Tax amounts in Zone 2 shall be (i) \$2.14 per square foot of BSF for Detached Units, (ii) \$0.00 per square foot of BSF for Attached Units, (iii) \$0.36 per square foot of BSF for Senior Citizen Units, and (iv) \$0.36 per GFA. On each May 1, commencing May 1, 2002, the One-Time Special Tax amounts in Zone 2 shall be increased by the Inflator.

**SECTION E  
ASSIGNED ANNUAL SPECIAL TAX**

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

The Assigned Annual Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be the amount

determined by reference to Table 1 below, subject to adjustment as described below, as applicable. No Assigned Annual Special Tax shall apply to Senior Citizen Units.

**TABLE 1**

<i><b>ASSIGNED ANNUAL SPECIAL TAX FOR NEW DEVELOPED PROPERTY FOR FISCAL YEAR 2001-02</b></i>		
<b>Unit Type</b>	<b>Assigned Annual Special Tax in Zone 1<sup>1</sup></b>	<b>Assigned Annual Special Tax in Zone 2<sup>1</sup></b>
Detached Unit	\$1,817.70 per Unit	\$1,817.70 per Unit
Attached Unit	\$749.15 per Unit	\$1,012.00 per Unit
1. No Assigned Annual Special Tax shall apply to Senior Citizen Units.		

Each July 1, commencing July 1, 2002, the Assigned Annual Special Tax applicable to an Assessor's Parcel in the first Fiscal Year in which such Assessor's Parcel is classified as Developed Property shall be increased by the Inflater.

**2. Assigned Annual Special Tax for Existing Developed Property**

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

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

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Assistant Superintendent shall levy the Annual Special Tax on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to such Assessor's Parcel.

**SECTION G  
PREPAYMENT OF ANNUAL SPECIAL TAX**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

**1. Prior to Issuance of Bonds**

Prior to the issuance of Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property and each Assessor's Parcel of Undeveloped Property for which a building permit has been issued shall be the amount equal to the Gross Prepayment Amount.

The Gross Prepayment Amount for the period May 1, 2001 to April 30, 2002 shall be the amount determined by reference to Table 2.

**TABLE 2**

<b><i>GROSS PREPAYMENT AMOUNT FOR MAY 1, 2001 TO APRIL 30, 2002</i></b>		
<b>Unit Type</b>	<b>Gross Prepayment Amount in Zone 1</b>	<b>Gross Prepayment Amount in Zone 2</b>
Detached Unit	\$18,870.40 per Unit	\$18,870.40 per Unit
Attached Unit	\$8,083.83 per Unit	\$10,920.16 per Unit

On each May 1, commencing May 1, 2002, the Gross Prepayment Amount for each Unit shall be increased by the Inflater, provided that the Gross Prepayment Amount applicable to a Unit shall not increase after the issuance of the building permit for such Unit.

**2. Subsequent to Issuance of Bonds**

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

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

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

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1. For each Assessor's Parcel of Developed Property, compute the Assigned Annual Special Tax. For each Assessor's Parcel of Undeveloped Property, compute the Assigned Annual Special Tax as though it was already designated as Developed Property, based upon the building permit issued for that Assessor's Parcel.
2. For each Annual Special Tax obligation to be prepaid, divide the Assigned Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Assigned Annual Special Tax applicable to all Assessor's Parcels of Developed Property at build-out, as reasonably determined by the Assistant Superintendent.
3. The amount determined pursuant to Section G.1. shall be (a) increased by the portion of the Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal of the Bonds which is allocable to the applicable Assessor's Parcel, as determined by the Assistant Superintendent. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Tax determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the applicable payment.
4. Multiply the quotient computed pursuant to paragraph 2 by the face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."

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9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Assistant Superintendent shall indicate in the records of CFD No. 10 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Tax that may be levied in CFD No. 10, net of an allocable portion of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year, as reasonably determined by the Assistant Superintendent.

## **SECTION H TERMINATION OF ANNUAL SPECIAL TAX**

The Annual Special Tax shall be levied for a term of thirty-one (31) Fiscal Years after the last series of Bonds is issued, but in no event shall the Annual Special Tax be levied later than Fiscal Year 2045-46.



## **SECTION I EXEMPTIONS**

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

## **SECTION J APPEALS**

Any property owner claiming that the amount or application of any Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent not later than twelve (12) months after having paid the Special Tax that is disputed. The Assistant Superintendent shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Assistant Superintendent's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy or in other special cases, as determined by the Assistant Superintendent), but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

## **SECTION K MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 10 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations. The One-Time Special Tax shall be collected prior to the issuance of a building permit.

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**FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR  
COMMUNITY FACILITIES DISTRICT NO. 12  
OF POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the First Amended Rate and Method of Apportionment for the levy and collection of Special Taxes of Poway Unified School District ("School District") Community Facilities District No. 12 ("CFD No. 12"). An Annual Special Tax shall be levied on and collected in CFD No. 12 each Fiscal Year, in an amount determined through the application of the First Amended Rate and Method of Apportionment described below. All of the real property in CFD No. 12, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A  
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**"Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map or as calculated from the applicable Assessor's Parcel Map by the Board.

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

**"Administrative Expenses"** means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 12 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 12, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 12.

**"Affordable Unit"** means any of up to 42 Units in CFD No. 12 designated as Affordable Units in writing to the Deputy Superintendent at the Developer's election at the time the applicable Building Permit is issued, provided that each such Unit is (i) subject to affordable housing restrictions under any applicable law and (ii) not a Senior Citizen Unit. Under no circumstances may the Developer designate more than 42 Units as Affordable Units in CFD No. 12.

**"Annual Special Tax"** means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

**"Assessor's Parcel"** means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 12.

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

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

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

**"Attached Unit"** means a Unit that (i) is located or shall be located within a building in which each of the individual Units has or shall have at least one common wall with another Unit and (ii) is not an Affordable Unit or a Senior Citizen Unit.

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

**"Board"** means the Board of Education of Poway Unified School District, or its designee, acting as the Legislative Body of CFD No. 12.

**"Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Taxes have been pledged by CFD No. 12 or the School District.

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

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

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

**"CFD No. 12"** means Community Facilities District No. 12 established by the School District under the Act.

**Commercial/Industrial Building"** means all Assessor's Parcels in CFD No. 12 for which a building permit was issued on or before January 1 of the prior Fiscal Year for the construction of a commercial/industrial structure, excluding utility improvements, retaining walls, parking structures or other such improvements not intended for commercial/industrial use.

**"County"** means the County of San Diego.

**"Deputy Superintendent"** means the Deputy Superintendent of the School District or his/her designee.

**"Detached Unit"** means a Unit that is not an Attached Unit, an Affordable Unit, or a Senior Citizen Unit.

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

**"Developer"** means Shea Homes, a California limited partnership and its successors and assigns, as applicable.

**"Exempt Property"** means all Assessor's Parcels designated as being exempt from Special Taxes in Section J.

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

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

**"Golf Course Property"** means any Assessor's Parcel utilized or expected to be utilized, as determined by the Deputy Superintendent, for golf course purposes, including fairways, greens, driving ranges, tennis facilities, club houses, locker rooms, maintenance facilities, garages, pro shops, restaurants, or banquet facilities.

**"Gross Floor Area" or "GFA"** means, for an Assessor's Parcel of Commercial/Industrial Property, the covered and enclosed space determined to be within the perimeter of a commercial or industrial structure, not including any storage areas incidental to the principal use of the development, garage, parking structure, unenclosed walkway, or utility or disposal area, as used in Section 65995 of the Government Code. The determination of Gross Floor Area shall be made by the Deputy Superintendent in accordance with the standard practice of the building department of the City.

**"Gross Prepayment Amount"** means the Prepayment Amount for an Assessor's Parcel prior to Bonds being issued by CFD No. 12, as determined in accordance with Section G.

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

**"Inflator"** means the greater of (i) 2.00% or (ii) the percentage generated from the following equation:  $4.00\% \times 17.45\% + \Delta \text{ Index} \times 82.55\%$ , where  $\Delta \text{ Index}$  is the change in the Index as measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

**"Lot"** means an individual legal lot created by a Final Map for which a Building Permit could be issued.

**"Maximum Special Tax"** means the Maximum Special Tax, determined in accordance with Section C, that can be levied by CFD No. 12 in any Fiscal Year on any Assessor's Parcel.

**"Minimum Annual Special Tax Requirement"** means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses of CFD No. 12, (iii) the costs associated with the release of funds from an escrow account, and (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, less (v) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, or trust agreement.

**"Minimum Taxable Acreage"** means, for either Zone, the applicable Acreage listed in Table 4.

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

**"Prepayment Amount"** means the amount required to prepay the Annual Special Tax obligation in full for an Assessor's Parcel, as described in Section G.

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

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

**"School District"** means Poway Unified School District.

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

**"Senior Citizen Restriction"** means (i) a restriction limiting the use of Units to senior citizen housing under specific plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

**"Special Tax"** means any of the special taxes authorized to be levied by CFD No. 12 pursuant to the Act.

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

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

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

**"Zone"** means the areas identified as a Zone in Exhibit A to this Rate and Method of Apportionment.

**"Zone 1"** means all property located within the area identified as Zone 1 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

**"Zone 2"** means all property located within the area identified as Zone 2 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

"**Zone 3**" means all property located within the area identified as Zone 3 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

"**Zone 4**" means all property located within the area identified as Zone 4 in Exhibit A to this Rate and Method of Apportionment, subject to interpretation by the Board as described in Section B.

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

Each Fiscal Year, beginning with Fiscal Year 2001-02, each Assessor's Parcel shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property or Undeveloped Property. Finally, in the event that CFD No. 12 is required to levy the Backup Annual Special Tax in a given Fiscal Year, each Assessor's Parcel of Developed Property shall be assigned to a Zone in accordance with Exhibit A at the reasonable discretion of the Board.

## **SECTION C MAXIMUM SPECIAL TAXES**

### **1. Developed Property**

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

### **2. Undeveloped Property**

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

## **SECTION D ASSIGNED ANNUAL SPECIAL TAXES**

### **1. Developed Property**

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to an Assigned Annual Special Tax. The Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property for Fiscal Year 2001-02 shall be determined pursuant to Table 1.

**TABLE 1**

**ASSIGNED ANNUAL SPECIAL TAX FOR  
DEVELOPED PROPERTY  
FISCAL YEAR 2001-02**

<b>Unit Type</b>	<b>Building Square Feet</b>	<b>Rate</b>
Detached	> 3,750 BSF	\$2,012.48 per Unit
Detached	3,501 – 3,750 BSF	\$1,876.68 per Unit
Detached	3,251 – 3,500 BSF	\$1,740.88 per Unit
Detached	3,001 – 3,250 BSF	\$1,605.09 per Unit
Detached	2,751 – 3,000 BSF	\$1,469.29 per Unit
Detached	2,501 – 2,750 BSF	\$1,333.49 per Unit
Detached	2,251 – 2,500 BSF	\$1,116.21 per Unit
Detached	2,001 – 2,250 BSF	\$989.46 per Unit
Detached	1,751 – 2,000 BSF	\$862.72 per Unit
Detached	1,501 – 1,750 BSF	\$735.97 per Unit
Detached	≤ 1,500 BSF	\$609.23 per Unit
Attached	NA	\$609.23 per Unit
Affordable	NA	\$0.00 per Unit
Senior Citizen	NA	\$0.00 per Unit

For each Fiscal Year after Fiscal Year 2001-02, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property will be increased by the Inflater. For each Fiscal Year after the first Fiscal Year in which each Assessor's Parcel was classified as Developed Property, the Assigned Annual Special Tax for such Assessor's Parcel in such Fiscal Year will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**2. Undeveloped Property**

Each Fiscal Year, each Assessor's Parcel of Undeveloped Property shall be subject to an Assigned Annual Special Tax. The Assigned Annual Special Tax rate for an Assessor's Parcel of Undeveloped Property for Fiscal Year 2001-02 shall be \$8,238.00 per acre of Acreage. For each Fiscal Year thereafter, the Special Tax rate for Undeveloped property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.



**SECTION E  
BACKUP ANNUAL SPECIAL TAXES**

The Backup Annual Special Tax for an Assessor's Parcel of Developed Property for each Zone in Fiscal Year 2001-02 shall be determined pursuant to Table 2. For each Fiscal Year after Fiscal Year 2001-02, the Backup Annual Special Tax for each Assessor's Parcel of Developed Property shall increase by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**TABLE 2**

**BACKUP ANNUAL SPECIAL TAX**

<b>Zone</b>	<b>Backup Annual Special Tax</b>
Zone 1	\$2,227.58 per acre of Acreage
Zone 2	\$5,732.71 per acre of Acreage
Zone 3	\$9,533.35 per acre of Acreage
Zone 4	\$11,705.42 per acre of Acreage

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

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes as follows:

- Step One: The Board shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.
  
- Step Two: If the sum of the amounts collected in step one is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Undeveloped Property, up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel, to satisfy the Minimum Annual Special Tax Requirement.
  
- Step Three: If the sum of the amounts collected in steps one and two is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Developed Property up to the Maximum Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.

**SECTION G  
PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

**1. Prior to Issuance of Bonds**

Prior to the issuance of Bonds, the Prepayment Amount for each Assessor's Parcel of Developed Property and each Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued shall be the applicable Gross Prepayment Amount. The Gross Prepayment Amount for Fiscal Year 2001-02 shall be determined by reference to Table 3, subject to adjustment as described below.

**TABLE 3**  
**GROSS PREPAYMENT AMOUNTS PRIOR  
TO THE ISSUANCE OF BONDS  
FISCAL YEAR 2001-02**

<b>Unit Type</b>	<b>Building Square Feet</b>	<b>Prepayment Amount</b>
Detached	> 3,750 BSF	\$25,511.78 per Unit
Detached	3,501 – 3,750 BSF	\$23,810.99 per Unit
Detached	3,251 – 3,500 BSF	\$22,110.21 per Unit
Detached	3,001 – 3,250 BSF	\$20,409.42 per Unit
Detached	2,751 – 3,000 BSF	\$18,708.64 per Unit
Detached	2,501 – 2,750 BSF	\$17,007.85 per Unit
Detached	2,251 – 2,500 BSF	\$17,007.85 per Unit
Detached	2,001 – 2,250 BSF	\$17,007.85 per Unit
Detached	1,751 – 2,000 BSF	\$17,007.85 per Unit
Detached	1,501 – 1,750 BSF	\$17,007.85 per Unit
Detached	≤ 1,500 BSF	\$17,007.85 per Unit
Attached	NA	\$7,552.70 per Unit
Affordable	NA	\$0.00 per Unit
Senior Citizen	NA	\$0.00 per Unit

Each Fiscal Year, commencing Fiscal Year 2002-03, the Gross Prepayment Amounts shall be increased by the Inflater. For each Fiscal Year after the first Fiscal Year in which each Assessor's Parcel was classified as Developed Property, the Gross Prepayment Amount for such Assessor's Parcel in such Fiscal Year will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**2. Subsequent to Issuance of Bonds**

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

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

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

1. For Assessor's Parcels of Developed Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel. For Assessor's Parcels of Undeveloped Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit issued for that Assessor's Parcel.
2. For each Assessor's Parcel of Developed Property or Undeveloped Property to be prepaid, (a) divide the sum of the Assigned Annual Special Taxes computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board, and (b) divide the sum of Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at build out, as reasonably determined by the Board.
3. The amount determined pursuant to Section G.1. shall be (a) increased by the portion of the Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal which is allocable to the applicable Assessor's Parcel, as determined by the Board. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Taxes determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the date of the applicable principal payment.
4. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the

face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."

5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."
9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if a surety bond or other instrument satisfies the reserve fund requirement at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Board shall indicate in the records of CFD No. 12 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Taxes shall cease.

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

## **SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES**

The Annual Special Tax obligation of an Assessor's Parcel, as calculated in Section H.2. below, may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

### **1. Partial Prepayment Times and Conditions**

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

### **2. Partial Prepayment Amount**

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

$$PP = P_G \times F$$

The terms above have the following meanings:

PP = the Partial Prepayment Amount

P<sub>G</sub> = the Prepayment Amount calculated according to Section G

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation.

### **3. Partial Prepayment Procedures and Limitations**

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 12 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Annual Special Tax obligation, to indicate the partial prepayment of the Annual Special Tax obligation and the partial

release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease.

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

**SECTION I  
TERMINATION OF SPECIAL TAX**

Annual Special Taxes shall be levied for a period of thirty-three (33) Fiscal Years after the last series of Bonds has been issued, as determined by the Board, provided that Annual Special Taxes shall not be levied after Fiscal Year 2042-43.

**SECTION J  
EXEMPTIONS**

The Board shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels classified as Golf Course Property or containing a Commercial/Industrial Building with no Units, and (vi) any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the sum of all Developed Property and Undeveloped Property in such Zone to less than the Minimum Taxable Acreage. Notwithstanding the above, the Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property in such Zone to less than the Minimum Taxable Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property in such Zone to less than the Minimum Taxable Acreage will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

**TABLE 4**

**MINIMUM TAXABLE ACREAGE**

<b>Zone</b>	<b>Minimum Taxable Acreage</b>
Zone 1	110.43
Zone 2	21.45
Zone 3	18.13
Zone 4	31.61

## **SECTION K APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 12 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

## **SECTION L MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 12 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

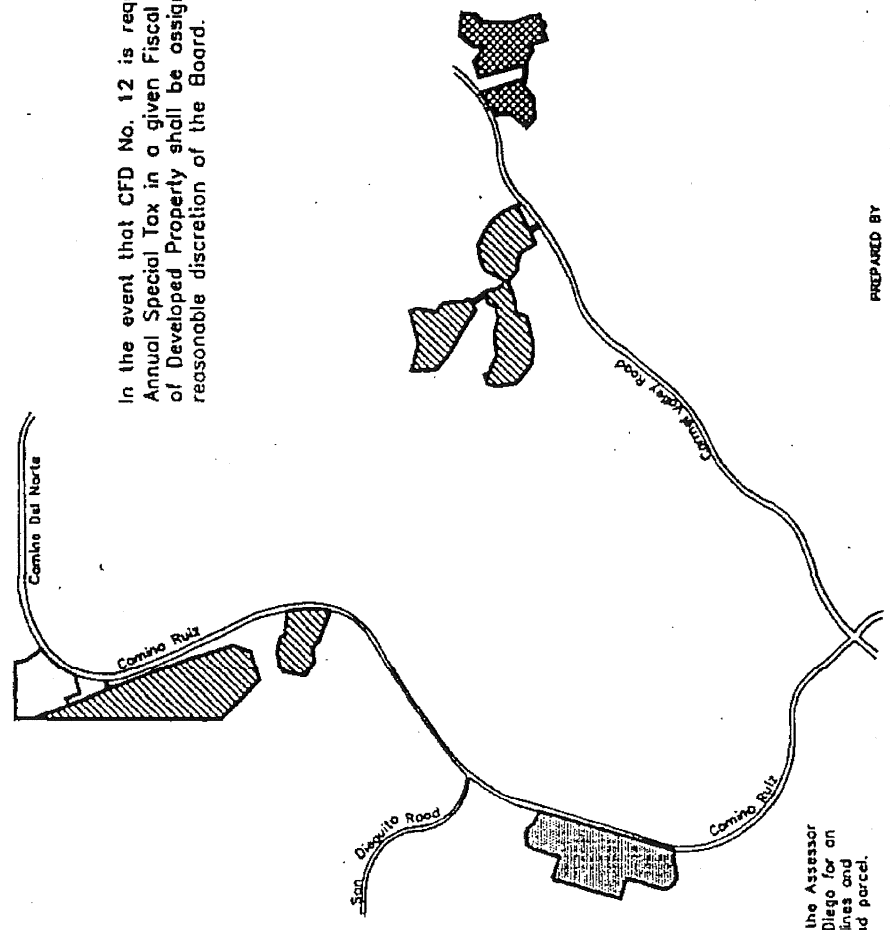
**EXHIBIT A**

**ZONE MAP OF CFD NO. 12**



EXHIBIT "A"  
OF RATE AND METHOD OF APPORTIONMENT  
ZONE MAP  
COMMUNITY FACILITIES DISTRICT NO. 12  
POWAY UNIFIED SCHOOL DISTRICT

In the event that CFD No. 12 is required to levy the Backup Annual Special Tax in a given Fiscal Year, each Assessor's Parcel of Developed Property shall be assigned to a Zone at the reasonable discretion of the Board.



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 Community Facilities District No. 12

[Symbol]	Zone 1
[Symbol]	Zone 2
[Symbol]	Zone 3
[Symbol]	Zone 4

PREPARED BY  
DAVID TAUSSIG & ASSOCIATES, INC.

EXHIBIT "A"  
ASSESSOR'S PARCELS WITHIN  
COMMUNITY FACILITIES DISTRICT NO. 12 OF  
POWAY UNIFIED SCHOOL DISTRICT

ZONE 1

267-150-08  
267-150-10  
312-142-06

ZONE 2

267-150-14

ZONE 3

312-160-05

ZONE 4

303-070-24  
303-070-27

## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following is a summary of certain provisions of the Authority Indenture of Trust, the Community Facilities District No. 4 Bond Indenture, the Community Facilities District No. 8 Bond Indenture, the Community Facilities District No. 9 Bond Indenture, the Community Facilities District No. 10 Bond Indenture and the Community Facilities District No. 12 Bond Indenture and is supplemental to the summary of other provisions of such documents described elsewhere in this Official Statement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the documents summarized. 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.

##### Definitions.

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

“2016A Bonds” means the \$46,770,000 Poway Unified School District Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2016A.

“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, Business Support Services” 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, underwriters’ 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. 4 Bond Indenture for the Community Facilities District No. 4 Bonds, the Community Facilities District No. 8 Bond Indenture for the Community Facilities District No. 8 Bonds, the Community Facilities District No. 9 Bond Indenture for the Community Facilities District No. 9 Bonds, the Community Facilities District No. 10 Bond Indenture for the

Community Facilities District No. 10 Bonds and/or in the Community Facilities District No. 12 Bond Indenture for the Community Facilities District No. 12 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. 4, 8, 9, 10 or 12 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, Business Support Services and filed with the Authority and the Trustee; (c) with respect to Community Facilities District No. 4, 8, 9, 10 or 12, 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. 4, 8, 9, 10 or 12 and designated as an Authorized Representative of Community Facilities District No. 4, 8, 9, 10 or 12 by a Written Certificate signed on behalf of Community Facilities District No. 4, 8, 9, 10 or 12 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.

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

“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. 4 Bond Indenture, the Community Facilities District No. 8 Bond Indenture, the Community Facilities District No. 9 Bond Indenture, the Community Facilities District No. 10 Bond Indenture and the Community Facilities District No. 12 Bond Indenture and any supplemental indenture thereto and “Bond Indenture” means the Community Facilities District No. 4 Bond Indenture, the Community Facilities District No. 8 Bond Indenture, the Community Facilities District No. 9 Bond Indenture, the Community Facilities District No. 10 Bond Indenture or the Community Facilities District No. 12 Bond Indenture, as applicable, and any supplemental indenture thereto.

“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 the Bonds, by and between the Authority, the School District, on behalf of the CFDs, and the Underwriter of such 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 the Community Facilities District, 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 2016A Bonds, the first such Bond Year shall begin on the Date of Delivery thereof, and end on September 1, 2016.

“Bonds” or “Authority Bonds” mean the 2016A 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 applicable Special Tax RMA, calculated pursuant to such rate and method and provided for upon the prepayment of the special tax obligation for property within such CFD.

“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 the CFDs.

“Community Facilities District No. 4” or “CFD No. 4” means Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch), a Community Facilities District formed pursuant to the Mello-Roos Act and shown on the map recorded as Document No. 97-0637863 on December 16, 1997 in Book 31 of Maps of Assessment and Community Facilities Districts at Page 45 thereof in the office of the County Recorder of the County of San Diego.

“Community Facilities District No. 4 Bonds” or “CFD No. 4 Bonds” means the Community Facilities District No. 4 Special Tax Refunding Bonds and any Community Facilities District No. 4 Parity Bonds.

“Community Facilities District No. 4 Bond Indenture” means the Bond Indenture, dated as of April 1, 2007, as supplemented and amended by the First Supplemental Indenture, dated as of May 1, 2013, as supplemented and amended by the Second Supplemental Indenture, dated as of August 1, 2016, by and between Community Facilities District No. 4 and Zions Bank, a division of ZB, National Association, as Fiscal Agent, pertaining to the Community Facilities District No. 4 Bonds.

“Community Facilities District No. 4 Parity Bonds” shall have the meaning given the term “Parity Bonds” in the Community Facilities District No. 4 Bond Indenture.

“Community Facilities District No. 4 Special Tax Refunding Bonds” means the \$8,966,000 Poway Unified School District Community Facilities District No. 4 Special Tax Refunding Bonds, Series 2016 issued pursuant to Special Tax Refunding Bonds Resolution of Issuance and the Community Facilities District No. 4 Bond Indenture.

“Community Facilities District No. 4 Special Taxes” shall have the meaning given such term in the Community Facilities District No. 4 Bond Indenture.

“Community Facilities District No. 8” or “CFD No. 8” means Improvement Area B of the Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II), a Community Facilities District formed pursuant to the Mello-Roos Act and shown on the map recorded as Document No. 1998-0839979 in Book 32 of Maps of Assessment and Community Facilities Districts at Page 75 thereof in the office of the County Recorder of the County of San Diego.

“Community Facilities District No. 8 Bonds” or “CFD No. 8 Bonds” means the Community Facilities District No. 8 Improvement Area B Special Tax Refunding Bonds and any Community Facilities District No. 8 Parity Bonds.

“Community Facilities District No. 8 Bond Indenture” means the Bond Indenture, dated as of August 1, 2016, by and between Community Facilities District No. 8 and Zions Bank, a division of ZB, National Association, as Fiscal Agent, pertaining to the Community Facilities District No. 8 Bonds.

“Community Facilities District No. 8 Parity Bonds” shall have the meaning given the term “Parity Bonds” in the Community Facilities District No. 8 Bond Indenture.

“Community Facilities District No. 8 Improvement Area B Special Tax Refunding Bonds” means the \$5,294,000 Poway Unified School District Community Facilities District No. 8 Improvement Area B Special Tax Refunding Bonds, Series 2016 issued pursuant to Special Tax Refunding Bonds Resolution of Issuance and the Community Facilities District No. 8 Bond Indenture.

“Community Facilities District No. 8 Special Taxes” shall have the meaning given such term in the Community Facilities District No. 8 Bond Indenture.

“Community Facilities District No. 9” or “CFD No. 9” means Poway Unified School District Community Facilities District No. 9 (Portswood), a Community Facilities District formed pursuant to the Mello-Roos Act and

shown on the map recorded as Document No. 1998-670974 in Book 32 of Maps of Assessment and Community Facilities Districts at Page 62 thereof in the office of the County Recorder of the County of San Diego.

“Community Facilities District No. 9 Bonds” or “CFD No. 9 Bonds” means the Community Facilities District No. 9 Special Tax Refunding Bonds and any Community Facilities District No. 9 Parity Bonds.

“Community Facilities District No. 9 Bond Indenture” means the Bond Indenture, dated as of August 1, 2016, by and between Community Facilities District No. 9 and Zions Bank, a division of ZB, National Association, as Fiscal Agent, pertaining to the Community Facilities District No. 9 Bonds.

“Community Facilities District No. 9 Parity Bonds” shall have the meaning given the term “Parity Bonds” in the Community Facilities District No. 9 Bond Indenture.

“Community Facilities District No. 9 Special Tax Refunding Bonds” means the \$1,270,000 Poway Unified School District Community Facilities District No. 9 Special Tax Refunding Bonds, Series 2016 issued pursuant to Special Tax Refunding Bonds Resolution of Issuance and the Community Facilities District No. 9 Bond Indenture.

“Community Facilities District No. 9 Special Taxes” shall have the meaning given such term in the Community Facilities District No. 9 Bond Indenture.

“Community Facilities District No. 10” or “CFD No. 10” means Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV), a Community Facilities District formed pursuant to the Mello-Roos Act and shown on the map recorded as Document No. 2001-0241418 in Book 35 of Maps of Assessment and Community Facilities Districts at Page 19 thereof in the office of the County Recorder of the County of San Diego.

“Community Facilities District No. 10 Bonds” or “CFD No. 10 Bonds” means the Community Facilities District No. 10 Special Tax Refunding Bonds and any Community Facilities District No. 10 Parity Bonds.

“Community Facilities District No. 10 Bond Indenture” means the Bond Indenture, dated as of August 1, 2016, by and between Community Facilities District No. 10 and Zions Bank, a division of ZB, National Association, as Fiscal Agent, pertaining to the Community Facilities District No. 10 Bonds.

“Community Facilities District No. 10 Parity Bonds” shall have the meaning given the term “Parity Bonds” in the Community Facilities District No. 10 Bond Indenture.

“Community Facilities District No. 10 Special Tax Refunding Bonds” means the \$34,006,000 Poway Unified School District Community Facilities District No. 10 Special Tax Refunding Bonds, Series 2016 issued pursuant to Special Tax Refunding Bonds Resolution of Issuance and the Community Facilities District No. 10 Bond Indenture.

“Community Facilities District No. 10 Special Taxes” shall have the meaning given such term in the Community Facilities District No. 10 Bond Indenture.

“Community Facilities District No. 12” or “CFD No. 12” means Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters), a Community Facilities District formed pursuant to the Mello-Roos Act and shown on the map recorded as Document No. 2002-0457-991 in Book 36 of Maps of Assessment and Community Facilities Districts at Page 23 thereof in the office of the County Recorder of the County of San Diego.

“Community Facilities District No. 12 Bonds” or “CFD No. 12 Bonds” means the Community Facilities District No. 12 Special Tax Refunding Bonds and any Community Facilities District No. 12 Parity Bonds.

“Community Facilities District No. 12 Bond Indenture” means the means the Bond Indenture, dated as of April 1, 2007, as supplemented and amended by the First Supplemental Indenture, dated as of May 1, 2013, as supplemented and amended by the Second Supplemental Indenture, dated as of August 1, 2016, by and between Community Facilities District No. 12 and Zions Bank, a division of ZB, National Association, as Fiscal Agent, pertaining to the Community Facilities District No. 12 Bonds.

“Community Facilities District No. 12 Parity Bonds” shall have the meaning given the term “Parity Bonds” in the Community Facilities District No. 12 Bond Indenture.

“Community Facilities District No. 12 Special Tax Refunding Bonds” means the \$6,635,000 Poway Unified School District Community Facilities District No. 12 Special Tax Refunding Bonds, Series 2016 issued pursuant to Special Tax Refunding Bonds Resolution of Issuance and the Community Facilities District No. 12 Bond Indenture.

“Community Facilities District No. 12 Special Taxes” shall have the meaning given such term in the Community Facilities District No. 12 Bond Indenture.

“Community Facilities Districts,” “District” or “CFDs” means, individually, any of the Community Facilities Districts, below-listed which are participating in the overall financing program by the issuance of Special Tax Refunding Bonds or Surplus Special Tax Refunding Bonds, issued pursuant to the Mello-Roos Act and the issuance of the Bonds by the Authority:

- Community Facilities District No. 4;
- Community Facilities District No. 8;
- Community Facilities District No. 9;
- Community Facilities District No. 10; and
- Community Facilities District No. 12.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement pertaining to the Bonds as executed and delivered by and among the Authority, the Trustee, and Cooperative Strategies, LLC, as dissemination agent and dated as of August 1, 2016, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Credit Facility” means any form of credit instrument, including the Reserve Policy, delivered to the Trustee to be held in the Reserve Fund in lieu of cash.

“Date of Delivery” or “Dated Date” 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 A. of the definition of Permitted Investments.

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

“Escrow Agreement” means that Escrow Deposit and Trust Agreement, dated as of August 1, 2016, by and between the Authority and the Escrow Agent related to the defeasance and refunding of the Prior Authority Bonds.

“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.

“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 the Bond Indenture over the amount which would have been earned if the yield on such investments (other than amounts attributable to an excess described in the Bond Indenture)) had been equal to the yield on such Series of the Bonds; and
- (b) any income attributable to the excess described in the Indenture.

“Fiscal Agent” means Zions Bank, a division of ZB, National Association, acting in its capacity as the fiscal agent for the CFD No. 4 Bonds, the CFD No. 8 Bonds, the CFD No. 9 Bonds, the CFD No. 10 Bonds and/or the CFD No. 12 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 August 1, 2016, among the Authority, the School District and the CFDs 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, all deposits required to be made to the Interest Account, the Principal Account and the Redemption Account for the Bond Year have been made.

“Indenture” means the Indenture of Trust, 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 CFDs;
- (b) does not have any substantial interest, direct or indirect, with the Authority, School District or CFDs; and
- (c) is not connected with the Authority, School District or CFDs as an officer or employee of the Authority, School District or CFDs, but who may be regularly retained to make reports to the Authority, School District or CFDs.

“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 CFDs; (c) does not have any substantial interest, direct or indirect, with the Authority, the School District or CFDs; and (d) is not connected with the Authority, School District or CFDs as an officer or employee of the Authority, School District or CFDs, but who may be regularly retained to make reports to the Authority, School District or CFDs.

“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.

“Insured Obligations” shall mean the Bonds maturing on September 1, 2032.

“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 March 1, 2017 as to the 2016A Bonds.

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“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 provisions of 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 which are secured by and payable from an irrevocable first lien on the Revenues which lien is on a parity with the lien securing the 2016A 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. Subject to the prior written consent of the Insurer, 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 hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
  - B. the investment agreement shall state that it is the unconditional and general obligation of, and is not 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.

"Policy" shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

"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 2875, 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 Bank, a division of ZB, National Association in Salt Lake City, Utah.

"Principal Payment Date" means September 1 of each year, commencing on September 1, 2017.

"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.

"Prior Authority Bonds" means the Poway Unified School District Public Financing Authority 2007 Revenue Bonds.

"Prior Special Tax Bonds" means, collectively, the bonds issued by the Community Facilities Districts, below-listed:

- Poway Unified School District Community Facilities District No. 2 2007 Surplus Special Tax Bonds;
- Poway Unified School District Community Facilities District No. 4 2007 Special Tax Bonds;
- Poway Unified School District Community Facilities District No. 8 2007 Improvement Area B Special Tax Bonds;
- Poway Unified School District Community Facilities District No. 9 2007 Special Tax Bonds;
- Poway Unified School District Community Facilities District No. 10 2007 Special Tax Bonds; and
- Poway Unified School District Community Facilities District No. 12 2007 Special Tax Bonds.

"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 provisions of 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 or “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 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 Insurer” means BAM, or any successor thereto.

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance policy issued by BAM deposited in the Reserve Fund securing the Bonds.

“Reserve Requirement” means an amount initially equal to \$4,771,200 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 Tax Code.

“Resolutions of Formation” means Resolution No. 43-99 of the Board of Education forming and establishing Community Facilities District No. 4; Resolution No. 43-99 of the Board of Education forming and establishing Community Facilities District No. 8, Resolution No. 21-99 of the Board of Education forming and establishing Community Facilities District No. 9, Resolution No. 08-2002 of the Board of Education forming and establishing Community Facilities District No. 10 and Resolution No. 113-2002 forming and establishing Community Facilities District No. 12.

“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 S&P Global Ratings, 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 shall mean 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.

“Security Documents” shall mean the Indenture, the Community Facilities District No. 4 Bond Indenture, the Community Facilities District No. 8 Bond Indenture, the Community Facilities District No. 9 Bond Indenture, the Community Facilities District No. 10 Bond Indenture, the Community Facilities District No. 12 Bond Indenture and/or any additional or supplemental document executed in connection with the Insured Obligations and the Special Tax Refunding Bonds.

“Series” means, as to the Bonds, any series of the Bonds issued pursuant to the provisions of the Indenture or any Supplemental Indenture or, as to the Special Tax Refunding 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. 4 Special Tax Refunding Bonds, the Community Facilities District No. 8 Improvement Area B Special Tax Refunding Bonds, the Community Facilities District No. 9 Special Tax Refunding Bonds, the Community Facilities District No. 10 Special Tax Refunding Bonds and the Community Facilities District No. 12 Special Tax Refunding Bonds.

“Special Tax Refunding Bonds Purchase Contract” means the Special Tax Refunding Bonds Purchase Contract, dated as of August 1, 2016, by and between the Authority and the CFDs setting forth the terms and conditions pursuant to which the Authority has agreed to acquire the Special Tax Refunding Bonds from the CFDs, and CFDs have agreed to sell the Special Tax Refunding Bonds to the Authority.

“Special Tax Refunding Bonds Resolution of Issuance” means Resolution No. 49-2016 of the Board of Trustees of the School District, acting in its capacity as the governing body of the CFDs, adopted on May 31, 2016, providing for the issuance of the Special Tax Refunding Bonds.

“Supplemental Indenture” means a Supplemental Indenture of Trust providing for any matter described in the Indenture 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 the CFDs, 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 the Indenture and related sections of the Tax Code.

“Trustee” means Zions Bank, a division of ZB, National Association, or its successor, as Trustee under the Indenture as provided the Indenture, or such other trustee as shall be named, provided such other trustee shall meet the requirements of described in the Indenture.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated.

“Written Certificate” and “Written Request” of the Authority, the School District or a CFD 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 such CFD 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. If and to the extent required by the Indenture, each such certificate or request shall include the statements provided for in the Indenture.

## **Revenues; Funds and Accounts.**

### **Program Fund.**

The Trustee shall maintain and hold in trust a special fund designated the “Program Fund.” The Trustee shall maintain and hold in trust such fund and account as a separate and distinct account or fund. Within the Program Fund, the Trustee shall establish special accounts referred to as the “Purchase Account” and the “Authority Costs of Issuance Account.”

### **Purchase Account.**

Subject to satisfaction of the requirements described in 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 as to the 2016A Bonds or, as to any Series of Parity Bonds, the amount set forth in the Supplemental Indenture providing for the issuance of such Parity Bonds 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 signed requisition 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; Establishment of the Revenue Fund.**

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, 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 in the Indenture) 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 under the Indenture shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act.

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 the Indenture 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 in the Indenture. 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 any CFD with respect to its Special Tax Refunding Bonds.

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 of 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 is paid first, followed by the payment of an equal percentage under the Indenture

#### **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.

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 any of the CFDs, 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 such CFD Bond Indenture, as applicable.

#### **Reserve Fund.**

On the Date of Delivery, the Authority will acquire and deposit with the Trustee, the Reserve Policy with a stated amount of \$4,771,200, which amount is equal to the Reserve Requirement as of the Date of Delivery. The provisions of set forth in the Indenture shall govern with respect to the Reserve Policy.

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 Indenture, 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, or a defeasance pursuant to 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 in accordance with the provisions of the Indenture, 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 the any Qualified Reserve Fund Credit Instrument included within the Reserve Fund.

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 Credit 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 pursuant to the Indenture 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.

The Reserve Requirement with respect to the Bonds shall be satisfied by the delivery of the Reserve Policy to the Trustee. The Trustee shall credit the Reserve Policy to the Reserve Fund. Under the terms of the Reserve Policy, the Trustee shall deliver to BAM a demand for payment under the Reserve Policy in the required form at least five (5) Business Days before the date on which funds are required to pay principal or interest due on the Bonds as set forth in the Indenture. The Trustee shall comply with all of the terms and provisions of the Reserve Policy for the purpose of assuring that funds are available thereunder when required for the purposes of the Reserve Fund, within the limits of the coverage amount provided by the Reserve Policy. All amounts drawn by the Trustee under the Reserve Policy will be deposited into the Reserve Fund and applied for the purposes thereof. The Authority shall reimburse BAM for all draws under the Reserve Policy in accordance with the terms of the debt service reserve agreement and the Indenture.

#### **Authority Administrative Expense Fund.**

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 of Exhibit D and approved by an Authorized Representative.

#### **Rebate Fund.**

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 the Indenture 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.

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.

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.

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.

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 the Indenture 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. 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 terms of 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 the Indenture, 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 the Indenture 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 the CFDs 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 the CFDs 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 the Indenture 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 under 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 the CFDs 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 as described in 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 Indenture.

#### **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 under the Indenture, 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 under the Indenture 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.

#### **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 provisions of 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.

#### **Events of Default and Remedies of Bond Owners.**

##### **Events of Default; Notice of Event of Defaults.**

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, by proceedings for sinking fund redemption 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 contained in 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 in the Indenture 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, the Bonds, the Special Tax Refunding Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the Special Tax Refunding 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 reasonable 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.

#### **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 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 under 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 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 in the Indenture, but only out of the Revenues and other assets described 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.

### **The Trustee.**

#### **Duties and Liabilities of Trustee.**

(a) The Trustee shall perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a reasonable person would exercise or use under the circumstances in the conduct of such person's own affairs. Any co-Trustee shall be bound by the same standard of care, duties and obligations as the Trustee as if such co-Trustee were the sole Trustee.

(b) The Authority may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to provisions of the Indenture (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation by first-class mail, postage prepaid, to the Authority and to the Bond Owners at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereon and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, the successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like affect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee, the Authority shall mail or cause the successor Trustee to mail, by first-class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture which then maintains a rating on the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall: (i) be a trust company or bank having the powers of a trust company; (ii) be in good standing located in or incorporated under the laws of the State of California; (iii) have (together with its corporate parent) a combined capital and surplus of at least seventy-five million dollars (\$75,000,000); and (iv) be subject to supervision or examination by a federal or State agency. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

#### **Merger or Consolidation.**

Any bank, trust company or other financial entity into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, trust company or other financial entity to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, trust company or other financial entity shall be eligible as described in the Indenture, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

#### **Liability of Trustee.**

(a) The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Authority; and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or of the Bonds or shall incur any responsibility in respect thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee makes no representations as to the validity or sufficiency of the Indenture or of any Bonds or any Special Tax Refunding Bonds Purchase Contract or in respect of the security afforded by the Indenture, and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to: (i) the issuance of the Bonds for value; (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee; or (iii) the application of any moneys paid to the Authority or others in accordance with the Indenture except as the application of any moneys paid to it in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own gross negligence or willful misconduct and the gross negligence and/or willful misconduct of its agents. The Trustee shall not be liable for any action taken or omitted by it in good

faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture or the conduct of its agents appointed with due care. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by any of its Authorized Representatives, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds, as determined pursuant to the Indenture, at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any default or Event of Default under the Indenture or under any Special Tax Refunding Bonds Purchase Contract unless and until an Authorized Representative shall have actual knowledge thereof, or shall have received written notice thereof, at its Principal Office. Except as otherwise provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements or of any of the documents executed in connection with the Bonds or as to the existence of an Event of Default under the Indenture. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(f) The Trustee shall be under no obligation to institute any suit or take any remedial action under the Indenture or to enter any appearance in or in any way defend any suit in which it may be made defendant or to take any steps in the execution of the trust created or in the exercise of any rights or powers under the Indenture at the request, order or direction of any Owners of Bonds or otherwise unless it shall be indemnified to its satisfaction against any and all reasonable costs and expenses, outlays and counsel fees and other disbursements, and against all liability not due to its gross negligence or willful misconduct; provided, however, that if the Trustee intends to rely on the provisions of the Indenture as a basis for non-action, it shall so inform the Owners of the Bonds and the Authority as soon as possible.

#### **Right to Rely on Documents.**

The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be Authority Bond Counsel or other counsel of or to the Authority, with regard to legal questions, and absent gross negligence or willful misconduct, the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered under the Indenture in good faith and in accordance therewith; provided, however, the Trustee shall in no event delay any payment with respect to the Bonds in anticipation of any such opinion.

Except as otherwise expressly provided in the Indenture, the Trustee shall not be bound to recognize any Person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof described in the Indenture specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Authority, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

#### **Preservation and Inspection of Documents.**

All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject during business hours, and upon reasonable notice, to the inspection of the Authority, the School District, the CFDs and their agents and representatives duly authorized in writing.

### **Compensation and Indemnification.**

The Authority shall cause to be paid to the Trustee from time to time all reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture. The Authority further agrees to indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Indenture, including, but not limited to, claims of the Owners arising from the Trustee's actions pursuant to the Indenture and under any Related Documents, including the enforcement of any remedies and the defense of any suit, and which are not due to its gross negligence or its willful misconduct. The duty of the Authority to indemnify the Trustee under the Indenture shall survive the resignation or removal of the Trustee or the termination and discharge of the Indenture. None of the provisions contained in the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

### **Right of Trustee to Acquire Bonds.**

The Trustee and its officers and directors may acquire and hold, or become the pledgee of, Bonds and otherwise deal with the Authority in the manner and to the same extent and with like affect as if it were not the Trustee under the Indenture.

### **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 pursuant to the Indenture, which the Authority and the Trustee may enter into (i) to conform to the official statement, dated July 28, 2016, 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, 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, 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 pursuant to the Indenture, 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 and described 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 of the Indenture 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 under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

#### **Endorsement of Bonds; Preparation of New Bonds.**

Bonds delivered after the 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 such purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture shall be prepared and executed by the Authority and authenticated by the Trustee and 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 under the Indenture, 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 under the Indenture, 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 the Indenture; (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, 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 in the Indenture provided 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.

#### **Rights of BAM.**

So long as the Policy remains in force and effect, or any amount are owed to BAM under the Policy, the provisions in the Indenture shall govern and control notwithstanding anything to the contrary contained in the Indenture.

#### **Right to Receive Notice and Other Information.**

The Authority will provide BAM with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement and (ii) to the holders of Insured Obligations or the Trustee under the Security Documents.

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

#### **Rights with Respect to Defeasance.**

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

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

(a) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of Bond Counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Obligations is excludable) from gross income of the holders of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of BAM, which consent will not be unreasonably withheld.

(b) The Authority will not exercise any prior optional redemption of Insured Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to BAM a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(c) The Authority shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

#### **Rights with Respect to the Trustee.**

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

(b) No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to BAM, shall be qualified and appointed.

#### **Rights with Respect to Amendments, Supplements and Consents.**

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

Any amendments or supplements to the Security Documents shall require the prior written consent of BAM with the exception of amendments or supplements:

i. To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

ii. To grant or confer upon the holders of the Insured Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Obligations, or

iii. To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or

iv. To add to the covenants and agreements of the Authority in the Security Documents other covenants and agreements thereafter to be observed by the Authority or to surrender any right or power therein reserved to or conferred upon the Authority.

v. To issue additional parity debt in accordance with the requirements set forth in the Security Documents.

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

#### **Rights in the Event of Insolvency of the Authority.**

Any reorganization or liquidation plan with respect to the Authority must be acceptable to BAM. The Trustee and each owner of the Insured Obligations hereby appoint BAM as their agent and attorney-in-fact with respect to the Insured Obligations and agree that BAM may at any time during the continuation of any proceeding by or against the Issuer or Obligor under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency



Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a “Claim”), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each owner of the Insured Obligations delegate and assign to BAM, to the fullest extent permitted by law, the rights of the Trustee and each owner of the Insured Obligations with respect to the Insured Obligations in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

#### **Rights Upon the Occurrence of an Event of Default.**

(a) Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an Event of Default, BAM shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations or the Trustee for the benefit of the holders of the Insured Obligations under any Security Document. No default or event of default may be waived without BAM’s written consent.

(b) Upon the occurrence and continuance of a default or an Event of Default, BAM shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(c) BAM’s prior written consent is required as a condition precedent to and in all instances of acceleration.

(d) No grace period shall be permitted for payment defaults on the Insured Obligations. No grace period for a covenant default shall exceed 30 days without the prior written consent of BAM.

#### **Special Provisions if Default by BAM.**

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

#### **BAM As Third Party Beneficiary.**

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

#### **Payment Procedure Under the Policy.**

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

In the event that on the second (2nd) business day prior to any payment date on the Insured Obligations, the Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Obligations due on such payment date, the shall immediately notify BAM or its designee on the same business day by telephone or electronic

mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify BAM or its designee.

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

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Obligations as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Obligations, the Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holders of the Insured Obligations in any legal proceeding related to the payment and assignment to BAM of the claims for interest on the Insured Obligations, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from BAM with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the "BAM Policy Payment Account") to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such respective holders; and

(b) If there is a deficiency in amounts required to pay principal of the Insured Obligations, the Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holder of the Insured Obligations in any legal proceeding related to the payment of such principal and an assignment to BAM of the Insured Obligations surrendered to BAM, (ii) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the Policy payment therefore from BAM, (iii) segregate all such payments in the BAM Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Insured Obligations paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Obligations registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to BAM, registered in the name directed by BAM, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Obligation shall have no effect on the amount of principal or interest payable by the Issuer on any Insured Obligation or the subrogation or assignment rights of BAM.

Payments with respect to claims for interest on and principal of Insured Obligations disbursed by the Paying Agent or Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Insured Obligations, and BAM shall become the owner of such unpaid Insured Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Security Documents shall not be discharged or terminated unless all amounts due or to become due to BAM have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee agree for the benefit of BAM that:

(a) They recognize that to the extent BAM makes payments directly or indirectly (e.g., by paying through the Paying Agent or Trustee), on account of principal of or interest on the Insured Obligations, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Authority, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Insured Obligations; and

(b) They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Insured Obligations, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Obligations to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

### **Additional Payments.**

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

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

### **Reserve Fund.**

The prior written consent of BAM shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Fund, if any. Amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on the Insured Obligations.

### **Exercise of Rights by BAM.**

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

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

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

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

### **Provisions Relating to the Bond Indentures.**

The security for the Insured Obligations shall include a pledge and assignment of any agreement with any underlying obligor that is a source of payment for the Insured Obligations (a "Financing Agreement") and a default under any Financing Agreement shall constitute an Event of Default under the Security Documents. In accordance with the foregoing, any such Financing Agreement is hereby pledged and assigned to the Trustee for the benefit of the holders of the Insured Obligations.

### **Provisions Relating to the Reserve Policy.**

So long as the Reserve Policy remains in force and effect or any amounts are owed in connection therewith, the following provisions of this the Indenture shall govern, notwithstanding anything to the contrary contained in the Indenture:

(a) The Authority shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred the Reserve Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the BAM at the Late Payment Rate. For purposes of the Indenture, "Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (the "Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Reserve Insurer in its sole and absolute discretion shall specify.

Repayment of draws and payment of Administrative Expenses (as defined below) and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Reserve Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Reserve Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Reserve Fund established for the Bonds and all other available amounts in any funds available to pay debt service on the Bonds shall be transferred to the Revenue Fund for payment of the debt service on the Bonds before any drawing may be made on the Reserve Policy or any other Qualified Reserve Fund Credit Instrument on deposit in the Reserve Fund in lieu of cash.

Payment of any Policy Cost shall be made prior to replenishment of any cash amounts into the Reserve Fund. Draws on all Qualified Reserve Fund Credit Instruments (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Qualified Reserve Fund Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable Qualified Reserve Account Credit Instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Reserve Requirement.

(b) Draws under the Reserve Policy may only be used to make payments on Bonds covered under the Reserve Policy.

(c) If the Authority shall fail to pay any Policy Costs in accordance with the requirements described in the Indenture, the Reserve Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture.

(d) The Indenture shall not be discharged until all Policy Costs owing to the Reserve Insurer shall have been paid in full. The Authority's obligation to pay such amount shall expressly survive payment in full of the Bonds.

(e) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of the Indenture and shall provide notice to the Reserve Insurer in accordance with the terms of the Reserve Policy at least five (5) Business Days prior to each date upon which interest or principal is due on the Bonds.

(f) The Reserve Policy shall expire on the earlier of the date the Bonds are no longer Outstanding and the final maturity date of the Bonds.

## **Community Facilities District No. 4 Bond Indenture**

### **Definitions.**

Unless the context otherwise requires, the capitalized terms used in the Indenture shall for all purposes of the Bond Indenture, have the meanings specified in the Indenture or in the Authority Indenture, to be equally applicable to both the singular and plural forms of any of the terms defined in the Indenture.

“2007 Authority Bonds” has the meaning given such term in the 2007 Authority Indenture.

“2007 Authority Indenture” means that Indenture of Trust, dated as of April 1, 2007, by and between the Authority and 2007 Authority Trustee pertaining to the 2007 Authority Bonds.

“2007 Bonds” means the \$11,989,000 Poway Unified School District Community Facilities District No. 4 2007 Special Tax Bonds.

“2013 Authority Administrative Expense Fund” has the meaning given the term “Authority Administrative Expense Fund” in the 2013 Authority Indenture.

“2013 Authority Administrative Expenses” has the meaning given the term “Authority Administrative Expenses” in the 2013 Authority Indenture.

“2013 Authority Indenture” means that Indenture of Trust, dated as of April 1, 2013, by and between the Authority and the 2013 Authority Trustee pertaining to the 2013 Authority Bonds.

“2013 Authority Reserve Fund” means the Reserve Fund established pursuant to the 2013 Authority Indenture.

“2013 Authority Reserve Requirement” has the meaning given to the term “Reserve Requirement” in the 2013 Authority Indenture.

“2013 Authority Trustee” means Zions Bank, a division of ZB, National Association, acting in its capacity as trustee pursuant to the 2013 Authority Indenture.

“2013 Bonds” is amended to mean the \$7,990,000 Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch) Special Tax Bonds, Series 2013 or any special tax refunding bonds for which annual debt service is less in each Bond Year during the term of such bonds than the corresponding annual debt service on the 2013 Bonds.

“2013 Excess Authority Rebate Obligation” means that portion of any obligation of the Authority to make a payment to the United States pursuant to Section 5.09 of the 2013 Authority Indenture that exceeds the funds then on deposit in the Rebate Fund established pursuant to the 2013 Authority Indenture.

“2013 Funding Agreement” means the Funding Allocation Agreement, dated as of May 1, 2013, among the Authority, the School District and the Community Facilities Districts.

“2013 Proportionate Share” has the meaning given the term “Proportionate Share” in the 2013 Funding Agreement.

“2013 Rebate Fund” means the Rebate Fund established pursuant to the 2013 Authority Indenture.

“2016 Authority Administrative Expense Fund” has the meaning given the term “Authority Administrative Expense Fund” in the 2016 Authority Indenture.

“2016 Authority Administrative Expenses” has the meaning given the term “Authority Administrative Expenses” in the 2016 Authority Indenture.

“2016 Authority Bonds” means the \$46,770,000 Poway Unified School District Public Financing Authority Revenue Bonds, Series 2016A issued pursuant to the 2016 Authority Indenture.

“2016 Authority Indenture” means that Indenture of Trust, dated as of August 1, 2016, by and between the Authority and the Authority Trustee pertaining to the 2016 Authority Bonds.

“2016 Authority Reserve Fund” means the Reserve Fund established pursuant to the 2016 Authority Indenture.

“2016 Authority Reserve Requirement” has the meaning given to the term “Reserve Requirement” in the 2016 Authority Indenture.

“2016 Authority Trustee” means Zions Bank, a division of ZB, National Association, acting in its capacity as trustee pursuant to the 2016 Authority Indenture.

“2016 Bonds” means the \$8,966,000 Poway Unified School District Community Facilities District No. 4 Special Tax Refunding Bonds, Series 2016.

“2016 Excess Authority Rebate Obligation” means that portion of any obligation of the Authority to make a payment to the United States pursuant to Section 5.08 of the 2016 Authority Indenture that exceeds the funds then on deposit in the Rebate Fund established pursuant to the 2016 Authority Indenture.

“2016 Funding Agreement” means the Funding Allocation Agreement, dated as of July 1, 2016, among the Authority, the School District and Community Facilities District Nos. 4, 8, 9, 10 and 12 of the School District.

“2016 Proportionate Share” shall have the meaning given the term “Proportionate Share” in the 2007 Funding Agreement.

“2016 Rebate Fund” means the Rebate Fund established pursuant to the 2016 Authority Indenture.

“Act” means the “Mello-Roos Community Facilities Act of 1982,” as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California.

“Administrative Expense Fund” means the fund by that name established pursuant to Section 3.01 hereof.

“Administrative Expenses” is amended to mean (a) the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County of San Diego, the School District or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent required under the Indenture; the costs of the School District, the District, or any designee thereof of complying with School District, District or obligated person disclosure requirements associated with applicable federal or state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the School District, District, or any designee thereof related to an appeal of the Special Tax; and the costs of any credit enhancement obtained by the School District or the District and (b) the District’s 2016 Proportionate Share of the 2016 Authority Administrative Expenses and the District’s 2013 Proportionate Share of the 2013 Authority Administrative Expenses. Administrative Expenses shall also include Delinquency Collection Expenses.

“Administrative Expense Requirement” means an annual amount equal to \$82,367.03, which amount shall escalate by 2% in each Bond Year commencing in the Bond Year beginning September 2, 2017 until the defeasance or maturity thereof.

“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.

“Authority” means the Poway Unified School District Public Financing Authority.

“Authority Administrative Expense Fund” means as to the 2013 Authority Bonds, the 2013 Authority Administrative Expense Fund, and as to the 2016 Authority Bonds, the 2016 Authority Administrative Expense Fund.

“Authority Administrative Expenses” is amended to mean, as to the 2013 Authority Bonds, the 2013 Authority Administrative Expenses, and, as to the 2016 Authority Bonds, the 2016 Authority Administrative Expenses.

“Authority Indenture” is amended to mean, as to the 2013 Authority Bonds, the 2013 Authority Indenture, and as to the 2016 Authority Bonds, the 2016 Authority Indenture.

“Authority Reserve Fund” is amended to mean, as to the 2013 Authority Bonds, the 2013 Authority Reserve Fund, and as to the 2016 Authority Bonds, the 2016 Authority Reserve Fund.

“Authority Reserve Requirement” is amended to mean, as to the 2013 Authority Bonds, the 2013 Authority Reserve Requirement, and as to the 2016 Authority Bonds, the 2016 Authority Reserve Requirement.

“Authority Trustee” is amended to mean as to the 2013 Authority Bonds, the 2013 Authority Trustee, and as to the 2016 Authority Bonds, the 2016 Authority Trustee.

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

“Available Special Tax Revenues” shall have the meaning given such term in the Joint Acquisition Agreement.

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

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

“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 Section 3.01 hereof.

“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 for each Series of the Bonds 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” or “CFD No. 4 Bonds” means the 2007 Bonds and any Parity Bonds authorized and issued by and 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. 4 Available Special Tax Revenue Account” means the Available Special Tax Revenue Account of Community Facilities District No. 4 established by the Joint Acquisition Agreement Fiscal Agent in the Available Special Tax Revenue Fund pursuant to the Joint Acquisition Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Comptroller of the Currency” means the Comptroller of the Currency of the United States.

“Costs of Issuance” means, as to each Series of the Bonds, all of costs of issuing such 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 A. of the definition of Permitted Investments.

“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 Tax 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, as to the 2016 Bonds, August 18, 2016.

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

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

“District” or “CFD No. 4” means Poway Unified School District Community Facilities District No. 4.

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

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

“Escrow Agreement” means that Escrow Deposit and Trust Agreement, dated as of August 1, 2016, between the Authority and the Escrow Agent related to the defeasance and refunding of the 2007 Authority Bonds.

“First Supplemental Indenture” means the First Supplemental Indenture, dated as of May 1, 2013, entered into by and between the District and the Fiscal Agent, pursuant to and in order to amend and supplement the Indenture to provide for the issuance of the 2013 Bonds.

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

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

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

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

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

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

“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.

“Insured Obligations” shall mean the 2016 Authority Bonds maturing on September 1, 2032.

“Interest Account” means the account by that name established within the Bond Service Fund pursuant to Section 3.01 hereof.



“Interest Payment Date” is amended to mean March 1 and September 1 of each year, as to the 2013 Bonds and March 1 and September 1 as to the 2016 Bonds commencing March 1, 2017.

“Joint Acquisition Agreement” means the Joint Acquisition Agreement, dated as of February 1, 2014, by and among the Authority, Poway Unified School District Community Facilities District No. 2 (Subarea IV – Torrey Highlands), Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch), Poway Unified School District Community Facilities District No. 6 (4S Ranch), Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II), Poway Unified School District Community Facilities District No. 9 (Portswood), Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV), Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and Clusters), Poway Unified School District Community Facilities District No. 13 (The Lakes), Community Facilities District No. 14 (Del Sur) and Poway Unified School District Community Facilities District No. 15 (Del Sur East) and Zions Bank, a division of ZB, National Association as fiscal agent thereunder.

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

“Land Secured Debt” means as to any Taxable Property (as such term is defined in the Special Tax RMA), (a) the principal amount of all Outstanding 2007 Bonds, Outstanding Parity Bonds previously issued and the Parity Bonds proposed to be issued allocable to such Taxable Property, (b) the principal amount of all other bonds secured by special taxes allocable to such Taxable Property, and (c) the amount of all fixed lien assessments levied on such Taxable Property.

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

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

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

“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 for each Series of 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 Section 6.03 hereof;
2. Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to the terms hereof; and
3. Bonds for the payment or redemption of which 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 2007 Bonds.

“Permitted Investments” is amended, as to the 2016 Bonds, to have the meaning given such term in the 2016 Authority Indenture.

“Policy” shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

“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.

“Principal Account” means the account by such name established in the Bond Service Fund pursuant to Section 3.03 hereof.

“Principal Corporate Trust Office” means the office of the Fiscal Agent at 550 S. Hope Street, Suite 2650, Los Angeles, CA 90071, or such other offices as may be specified to the District by the Fiscal Agent in writing.

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

“Rebate Fund” is amended to mean as to the 2013 Authority Bonds, the 2013 Rebate Fund, and as to the 2016 Authority Bonds, the 2016 Rebate Fund.

“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 Section 3.01 hereof.

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

“Reserve Insurer” means BAM, or any successor thereto.

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

“School District” means the Poway Unified School District.

“School Facilities” means those school facilities authorized to be financed by the District pursuant to Resolution No. 32-98 and Resolution No. 48-98 adopted by the Board of Education forming the District and determining the necessity to incur a bonded indebtedness within the District to finance such school facilities.

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

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

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

“Special Tax Fund” means the fund by that name established pursuant to Section 3.01 hereof.

“Special Tax Requirement” has the meaning given such term in the Special Tax RMA.

“Special Tax Revenues” means the following revenues received by the District on and after July 1, 2007: (a) the proceeds of the Special Tax levied and received by the District, (b) the Delinquency Proceeds, and (c) Prepayments.

“Special Tax RMA” means the rate and method of apportionment of the Special Tax originally approved at the special election held in the District on December 15, 1997, and as modified at the special election held in the District on November 13, 2000, as may be modified from time to time in accordance with the Act.

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

“Standard & Poor’s” or “S&P” means S&P Global 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.

“Second Supplemental Indenture” means the Second Supplemental Indenture, dated as of August 1, 2016, entered into by and between the District and the Fiscal Agent, pursuant to and in order to amend and supplement the Indenture to provide for the issuance of the 2016 Bonds.

“Supplemental Indenture” means any bond indenture then in full force and effect which has been duly approved by resolution of the Legislative Body under and pursuant to the Act at a meeting of the Legislative Body

duly convened and held, at which a quorum was present and acted thereon, amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

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

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

#### **Issuance of Parity Bonds.**

Subject to the satisfaction of the specific conditions set forth in this Section 2.13, the District may at any time after the issuance and delivery of the 2007 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 Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be used for the purpose of financing additional School Facilities Costs or refunding all or a portion of the Bonds or any Parity Bonds then outstanding.

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

A. The aggregate principal amount of the 2007 Bonds and all Parity Bonds issued may not exceed \$32,000,000; provided, however, that, notwithstanding the foregoing, Parity Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity Bonds results in a reduction of Annual Debt Service on all Outstanding Bonds.

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

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

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

2. The authorized principal amount of such Parity Bonds;

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

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

5. The denominations and method of numbering of such Parity Bonds;

6. The amount and due date of each mandatory sinking fund payment, if any, for such Parity Bonds;

7. The amount, if any, to be deposited from the proceeds of such Parity Bonds in (a) the Authority Reserve Fund to increase the amount therein to equal the Proportionate Share of the Authority Reserve Requirement allocable to the Outstanding Bonds, including such Parity Bonds, on the Delivery Date of such Parity Bonds or (b) a separate reserve fund established pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds to fund the amount equal to the reserve requirement for such Parity Bonds which shall, as of any date of calculation, equal to the least of: (i) 10% of the initial principal amount of such Parity Bonds less the original

issue discount, if any, plus the original issue premium, if any, applicable to such Parity Bonds; (ii) Maximum Annual Debt Service on such Parity Bonds; or (iii) 125% of average Annual Debt Service on such Parity Bonds;

8. The form of such Parity Bonds; and

9. Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

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

1. A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

2. A written request of the District as to the delivery of such Parity Bonds;

3. An opinion of Bond Counsel to the effect that (a) the District has the right and power under the Act to adopt the Supplemental Indenture relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Special Tax Revenues and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds, the Bonds and Parity Bonds theretofore issued;

4. A certificate of an Authorized Representative containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

5. A certificate of an Authorized Representative certifying that the District has received a certificate from one or more Independent Financial Consultants which, when taken together, certify that:

(a) the amount of the maximum Special Taxes that may be levied pursuant to the Special Tax RMA in each remaining Bond Year based only on the Developed Property (as such term is defined in the Special Tax RMA) existing as of the date of such certificate is at least 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding Bonds theretofore issued and the Parity Bonds proposed to be issued; provided that, for purposes of making the certifications required by this subsection 2.13.D.5.a., the Independent Financial Consultant may rely on reports or certificates of such other persons as may be acceptable to the District, Bond Counsel and the underwriter of the proposed Parity Bonds;

(b) the aggregate assessed value of all Developed Property within the District as shown on the latest assessment roll maintained by the County Assessor of the County of San Diego is not less than four (4) times the aggregate amount of Land Secured Debt allocable to such Developed Property; and

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

## **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 Section 3.02B. below, 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 Section 3.02C. 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 if any Parity Bonds shall be subject to mandatory sinking fund redemption pursuant to a Supplemental Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date or are subject to mandatory sinking fund redemption pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds.

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 to a deficiency in the amount of debt service received by the Authority, or the Trustee as assignee of 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 2016 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. 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. 4 Available Special Tax Revenue Account.

C. The Fiscal Agent shall, upon receipt of Special Tax Revenues representing Prepayments together with written instructions of the District executed by an Authorized Representative, immediately transfer such Prepayments pursuant to such written instructions into the Interest Account of the Bond Service Fund and the Redemption Fund, as applicable, and utilize such funds to pay the interest and premium, if any, on and principal of Bonds to be redeemed pursuant to Section 2.03B. 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 Authority Trustee if the Authority Bonds remain outstanding or, if the Authority Bonds are no longer outstanding, 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.

#### **Redemption Fund.**

Moneys shall be deposited into the Redemption Fund by the Fiscal Agent pursuant to the terms of the Indenture and shall be set aside and used solely for the purpose of redeeming Bonds in accordance with written instructions of the District executed by an Authorized Representative given in accordance with the Indenture. 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 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 in substantially the form attached hereto as Exhibit C specifying the name and address of the payee and the amount of the Administrative Expense and a description thereof and further stating that such request has not formed the basis of any prior request for payment; or (ii) for transfer to the Authority Trustee from time to time for payment of the District's Proportionate Share of the 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 the Indenture of the definition of Permitted Investments. Notwithstanding anything in the Indenture to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in the Indenture of the definition of Permitted Investments. Any Permitted Investments that are registerable securities shall be registered in the name of the Trustee or its nominee.

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

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

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

### **Supplemental Indentures.**

#### **Amendments or Supplements.**

The Legislative Body may, by adoption of a resolution from time to time, and at any time but without notice to or consent of any of the Bondowners, approve a Supplemental Indenture 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 in the Indenture or to make any other provision with respect to matters or questions arising under the Indenture or in any Supplemental Indenture, provided that such action shall not have a material adverse effect on the interests of the Bondowners;
- (b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (c) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the interests of the Bondowners;
- (d) to amend any provision of the Indenture relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds; or
- (e) to provide for the issuance of Parity Bonds pursuant to the terms of the Indenture.

Exclusive of the Supplemental Indentures hereto provided for in the Indenture, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture 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 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 shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments. Notwithstanding anything in the Indenture to the contrary, no Supplemental Indenture shall be entered into which would modify the duties of the Fiscal Agent under the Indenture without the prior written consent of the Fiscal Agent.

After the effective date of any action taken as provided above, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for that purpose at the 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 below; provided, however, that said covenants do not require the District to expend any funds other than the Special Tax Revenues.

A. On or before June 1 of each Fiscal Year, the District will review the public records of the County of San Diego, California, in connection with the Special Tax levied in such Fiscal Year to determine the amount of Special Tax actually collected in such Fiscal Year. If the District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$5,000 or more, or (ii) any single parcel or parcels under common ownership subject to the Special Tax are delinquent in the payment of Special Taxes in the aggregate of \$10,000 or more, the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this section 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 this section 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 hereunder.

C. Except for Parity Bonds issued pursuant to the provisions of 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 herein authorized. Nothing in the Indenture, however, 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 hereunder on the date, at the place and in the manner provided in said Bonds, but only out of Special Tax Revenues and such other funds as may be therein provided.

E. The District shall comply with all requirements of the Act so as to assure the timely collection of the Special Taxes. The District shall annually ascertain the parcels on which the Special Taxes are to be levied in the following Fiscal Year, taking into account any subdivisions of parcels during the current Fiscal Year. The District shall effect the levy of the Special Tax in accordance with the Special Tax RMA and the Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County of San Diego before the final date on which the Auditor of the County of San Diego will accept the transmission of the Special Tax for the parcels within the District for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Special Tax levy, the District shall prepare or cause to be prepared, and shall transmit or cause to be transmitted to the Auditor of the County of San Diego, such data as such Auditor requires to include the levy of the Special Tax on the next real property tax roll.

The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that, absent the certification described below, a reduction in the Maximum Special Tax (as such term is defined in the Special Tax RMA) authorized to be levied below the levels provided would interfere with the timely retirement of the Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the Maximum Special Tax, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Special Tax RMA) of Developed Property (as such term is defined in the Special Tax RMA) in each Fiscal Year will equal at least 110% of the gross debt service on all Bonds to remain Outstanding after the reduction is approved and will not reduce the Maximum Special Tax payable from Assessor's Parcels of Developed Property is located to less than 110% of Maximum Annual Debt Service; and (ii) the Board of Education, acting as the Legislative Body of the District, finds pursuant to the Indenture that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. Any reduction in the Maximum Special Tax approved pursuant to the preceding sentence may be approved without the consent of the Owners of the Bonds.

The District covenants that, in the event that any initiative is adopted by the qualified electors 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 hereunder, 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 therein provided for.

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 this Section 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 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 this Section, 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 hereunder 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 30 of each year, commencing October 30, 2007, and until October 30 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 (exclusive of the Rebate Fund) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable; or

(c) by depositing with an escrow bank appointed by the District, in trust, 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 (exclusive of the Rebate Fund) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

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

To accomplish such defeasance, the District shall cause to be delivered: (i) a report of the Independent Accountant verifying the determination made pursuant to 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.

Notwithstanding the foregoing, so long as the 2007 Bonds are owned by the Authority, the 2007 Bonds shall be discharged and the pledge of the Special Tax Revenues and all covenants, agreements and other obligations of the District provided for with respect to the 2007 Bonds will terminate upon the defeasance of the 2007 Authority Bonds pursuant to the terms of the 2007 Authority Indenture; so long as the 2013 Bonds are owned by the Authority, the 2013 Bonds shall be discharged and the pledge of the Special Tax Revenues and all covenants, agreements and other obligations of the District provided for with respect to the 2013 Bonds will terminate upon the defeasance of the 2013 Authority Bonds pursuant to the terms of the 2013 Authority Indenture; and so long as the 2016 Bonds are owned by the Authority, the 2016 Bonds shall be discharged and the pledge of the Special Tax Revenues and all covenants, agreements and other obligations of the District provided for with respect to the 2016 Bonds will terminate upon the defeasance of the 2016 Authority Bonds pursuant to the terms of the 2016 Authority Indenture.

#### **Events of Default.**

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

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

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

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

District shall commence to cure such default within said 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; and

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

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

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

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 this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

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

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

### **Rights of BAM**

So long as the Policy or the Reserve Policy remain in force and effect or any amounts are owed to BAM, the following provisions shall govern and control with respect to the 2016 Bonds, notwithstanding anything to the contrary contained herein.

The District covenants and agrees to reimburse BAM for all amounts due and payable to the Insurer pursuant to Sections 12.10 and 12.14 of the Authority Indenture. All amounts payable pursuant to Section 12.10 of the 2016 Authority Indenture (“BAM Reimbursement Amounts”) are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the 2016 Bonds on parity with debt service due on the 2016 Bonds. In addition, all amounts payable pursuant to Section 12.14 of the 2016 Authority Indenture (“Policy Costs”) are payable from and secured by a lien on and pledge of the same revenues and collateral pledged to the 2016 Bonds subordinate only to the payment of debt service on the 2016 Bonds and BAM Reimbursement Amounts.

BAM is recognized and shall be deemed to be a third party beneficiary of this Agreement and may enforce the provisions of this Agreement as if it were a party hereto.

## **Community Facilities District No. 8 Bond Indenture**

### **Definitions.**

Unless the context otherwise requires, the capitalized terms used in the Indenture shall for all purposes of the Bond Indenture, have the meanings specified in the Indenture or in the Authority Indenture, to be equally applicable to both the singular and plural forms of any of the terms defined in the Indenture.

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

“Administrative Expense Requirement” means an annual amount equal to \$42,847.39, which amount shall escalate by 2% in each Bond Year commencing in the Bond Year beginning on September 2, 2017.

“Administrative Expenses” means (a) the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County of San Diego, the School District or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent required under the Indenture; the costs of the School District, the District, or any designee thereof of complying with School District, District or obligated person disclosure requirements associated with applicable federal or state securities laws and of the 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.

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

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

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

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

“Authority Indenture” means that Indenture of Trust, dated as of August 1, 2016, by and between the Poway Unified School District Public Financing Authority and Zions Bank, a division of ZB, National Association, as trustee, pertaining to the Poway Unified School District Public Financing Authority Revenue Refunding Bonds, Series 2016A.

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

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

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

“Authorized Representative” of the District means the Superintendent or the 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 pursuant to the Indenture.

“Available Special Tax Revenues” shall 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.

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

“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” or “CFD No. 8 Bonds” means the \$5,294,000 Poway Unified School District Community Facilities District No. 8 Improvement Area B Special Tax Refunding Bonds, Series 2016 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. 8” or “Community Facilities District No. 8” means Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II).

“CFD No. 8 Available Special Tax Revenue Account” means the Available Special Tax Revenue Account of Community Facilities District No. 8 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.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement pertaining to the Bonds as executed and delivered by and among the Authority and the Authority Trustee, and Cooperative Strategies, LLC, as dissemination agent and dated as of August 1, 2016, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all 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 the Indenture 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 Tax resulting from the delinquency in the payment of Special Taxes due and payable on such property and net of County of San Diego fees, foreclosure counsel fees and other fees and expenses incurred by or on behalf of the District or the School District in undertaking such foreclosure proceedings.

“Delivery Date” means the date on which any Series of the Bonds are issued and delivered to the initial purchaser thereof. The Delivery Date of the CFD No. 8 Bonds shall be August 18, 2016.

“Depository” means DTC and its successors and assigns if and when the Bonds may be registered with the Depository or if the Bonds having been registered with a Depository, (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the District discontinues use of the Depository pursuant to the Indenture,

any other securities depository which agrees to follow procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Superintendent.

“Developed Property” shall have the meaning given such term in the Special Tax RMA.

“District” or “CFD No. 8” means Poway Unified School District Community Facilities District No. 8

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

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

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

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

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

“Fiscal Year” means the 12-month period beginning July 1 of each year and terminating on June 30 of the following year, or any other annual accounting period 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 August 1, 2016, among the Authority, the School District and CFD No. 8, Poway Unified School District Community Facilities District No. 4, Poway Unified School District Community Facilities District No. 10, Poway Unified School District Community Facilities District No. 9 and Poway Unified School District Community Facilities District No. 12.

“Improvement Area” means Improvement Area B of CFD No. 8.

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

“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 Fiscal Agent.

“Insured Obligations” shall mean the Authority Bonds maturing on September 1, 2032.



“Interest Account” means the account by that name established within the Bond Service Fund pursuant to the Indenture.

“Interest Payment Date” means March 1 and September 1 of each year, commencing March 1, 2017 as to the CFD No. 8 Bonds.

“Joint Acquisition Agreement” means the Joint Acquisition Agreement, dated as of February 1, 2014, by and among the Authority, Poway Unified School District Community Facilities District No. 2 (Subarea IV – Torrey Highlands), Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch), Poway Unified School District Community Facilities District No. 6 (4S Ranch), Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II), Poway Unified School District Community Facilities District No. 9 (Portswood), Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV), Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and Clusters), Poway Unified School District Community Facilities District No. 13 (The Lakes), Community Facilities District No. 14 (Del Sur) and Poway Unified School District Community Facilities District No. 15 (Del Sur East) and Zions Bank, a division of ZB, National Association as fiscal agent under the Indenture.

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

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

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

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

“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.

“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 issued which are secured by and payable from an irrevocable first lien on the Net Special Tax Revenues which lien is on parity with the lien securing the Bonds.

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

“Permitted Investments” has the meaning given such term in the Authority Indenture.

“Policy” shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

“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, California 90071, or such other offices as may be specified to the District by the Fiscal Agent in writing.

“Prior Authority Bonds” means the outstanding Poway Unified School District Public Financing Authority 2007 Revenue Bonds issued in the original principal amount of \$69,945,000.

“Prior Indenture” means the Indenture, dated as of April 1, 2007, as amended and supplemented by the First Supplemental Indenture, dated as of August 1, 2016, by and between CFD No. 8 and Zions Bank, a division of ZB, National Association, formerly known as Zions First National Bank, as fiscal agent.

“Prior Special Tax Bonds” means the outstanding Poway Unified School District Community Facilities District No. 8 2007 Improvement Area B Special Tax Bonds issued in the original principal amount of \$7,329,000.

“Proportionate Share” has 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.

“Reserve Insurer” means BAM, or any successor thereto.

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by BAM deposited in the Authority Reserve Fund securing the Authority Bonds.

“Resolution of Formation” means Resolution No. 43-99 of the Board of Education forming and establishing the District and the Improvement Area of the District.

“School District” means the Poway Unified School District.

“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.

“Security Documents” shall mean this Bond Indenture, the Authority Indenture, the Community Facilities District No. 4 Bond Indenture, the Community Facilities District No. 9 Bond Indenture, the Community Facilities District No. 10 Bond Indenture, the Community Facilities District No. 12 Bond Indenture and/or any additional or supplemental document executed in connection with the Insured Obligations and the Special Tax Refunding Bonds.

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

“Special Tax” means the Special Tax authorized to be levied in the Improvement Area of the District pursuant to the Mello-Roos Act and the Special Tax RMA.

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

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

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

“Special Tax RMA” means the rate and method of apportionment of the Special Tax originally approved at the special election held in the Improvement Area on December 17, 1998, as may be modified from time to time in accordance with the Act.

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

“State” means the State of California.

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

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

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

“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.

### **Issuance of Parity Bonds.**

Subject to the satisfaction of the specific conditions set forth in the Indenture, the District may at any time after the issuance and delivery of the 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 Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be used for the purpose of financing additional School Facilities Costs or refunding all or a portion of the Bonds or any Parity Bonds then outstanding.

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

A. The aggregate principal amount of the 2007 Bonds and all Parity Bonds issued for Improvement Area B of the District may not exceed \$20,000,000; provided, however, that, notwithstanding the foregoing, Parity Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity Bonds results in a reduction of Annual Debt Service on all Outstanding Bonds.

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

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

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

2. The authorized principal amount of such Parity Bonds;

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

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

5. The denominations and method of numbering of such Parity Bonds;

6. The amount and due date of each mandatory sinking fund payment, if any, for such Parity Bonds;

7. The amount, if any, to be deposited from the proceeds of such Parity Bonds in (a) the Authority Reserve Fund to increase the amount therein to equal the Proportionate Share of the Authority Reserve Requirement allocable to the Outstanding Bonds, including such Parity Bonds, on the Delivery Date of such Parity Bonds or (b) a separate reserve fund established pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds to fund the amount equal to the reserve requirement for such Parity Bonds which shall, as of any date of calculation, equal to the least of: (i) 10% of the issue price of such Parity Bonds as defined in the Regulations; (ii) Maximum Annual Debt Service on such Parity Bonds; or (iii) 125% of average Annual Debt Service on such Parity Bonds;

8. The form of such Parity Bonds; and

9. Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

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

1. A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

2. A written request of the District as to the delivery of such Parity Bonds;

3. An opinion of Bond Counsel to the effect that (a) the District has the right and power under the Act to adopt the Supplemental Indenture relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Special Tax Revenues and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds, the Bonds and Parity Bonds theretofore issued;

4. A certificate of an Authorized Representative containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

5. A certificate of an Authorized Representative certifying that the District has received a certificate from one or more Independent Financial Consultants which, when taken together, certify that:

(a) the amount of the maximum Special Taxes that may be levied pursuant to the Special Tax RMA in each remaining Bond Year based only on the Developed Property (as such term is defined in the Special Tax RMA) existing as of the date of such certificate is at least 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding Bonds theretofore issued and the Parity Bonds proposed to be issued; provided that, for purposes of making the certifications required by the Indenture., the Independent Financial Consultant may rely on reports or certificates of such other persons as may be acceptable to the District, Bond Counsel and the underwriter of the proposed Parity Bonds;

(b) the aggregate assessed value of all Developed Property within the District as shown on the latest assessment roll maintained by the County Assessor of the County of San Diego is not less than four (4) times the aggregate amount of Land Secured Debt allocable to such Developed Property; and

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

**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 the Indenture. below, 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, 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 Indenture 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 if any Parity Bonds shall be subject to mandatory sinking fund redemption pursuant to a Supplemental Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date or are subject to mandatory sinking fund redemption pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds.

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. 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. 8 Available Special Tax Revenue Account.

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

D. When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Special Tax Fund shall be transferred to the Authority Trustee if the Authority Bonds remain outstanding or, if the Authority Bonds are no longer outstanding, 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 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 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 in substantially the form attached hereto as Exhibit C specifying the name and address of the payee and the amount of the Administrative Expense and a description thereof and further stating that such request has not formed the basis of any prior request for payment; or (ii) for transfer to the Authority Trustee from time to time for payment of the District's Proportionate Share of the 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 the Indenture of the definition of Permitted Investments. Notwithstanding anything in the Indenture to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in the Indenture of the definition of Permitted Investments. Any Permitted Investments that are registerable securities shall be registered in the name of the Trustee or its nominee.

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

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

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

## **Supplemental Indentures.**

### **Amendments or Supplements.**

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

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

(2) 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;

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

(4) 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

(5) 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 Indenture, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture 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 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 shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments. Notwithstanding anything in the Indenture to the contrary, no Supplemental Indenture shall be entered into which would modify the duties of the Fiscal Agent under the Indenture without the prior written consent of the Fiscal Agent.

After the effective date of any action taken as provided above, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for that purpose at the 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 below; provided, however, that said covenants do not require the District to expend any funds other than the Special Tax Revenues.

A. Pursuant to Government Code Section 53356.1, on or before June 1 of each Fiscal Year, the District will review the public records of the County of San Diego, California, in connection with the Special Tax levied in such Fiscal Year to determine the amount of Special Tax actually collected in such Fiscal Year. If the District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$7,500 or more, or (ii) any parcels under common ownership subject to the Special Tax are delinquent in the payment Special Taxes, in the aggregate amount of \$15,000 or more, the District shall, not later than forty-five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this Section and for which the Special Taxes remain delinquent. With respect to aggregate delinquencies of Special Taxes, 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.

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 hereunder.

C. Except for Parity Bonds, 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 therein authorized. Nothing in the Indenture, however, shall prevent the District from issuing and selling, pursuant to law, Parity Bonds 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 Parity Bonds results in a reduction in the Annual Debt Service on the Outstanding Bonds and such Parity Bonds 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 hereunder 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 Mello-Roos Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County of San Diego before the final date on which the Auditor of the County of San Diego will accept the transmission of the Special Tax for the parcels within the District for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Special Tax levy, the District shall prepare or cause to be prepared, and shall transmit or cause to be transmitted to the Auditor of the County of San Diego, such data as such Auditor requires to include the levy of the Special Tax on the next real property tax roll.

The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Mello-Roos Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that, absent the certification described below, a reduction in the Maximum Special Tax (as such term is defined in the Special Tax RMA) authorized to be levied below the levels provided would interfere with the timely retirement of the Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the Maximum Special Tax, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Special Tax RMA) of Developed Property located within the Improvement Area in each Fiscal Year will equal at least 110% of the gross debt service on all Bonds to remain Outstanding after the reduction is approved and will not reduce the Maximum Special Tax payable from Assessor's Parcels of Developed Property located within the Improvement Area to less than the sum of the 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 within the Improvement Area pursuant to the Special Tax

RMA, the District shall, from funds available hereunder, 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 therein provided for.

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 this Section 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 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 hereunder 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 30 of each year, commencing October 30, 2016, and until October 30 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:

- (1) 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;
- (2) 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
- (3) 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.

Notwithstanding the foregoing, so long as the Bonds are owned by the Authority, the entire indebtedness on the Bonds Outstanding shall be discharged simultaneously with and upon the discharge of the Authority Bonds pursuant to Section 10.01 of the Authority Indenture resulting from the irrevocable deposit with the Authority Trustee pursuant to Section 10.01(b) of the Authority Indenture of money or Defeasance Obligations (as defined in the Authority Indenture) to pay or redeem all of the Authority Bonds then Outstanding (as defined in the Authority Indenture). The Fiscal Agent shall, upon receipt of written instructions from an Authorized Representative, transfer the moneys on deposit in the funds and accounts established hereunder to fund the foregoing deposit with the Authority Trustee.

#### **Events of Default.**

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

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

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

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

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

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

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity 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:

(1) 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 Mello-Roos Act and their agreements with the Owners as provided in the Indenture;

(2) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(3) 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 this Article or in any other provision of the Indenture or the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the

respective Owners thereof at the respective dates of maturity, as therein provided, out of the Net Special Tax Revenue 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 hereunder.

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 this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

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

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

### **Rights of BAM**

So long as the Policy or the Reserve Policy remain in force and effect or any amounts are owed to BAM, the following provisions shall govern and control, notwithstanding anything to the contrary contained herein.

The District covenants and agrees to reimburse BAM for all amounts due and payable to the Insurer pursuant to Sections 12.10 and 12.14 of the Authority Indenture. All amounts payable pursuant to Section 12.10 of the Authority Indenture (“BAM Reimbursement Amounts”) are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Bonds on parity with debt service due on the Bonds. In addition, all amounts payable pursuant to Section 12.14 of the Authority Indenture (“Policy Costs”) are payable from and secured by a lien on and pledge of the same revenues and collateral pledged to the Bonds subordinate only to the payment of debt service on the Bonds and BAM Reimbursement Amounts.

BAM is recognized and shall be deemed to be a third party beneficiary of this Agreement and may enforce the provisions of this Agreement as if it were a party hereto.

## **Community Facilities District No. 9 Bond Indenture**

### **Definitions.**

Unless the context otherwise requires, the capitalized terms used in the Indenture shall for all purposes of the Bond Indenture, have the meanings specified in the Indenture or in the Authority Indenture, to be equally applicable to both the singular and plural forms of any of the terms defined in the Indenture.

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

“Administrative Expense Requirement” means an annual amount equal to \$35,706.15, which amount shall escalate by 2% in each Bond Year commencing in the Bond Year beginning on September 2, 2017.

“Administrative Expenses” means (a) the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County of San Diego, the School District or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent required under the Indenture; the costs of the School District, the District, or any designee thereof of complying with School District, District or obligated person disclosure requirements associated with applicable federal or state securities laws and of the 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.

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

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

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

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

“Authority Indenture” means that Indenture of Trust, dated as of August 1, 2016, by and between the Poway Unified School District Public Financing Authority and Zions Bank, a division of ZB, National Association, as trustee, pertaining to the Poway Unified School District Public Financing Authority Revenue Refunding Bonds, Series 2016A.

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

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

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

“Authorized Representative” of the District means the Superintendent or the 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 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.

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

“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” or “CFD No. 9 Bonds” means the \$1,270,000 Poway Unified School District Community Facilities District No. 9 Special Tax Refunding Bonds, Series 2016 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. 9” or “Community Facilities District No. 9” means Poway Unified School District Community Facilities District No. 9 (Portswood).

“CFD No. 9 Available Special Tax Revenue Account” means the Available Special Tax Revenue Account of Community Facilities District No. 9 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 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 A. 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 Tax resulting from the delinquency in the payment of Special Taxes due and payable on such property and net of County of San Diego fees, foreclosure counsel fees and other fees and expenses incurred by or on behalf of the District or the School District in undertaking such foreclosure proceedings.

“Delivery Date” means the date on which any Series of the Bonds are issued and delivered to the initial purchaser thereof. The Delivery Date of the CFD No. 9 Bonds shall be August 18, 2016.

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

“Developed Property” shall have the meaning given such term in the Special Tax RMA.

“District” or “CFD No. 9” means Poway Unified School District Community Facilities District No. 9

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

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

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

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

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

“Fiscal Year” means the 12-month period beginning July 1 of each year and terminating on June 30 of the following year, or any other annual accounting period 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 August 1, 2016, among the Authority, the School District and CFD No. 9, Poway Unified School District Community Facilities District No. 4, Poway Unified School District Community Facilities District No. 8, Poway Unified School District Community Facilities District No. 10 and Poway Unified School District Community Facilities District No. 12.

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

“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 Fiscal Agent.

“Insured Obligations” shall mean the Authority Bonds maturing on September 1, 2032.

“Interest Account” means the account by that name established within the Bond Service Fund pursuant to the Indenture.

“Interest Payment Date” means March 1 and September 1 of each year, commencing March 1, 2017 as to the CFD No. 9 Bonds.

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



Unified School District Community Facilities District No. 6 (4S Ranch), Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II), Poway Unified School District Community Facilities District No. 9 (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 (Del Sur) and Poway Unified School District Community Facilities District No. 15 (Del Sur East) and Zions Bank, a division of ZB, National Association as fiscal agent under the Indenture.

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

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

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

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

“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.

“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 issued which are secured by and payable from an irrevocable first lien on the Net Special Tax Revenues which lien is on parity with the lien securing the Bonds.

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

“Permitted Investments” has the meaning given such term in the Authority Indenture.

“Policy” shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

“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, California 90071, or such other offices as may be specified to the District by the Fiscal Agent in writing.

“Prior Authority Bonds” means the outstanding Poway Unified School District Public Financing Authority 2007 Revenue Bonds issued in the original principal amount of \$69,945,000.

“Prior Indenture” means the Bond Indenture, dated as of April 1, 2007, as amended and supplemented by the First Supplemental Indenture, dated as of August 1, 2016, by and between CFD No. 9 and Zions Bank, a division of ZB, National Association, formerly known as Zions First National Bank, as fiscal agent.

“Prior Special Tax Bonds” means the outstanding Poway Unified School District Community Facilities District No. 9 2007 Special Tax Bonds issued in the original principal amount of \$1,711,000.

“Proportionate Share” has 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.

“Reserve Insurer” means BAM, or any successor thereto.

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by BAM deposited in the Authority Reserve Fund securing the Authority Bonds.

“Resolution of Formation” means Resolution No. 21-99 of the Board of Education forming and establishing the District.

“School District” means the Poway Unified School District.

“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, as to the Bonds, any series of the Bonds issued pursuant to the Indenture or any Supplemental Indenture.

“Special Tax” means the Special Tax authorized to be levied in the District pursuant to the Mello-Roos Act and the Special Tax RMA.

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

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

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

“Special Tax RMA” means the rate and method of apportionment of the Special Tax originally approved at the special election held in the District on December 15, 1997, and as modified at the special election held in the District on November 13, 2000, as may be modified from time to time in accordance with the Act.

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

“State” means the State of California.

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

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

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

“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.

**Issuance of Parity Bonds.**

The District may not at any time after the issuance and delivery of the CFD No. 9 Bonds issue Parity Bonds payable from Net Special Tax 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 Administrative Expense Fund and any rebate fund that may be established for any Series of Parity Bonds) or secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding CFD No. 9 Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may be issued for the purpose of refunding all or a portion of the CFD No. 9 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.

**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 the Indenture, 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 if any Parity Bonds shall be subject to mandatory sinking fund redemption pursuant to a Supplemental Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date or are subject to mandatory sinking fund redemption pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds.

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. 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. 9 Available Special Tax Revenue Account.

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

D. When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Special Tax Fund shall be transferred to the Authority Trustee if the Authority Bonds remain outstanding or, if the Authority Bonds are no longer outstanding, 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 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 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 in substantially the form attached hereto as Exhibit C specifying the name and address of the payee and the amount of the Administrative Expense and a description thereof and further stating that such request has not formed the basis of any prior request for payment; or (ii) for transfer to the Authority Trustee from time to time for payment of the District's Proportionate Share of the 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 the Indenture of the definition of Permitted Investments. Notwithstanding anything in the Indenture to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in the Indenture of the definition of Permitted Investments. Any Permitted Investments that are registerable securities shall be registered in the name of the Trustee or its nominee.

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

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

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

### **Supplemental Indentures**

#### **Amendments or Supplements.**

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

- (1) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture or to make any other provision with respect to matters or questions arising under the Indenture or in any Supplemental Indenture, provided that such action shall not have a material adverse effect on the interests of the Bondowners;
- (2) 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;
- (3) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the interests of the Bondowners;

- (4) 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
- (5) 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 Indenture, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture 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 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 under the Indenture, 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 under the Indenture without the prior written consent of the Fiscal Agent.

After the effective date of any action taken as provided above, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for that purpose at the 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 below; provided, however, that said covenants do not require the District to expend any funds other than the Special Tax Revenues.

A. Pursuant to Government Code Section 53356.1, on or before June 1 of each Fiscal Year, the District will review the public records of the County of San Diego, California, in connection with the Special Tax levied in such Fiscal Year to determine the amount of Special Tax actually collected in such Fiscal Year. If the District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$7,500 or more, or (ii) any parcels under common ownership subject to the Special Tax are delinquent in the payment Special Taxes, in the aggregate amount of \$15,000 or more, the District shall, not later than forty-five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this Section and for which the Special Taxes remain delinquent. With respect to aggregate delinquencies of Special Taxes, 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.

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 hereunder.

C. Except for Parity Bonds, 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 therein authorized. Nothing in the Indenture, however, shall prevent the District from issuing and selling, pursuant to law, Parity Bonds 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 Parity Bonds results in a reduction in the Annual Debt Service on the Outstanding Bonds and such Parity Bonds 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 hereunder 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 Mello-Roos Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County of San Diego before the final date on which the Auditor of the County of San Diego will accept the transmission of the Special Tax for the parcels within the District for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Special Tax levy, the District shall prepare or cause to be prepared, and shall transmit or cause to be transmitted to the Auditor of the County of San Diego, such data as such Auditor requires to include the levy of the Special Tax on the next real property tax roll.

The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Mello-Roos Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that, absent the certification described below, a reduction in the Maximum Special Tax (as such term is defined in the Special Tax RMA) authorized to be levied below the levels provided would interfere with the timely retirement of the Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it

shall not initiate proceedings to reduce the Maximum Special Tax, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Special Tax RMA) of Developed Property located within the District in each Fiscal Year will equal at least 110% of the gross debt service on all Bonds to remain Outstanding after the reduction is approved and will not reduce the Maximum Special Tax payable from Assessor's Parcels of Developed Property located within the District to less than the sum of the 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 within the District pursuant to the Special Tax RMA, the District shall, from funds available hereunder, 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 therein provided for.

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 this Section 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 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 this Section, 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 hereunder 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 30 of each year, commencing October 30, 2016, and until October 30 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:

- (1) 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;
- (2) 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
- (3) 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.

Notwithstanding the foregoing, so long as the Bonds are owned by the Authority, the entire indebtedness on the Bonds Outstanding shall be discharged simultaneously with and upon the discharge of the Authority Bonds pursuant to Section 10.01 of the Authority Indenture resulting from the irrevocable deposit with the Authority Trustee pursuant to Section 10.01(b) of the Authority Indenture of money or Defeasance Obligations (as defined in the Authority Indenture) to pay or redeem all of the Authority Bonds then Outstanding (as defined in the Authority Indenture). The Fiscal Agent shall, upon receipt of written instructions from an Authorized Representative, transfer the moneys on deposit in the funds and accounts established hereunder to fund the foregoing deposit with the Authority Trustee.

#### **Events of Default.**

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

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

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

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

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

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

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity 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:

- (1) 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 Mello-Roos Act and their agreements with the Owners as provided in the Indenture;
- (2) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or
- (3) 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 this Article or in any other provision of the Indenture or the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners thereof at the respective dates of maturity, as therein provided, out of the Net Special Tax Revenue 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 hereunder.

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 this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

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

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

### **Rights of BAM**

So long as the Policy or the Reserve Policy remain in force and effect or any amounts are owed to BAM, the following provisions shall govern and control, notwithstanding anything to the contrary contained herein.

The District covenants and agrees to reimburse BAM for all amounts due and payable to the Insurer pursuant to Sections 12.10 and 12.14 of the Authority Indenture. All amounts payable pursuant to Section 12.10 of the Authority Indenture (“BAM Reimbursement Amounts”) are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Bonds on parity with debt service due on the Bonds. In addition, all amounts payable pursuant to Section 12.14 of the Authority Indenture (“Policy Costs”) are payable from and secured by a lien on and pledge of the same revenues and collateral pledged to the Bonds subordinate only to the payment of debt service on the Bonds and BAM Reimbursement Amounts.

BAM is recognized and shall be deemed to be a third party beneficiary of this Agreement and may enforce the provisions of this Agreement as if it were a party hereto

## **Community Facilities District No. 10 Bond Indenture**

### **Definitions.**

Unless the context otherwise requires, the capitalized terms used in the Indenture shall for all purposes of the Bond Indenture, have the meanings specified in the Indenture or in the Authority Indenture, to be equally applicable to both the singular and plural forms of any of the terms defined in the Indenture.

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

“Administrative Expense Requirement” means an annual amount equal to \$33,646.71, which amount shall escalate by 2% in each Bond Year commencing in the Bond Year beginning on September 2, 2017.

“Administrative Expenses” means (a) the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County of San Diego, the School District or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent required under the Indenture; the costs of the School District, the District, or any designee thereof of complying with School District, District or obligated person disclosure requirements associated with applicable federal or state securities laws and of the 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.

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

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

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

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

“Authority Indenture” means that Indenture of Trust, dated as of August 1, 2016, by and between the Poway Unified School District Public Financing Authority and Zions Bank, a division of ZB, National Association, as trustee, pertaining to the Poway Unified School District Public Financing Authority Revenue Refunding Bonds, Series 2016A.

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

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

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

“Authorized Representative” of the District means the Superintendent or the 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 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.

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

“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” or “CFD No. 10 Bonds” means the \$34,006,000 Poway Unified School District Community Facilities District No. 10 Special Tax Refunding Bonds, Series 2016 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. 10” or “Community Facilities District No. 10” means Poway Unified School District Community Facilities District No. 10 (Torrey Highlands - Subarea IV).

“CFD No. 10 Available Special Tax Revenue Account” means the Available Special Tax Revenue Account of Community Facilities District No. 10 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.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement pertaining to the Bonds as executed and delivered by and among the Authority and the Authority Trustee, and Cooperative Strategies, LLC, as dissemination agent and dated as of August 1, 2016, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all 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 the paragraph A. 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 Tax resulting from the delinquency in the payment of Special Taxes due and payable on such property and net of County of San Diego fees, foreclosure counsel fees and other fees and expenses incurred by or on behalf of the District or the School District in undertaking such foreclosure proceedings.

“Delivery Date” means the date on which any Series of the Bonds are issued and delivered to the initial purchaser thereof. The Delivery Date of the CFD No. 10 Bonds shall be August 18, 2016.

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

“Developed Property” shall have the meaning given such term in the Special Tax RMA.

“District” or “CFD No. 10” means Poway Unified School District Community Facilities District No. 10

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

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

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

“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.

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

“Fiscal Year” means the 12-month period beginning July 1 of each year and terminating on June 30 of the following year, or any other annual accounting period 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 August 1, 2016, among the Authority, the School District and CFD No. 10, Poway Unified School District Community Facilities District No. 4, Poway Unified School District Community Facilities District No. 8, Poway Unified School District Community Facilities District No. 9 and Poway Unified School District Community Facilities District No. 12.

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

“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 Fiscal Agent.

“Insured Obligations” shall mean the Authority Bonds maturing on September 1, 2032.

“Interest Account” means the account by that name established within the Bond Service Fund pursuant to the Indenture.

“Interest Payment Date” means March 1 and September 1 of each year, commencing March 1, 2017 as to the CFD No. 10 Bonds.

“Joint Acquisition Agreement” means the Joint Acquisition Agreement, dated as of February 1, 2014, by and among the Authority, Poway Unified School District Community Facilities District No. 2 (Subarea IV – Torrey Highlands), Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch), Poway Unified School District Community Facilities District No. 6 (4S Ranch), Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II), Poway Unified School District Community Facilities District No. 9 (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 (Del Sur) and Poway Unified School District Community Facilities District No. 15 (Del Sur East) and Zions Bank, a division of ZB, National Association as fiscal agent under the Indenture.

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

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

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

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

“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.

“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 issued which are secured by and payable from an irrevocable first lien on the Net Special Tax Revenues which lien is on parity with the lien securing the Bonds.

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

“Permitted Investments” has the meaning given such term in the Authority Indenture.

“Policy” shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

“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, California 90071, or such other offices as may be specified to the District by the Fiscal Agent in writing.

“Prior Authority Bonds” means the outstanding Poway Unified School District Public Financing Authority 2007 Revenue Bonds issued in the original principal amount of \$69,945,000.

“Prior Indenture” means the Bond Indenture, dated as of April 1, 2007, as amended and supplemented by the First Supplemental Indenture, dated as of August 1, 2016, by and between CFD No. 10 and Zions Bank, a division of ZB, National Association, formerly known as Zions First National Bank, as fiscal agent.

“Prior Special Tax Bonds” means the outstanding Poway Unified School District Community Facilities District No. 10 2007 Special Tax Bonds issued in the original principal amount of \$38,230,000.

“Proportionate Share” has 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.

“Reserve Insurer” means BAM, or any successor thereto.

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by BAM deposited in the Authority Reserve Fund securing the Authority Bonds.

“Resolution of Formation” means Resolution No. 08-2002 of the Board of Education forming and establishing the District.

“School District” means the Poway Unified School District.

“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.

“Security Documents” shall mean this Bond Indenture, the Authority Indenture, the Community Facilities District No. 4 Bond Indenture, the Community Facilities District No. 9 Bond Indenture, the Community Facilities District No. 10 Bond Indenture, the Community Facilities District No. 12 Bond Indenture and/or any additional or supplemental document executed in connection with the Insured Obligations and the Special Tax Refunding Bonds.

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

“Special Tax” means the Special Tax authorized to be levied in the District pursuant to the Mello-Roos Act and the Special Tax RMA.

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

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

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

“Special Tax RMA” means the rate and method of apportionment of the Special Tax originally approved at the special election held in the District on August 27, 2001, as may be modified from time to time in accordance with the Act.

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

“State” means the State of California.

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



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

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

“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.

### **Issuance of Parity Bonds.**

The District may not at any time after the issuance and delivery of the CFD No. 10 Bonds issue Parity Bonds payable from Net Special Tax 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 Administrative Expense Fund and any rebate fund that may be established for any Series of Parity Bonds) or secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding CFD No. 10 Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may be issued for the purpose of refunding all or a portion of the CFD No. 10 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.

### **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 the Indenture. below, 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, 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 if any Parity Bonds shall be subject to mandatory sinking fund redemption pursuant to a Supplemental Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date or are subject to mandatory sinking fund redemption pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds.

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. 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. 10 Available Special Tax Revenue Account.

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

D. When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Special Tax Fund shall be transferred to the Authority Trustee if the Authority Bonds remain outstanding or, if the Authority Bonds are no longer outstanding, 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 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 in substantially the form included in the Indenture specifying the name and address of the payee and the amount of the Administrative Expense and a description thereof and further stating that such request has not formed the basis of any prior request for payment; or (ii) for transfer to the Authority Trustee from time to time for payment of the District's Proportionate Share of the 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 the Indenture of the definition of Permitted Investments. Notwithstanding anything in the Indenture to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in the Indenture of the definition of Permitted Investments. Any Permitted Investments that are registerable securities shall be registered in the name of the Trustee or its nominee.

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

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

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

### **Supplemental Indentures.**

#### **Amendments or Supplements.**

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

- (1) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture or to make any other provision with respect to

matters or questions arising under the Indenture or in any Supplemental Indenture, provided that such action shall not have a material adverse effect on the interests of the Bondowners;

(2) 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;

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

(4) 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

(5) 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 Indenture, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture 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 in the Indenture, without the consent of the Owners of all Bonds then Outstanding.

If at any time the District shall desire to approve a Supplemental Indenture, which, pursuant to the terms of the Indenture, shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The District shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the principal office of the District for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved as in the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the District shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to the approval thereof by the Legislative Body substantially in the form of the copy thereof referred to in such notice as on file with the District, such proposed Supplemental Indenture, when duly approved by the Legislative Body, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of 60% of the aggregate principal amount of the Bonds have consented to the approval of any Supplemental Indenture, Bonds which are known 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 shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments. Notwithstanding anything in the Indenture to the contrary, no Supplemental Indenture shall be entered into which would modify the duties of the Fiscal Agent under the Indenture without the prior written consent of the Fiscal Agent.

After the effective date of any action taken as provided above, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for that purpose at the 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 below; provided, however, that said covenants do not require the District to expend any funds other than the Special Tax Revenues.

A. Pursuant to Government Code Section 53356.1, on or before June 1 of each Fiscal Year, the District will review the public records of the County of San Diego, California, in connection with the Special Tax levied in such Fiscal Year to determine the amount of Special Tax actually collected in such Fiscal Year. If the District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$7,500 or more, or (ii) any parcels under common ownership subject to the Special Tax are delinquent in the payment Special Taxes, in the aggregate amount of \$15,000 or more, the District shall, not later than forty-five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this Section and for which the Special Taxes remain delinquent. With respect to aggregate delinquencies of Special Taxes, 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.

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 hereunder.

C. Except for Parity Bonds, 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 therein authorized. Nothing in the Indenture, however, shall prevent the District from issuing and selling, pursuant to law, Parity Bonds 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 Parity Bonds results in a reduction in the Annual Debt Service on the Outstanding Bonds and such Parity Bonds 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 hereunder 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 Mello-Roos Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County of San Diego before the final date on which the Auditor of the County of San Diego will accept the transmission of the Special Tax for the parcels within the District for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Special Tax levy, the District shall prepare or cause to be prepared, and shall transmit or cause to be transmitted to the Auditor of the County of San Diego, such data as such Auditor requires to include the levy of the Special Tax on the next real property tax roll.

The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Mello-Roos Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that, absent the certification described below, a reduction in the Maximum Special Tax (as such term is defined in the Special Tax RMA) authorized to be levied below the levels provided would interfere with the timely retirement of the Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the Maximum Special Tax, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Special Tax RMA) of Developed Property located within the District in each Fiscal Year will equal at least 110% of the gross debt service on all Bonds to remain Outstanding after the reduction is approved and will not reduce the Maximum Special Tax payable from Assessor's Parcels of Developed Property located within the District to less than the sum of the 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 within the District pursuant to the Special Tax RMA, the District shall, from funds available hereunder, 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 therein provided for.

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 this Section 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 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 this Section, 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 hereunder 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 30 of each year, commencing October 30, 2016, and until October 30 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:

- (1) 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;
- (2) 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
- (3) 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.

Notwithstanding the foregoing, so long as the Bonds are owned by the Authority, the entire indebtedness on the Bonds Outstanding shall be discharged simultaneously with and upon the discharge of the Authority Bonds pursuant to the Authority Indenture resulting from the irrevocable deposit with the Authority Trustee pursuant to the Authority Indenture of money or Defeasance Obligations (as defined in the Authority Indenture) to pay or redeem all of the Authority Bonds then Outstanding (as defined in the Authority Indenture). The Fiscal Agent shall, upon receipt of written instructions from an Authorized Representative, transfer the moneys on deposit in the funds and accounts established hereunder to fund the foregoing deposit with the Authority Trustee.

#### **Events of Default.**

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

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

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

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

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

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



Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity 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:

- (1) 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 Mello-Roos Act and their agreements with the Owners as provided in the Indenture;
- (2) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners;  
or
- (3) 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 this Article or in any other provision of the Indenture or the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners thereof at the respective dates of maturity, as provided in the Indenture, out of the Net Special Tax Revenue pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Indenture. The principal of the Bonds shall not be subject to acceleration hereunder.

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 this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

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

No remedy 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 hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Mello-Roos Act or any other law.

#### **Rights of BAM**

So long as the Policy or the Reserve Policy remain in force and effect or any amounts are owed to BAM, the following provisions shall govern and control, notwithstanding anything to the contrary contained herein.

The District covenants and agrees to reimburse BAM for all amounts due and payable to the Insurer pursuant to Sections 12.10 and 12.14 of the Authority Indenture. All amounts payable pursuant to Section 12.10 of the Authority Indenture (“BAM Reimbursement Amounts”) are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Bonds on parity with debt service due on the Bonds. In addition, all amounts payable pursuant to Section 12.14 of the Authority Indenture (“Policy Costs”) are payable from and secured by a lien on and pledge of the same revenues and collateral pledged to the Bonds subordinate only to the payment of debt service on the Bonds and BAM Reimbursement Amounts.

BAM is recognized and shall be deemed to be a third party beneficiary of this Agreement and may enforce the provisions of this Agreement as if it were a party hereto.

## **Community Facilities District No. 12 Bond Indenture**

### **Definitions.**

Unless the context otherwise requires, the capitalized terms used in the Indenture shall for all purposes of the Bond Indenture, have the meanings specified in the Indenture or in the Authority Indenture, to be equally applicable to both the singular and plural forms of any of the terms defined in the Indenture.

“2007 Authority Bonds” has the meaning given such term in the 2007 Authority Indenture.

“2007 Authority Indenture” means that Indenture of Trust, dated as of April 1, 2007, by and between the Authority and 2007 Authority Trustee pertaining to the 2007 Authority Bonds.

“2007 Bonds” means the \$7,689,087.48 Poway Unified School District Community Facilities District No. 12 2007 Special Tax Bonds issued pursuant to the Indenture.

“2013 Authority Administrative Expense Fund” has the meaning given the term “Authority Administrative Expense Fund” in the 2013 Authority Indenture.

“2013 Authority Administrative Expenses” has the meaning given the term “Authority Administrative Expenses” in the 2013 Authority Indenture.

“2013 Authority Indenture” means that Indenture of Trust, dated as of April 1, 2013, by and between the Authority and the 2013 Authority Trustee pertaining to the 2013 Authority Bonds.

“2013 Authority Reserve Fund” means the Reserve Fund established pursuant to the 2013 Authority Indenture.

“2013 Authority Reserve Requirement” has the meaning given to the term “Reserve Requirement” in the 2013 Authority Indenture.

“2013 Authority Trustee” means Zions Bank, a division of ZB, National Association, acting in its capacity as trustee pursuant to the 2013 Authority Indenture.

“2013 Bonds” is amended to mean the \$4,430,000 Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and The Clusters) Special Tax Bonds, Series 2013 or any special tax refunding bonds for which annual debt service is less in each Bond Year during the term of such bonds than the corresponding annual debt service on the 2013 Bonds.

“2013 Excess Authority Rebate Obligation” means that portion of any obligation of the Authority to make a payment to the United States pursuant to Section 5.09 of the 2013 Authority Indenture that exceeds the funds then on deposit in the Rebate Fund established pursuant to the 2013 Authority Indenture.

“2013 Funding Agreement” means the Funding Allocation Agreement, dated as of May 1, 2013, among the Authority, the School District and the Community Facilities Districts.

“2013 Proportionate Share” has the meaning given the term “Proportionate Share” in the 2013 Funding Agreement.

“2013 Rebate Fund” means the Rebate Fund established pursuant to the 2013 Authority Indenture.

“2016 Authority Administrative Expense Fund” has the meaning given the term “Authority Administrative Expense Fund” in the 2016 Authority Indenture.

“2016 Authority Administrative Expenses” has the meaning given the term “Authority Administrative Expenses” in the 2016 Authority Indenture.

“2016 Authority Bonds” means the \$46,770,000 Poway Unified School District Public Financing Authority Revenue Bonds, Series 2016A issued pursuant to the 2016 Authority Indenture.

“2016 Authority Indenture” means that Indenture of Trust, dated as of August 1, 2016, by and between the Authority and the Authority Trustee pertaining to the 2016 Authority Bonds.

“2016 Authority Reserve Fund” means the Reserve Fund established pursuant to the 2016 Authority Indenture.

“2016 Authority Reserve Requirement” has the meaning given to the term “Reserve Requirement” in the 2016 Authority Indenture.

“2016 Authority Trustee” means Zions Bank, a division of ZB, National Association, acting in its capacity as trustee pursuant to the 2016 Authority Indenture.

“2016 Bonds” means the \$6,635,000 Poway Unified School District Community Facilities District No. 12 Special Tax Refunding Bonds, Series 2016.

“2016 Excess Authority Rebate Obligation” means that portion of any obligation of the Authority to make a payment to the United States pursuant to Section 5.08 of the 2016 Authority Indenture that exceeds the funds then on deposit in the Rebate Fund established pursuant to the 2016 Authority Indenture.

“2016 Funding Agreement” means the Funding Allocation Agreement, dated as of July 1, 2016, among the Authority, the School District and Community Facilities District Nos. 4, 8, 9, 10 and 12 of the School District.

“2016 Proportionate Share” shall have the meaning given the term “Proportionate Share” in the 2007 Funding Agreement.

“2016 Rebate Fund” means the Rebate Fund established pursuant to the 2016 Authority Indenture.

“Act” means the “Mello-Roos Community Facilities Act of 1982,” as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California.

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

“Administrative Expenses” is amended to mean (a) the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County of San Diego, the School District or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent required under the Indenture; the costs of the School District, the District, or any designee thereof of complying with School District, District or obligated person disclosure requirements associated with applicable federal or state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the School District, District, or any designee thereof related to an appeal of the Special Tax; and the costs of any credit enhancement obtained by the School District or the District and (b) the District’s 2016 Proportionate Share of the 2016 Authority Administrative Expenses and the District’s 2013 Proportionate Share of the 2013 Authority Administrative Expenses. Administrative Expenses shall also include Delinquency Collection Expenses.

“Administrative Expense Requirement” means an annual amount equal to \$47,105.65, which amount shall escalate by 2% in each Bond Year commencing in the Bond Year beginning September 2, 2017 until the defeasance or maturity thereof.

“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.

“Authority” means the Poway Unified School District Public Financing Authority.

“Authority Administrative Expense Fund” means as to the 2013 Authority Bonds, the 2013 Authority Administrative Expense Fund, and as to the 2016 Authority Bonds, the 2016 Authority Administrative Expense Fund.

“Authority Administrative Expenses” is amended to mean, as to the 2013 Authority Bonds, the 2013 Authority Administrative Expenses, and, as to the 2016 Authority Bonds, the 2016 Authority Administrative Expenses.

“Authority Indenture” is amended to mean, as to the 2013 Authority Bonds, the 2013 Authority Indenture, and as to the 2016 Authority Bonds, the 2016 Authority Indenture.

“Authority Reserve Fund” is amended to mean, as to the 2013 Authority Bonds, the 2013 Authority Reserve Fund, and as to the 2016 Authority Bonds, the 2016 Authority Reserve Fund.

“Authority Reserve Requirement” is amended to mean, as to the 2013 Authority Bonds, the 2013 Authority Reserve Requirement, and as to the 2016 Authority Bonds, the 2016 Authority Reserve Requirement.

“Authority Trustee” is amended to mean as to the 2013 Authority Bonds, the 2013 Authority Trustee, and as to the 2016 Authority Bonds, the 2016 Authority Trustee.

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

“Available Special Tax Revenues” shall have the meaning given such term in the Joint Acquisition Agreement.

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

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

“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 for each Series of the Bonds 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” or “CFD No. 12 Bonds” means the 2007 Bonds and any Parity Bonds authorized and issued by and 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. 12 Available Special Tax Revenue Account” means the Available Special Tax Revenue Account of Community Facilities District No. 12 established by the Joint Acquisition Agreement Fiscal Agent in the Available Special Tax Revenue Fund pursuant to the Joint Acquisition Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Comptroller of the Currency” means the Comptroller of the Currency of the United States.

“Costs of Issuance” means, as to each Series of the Bonds, all of costs of issuing such 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 A. of the definition of Permitted Investments.

“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 Tax 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, as to the 2016 Bonds, August 18, 2016.

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

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

“District” or “CFD No. 6” means Poway Unified School District Community Facilities District No. 6.

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

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

“Escrow Agreement” means that Escrow Deposit and Trust Agreement, dated as of August 1, 2016, between the Authority and the Escrow Agent related to the defeasance and refunding of the 2007 Authority Bonds.

“First Supplemental Indenture” means the First Supplemental Indenture, dated as of May 1, 2013, entered into by and between the District and the Fiscal Agent, pursuant to and in order to amend and supplement the Indenture to provide for the issuance of the 2013 Bonds.

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

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

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

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

“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.

“Insured Obligations” shall mean the 2016 Authority Bonds maturing on September 1, 2032.

“Interest Account” means the account by that name established within the Bond Service Fund pursuant to the Indenture.

“Interest Payment Date” is amended to mean March 1 and September 1 of each year, as to the 2013 Bonds and March 1 and September 1 as to the 2016 Bonds commencing March 1, 2017.

“Joint Acquisition Agreement” means the Joint Acquisition Agreement, dated as of February 1, 2014, by and among the Authority, Poway Unified School District Community Facilities District No. 2 (Subarea IV – Torrey Highlands), Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch), Poway Unified School District Community Facilities District No. 6 (4S Ranch), Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II), Poway Unified School District Community Facilities District No. 9 (Portswood), Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV), Poway Unified School District Community Facilities District No. 12 (Black Mountain Ranch Phase II – Southern Village and Clusters), Poway Unified School District Community Facilities District No. 13 (The Lakes), Community Facilities District No. 14 (Del Sur) and Poway Unified School District Community Facilities District No. 15 (Del Sur East) and Zions Bank, a division of ZB, National Association as fiscal agent thereunder.

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

“Land Secured Debt” means as to any Taxable Property (as such term is defined in the Special Tax RMA), (a) the principal amount of all Outstanding 2007 Bonds, Outstanding Parity Bonds previously issued and the Parity Bonds proposed to be issued allocable to such Taxable Property, (b) the principal amount of all other bonds secured by special taxes allocable to such Taxable Property, and (c) the amount of all fixed lien assessments levied on such Taxable Property.

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

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

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

“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 for each Series of 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 hereof; 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 in the Indenture after 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 2007 Bonds.

“Permitted Investments” is amended, as to the 2016 Bonds, to have the meaning given such term in the 2016 Authority Indenture.

“Policy” shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

“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.

“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 2650, Los Angeles, CA 90071, or such other offices as may be specified to the District by the Fiscal Agent in writing.

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

“Rebate Fund” is amended to mean as to the 2013 Authority Bonds, the 2013 Rebate Fund, and as to the 2016 Authority Bonds, the 2016 Rebate Fund.

“Record Date” means the fifteenth (15th) calendar day of the month immediately preceding an Interest Payment Date whether or not such day is a Business Day.

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

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

“Reserve Insurer” means BAM, or any successor thereto.

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

“School District” means the Poway Unified School District.

“School Facilities” means those school facilities authorized to be financed by the District pursuant to Resolution No. 113-2002 and Resolution No. 114-2002 adopted by the Board of Education forming the District and determining the necessity to incur a bonded indebtedness within the District to finance such school facilities.

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

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

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

“Special Tax 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 the following revenues received by the District on and after July 1, 2007: (a) the proceeds of the Special Tax levied and received by the District, (b) the Delinquency Proceeds, and (c) Prepayments.

“Special Tax RMA” means the rate and method of apportionment of the Special Tax approved at the special election held in the District on June 24, 2002, as may be modified from time to time in accordance with the Act.

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

“Standard & Poor’s” or “S&P” means S&P Global 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.

“Second Supplemental Indenture” means the Second Supplemental Indenture, dated as of August 1, 2016, entered into by and between the District and the Fiscal Agent, pursuant to and in order to amend and supplement the Indenture to provide for the issuance of the 2016 Bonds.

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

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

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

### **Issuance of Parity Bonds.**

Subject to the satisfaction of the specific conditions set forth in the Indenture, the District may at any time after the issuance and delivery of the 2007 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 Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be used for the purpose of financing additional School Facilities Costs or refunding all or a portion of the Bonds or any Parity Bonds then outstanding.

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

A. The aggregate principal amount of the 2007 Bonds and all Parity Bonds issued may not exceed \$18,000,000; provided, however, that, notwithstanding the foregoing, Parity Bonds may be issued at any time to refund Outstanding Bonds where the issuance of such Parity Bonds results in a reduction of Annual Debt Service on all Outstanding Bonds.

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

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

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

2. The authorized principal amount of such Parity Bonds;

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

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

5. The denominations and method of numbering of such Parity Bonds;

6. The amount and due date of each mandatory sinking fund payment, if any, for such Parity Bonds;

7. The amount, if any, to be deposited from the proceeds of such Parity Bonds in (a) the Authority Reserve Fund to increase the amount in the Indenture to equal the Proportionate Share of the Authority Reserve Requirement allocable to the Outstanding Bonds, including such Parity Bonds, on the Delivery Date of such Parity Bonds or (b) a separate reserve fund established pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds to fund the amount equal to the reserve requirement for such Parity Bonds which shall, as of any date of calculation, equal to the least of: (i) 10% of the initial principal amount of such Parity Bonds less the



original issue discount, if any, plus the original issue premium, if any, applicable to such Parity Bonds; (ii) Maximum Annual Debt Service on such Parity Bonds; or (iii) 125% of average Annual Debt Service on such Parity Bonds;

8. The form of such Parity Bonds; and

9. Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

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

1. A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

2. A written request of the District as to the delivery of such Parity Bonds;

3. An opinion of Bond Counsel to the effect that (a) the District has the right and power under the Act to adopt the Supplemental Indenture relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Special Tax Revenues and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds, the Bonds and Parity Bonds theretofore issued;

4. A certificate of an Authorized Representative containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

5. A certificate of an Authorized Representative certifying that the District has received a certificate from one or more Independent Financial Consultants which, when taken together, certify that:

(a) the amount of the maximum Special Taxes that may be levied pursuant to the Special Tax RMA in each remaining Bond Year based only on the Developed Property (as such term is defined in the Special Tax RMA) existing as of the date of such certificate is at least 1.10 times Annual Debt Service for each remaining Bond Year on all Outstanding Bonds theretofore issued and the Parity Bonds proposed to be issued; provided that, for purposes of making the certifications required by the Indenture, the Independent Financial Consultant may rely on reports or certificates of such other persons as may be acceptable to the District, Bond Counsel and the underwriter of the proposed Parity Bonds;

(b) the aggregate assessed value of all Developed Property within the District as shown on the latest assessment roll maintained by the County Assessor of the County of San Diego is not less than four (4) times the aggregate amount of Land Secured Debt allocable to such Developed Property; and

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

#### **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 the Indenture, 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, 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 if any Parity Bonds shall be subject to mandatory sinking fund redemption pursuant to a Supplemental Indenture, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date or are subject to mandatory sinking fund redemption pursuant to the Supplemental Indenture providing for the issuance of such Parity Bonds.

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 to a deficiency in the amount of debt service received by the Authority, or the Trustee as assignee of 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 2016 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. 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. 12 Available Special Tax Revenue Account.

C. The Fiscal Agent shall, upon receipt of Special Tax Revenues representing Prepayments together with written instructions of the District executed by an Authorized Representative, immediately transfer such Prepayments pursuant to such written instructions into the Interest Account of the Bond Service Fund and the

Redemption Fund, as applicable, and utilize such funds to pay the interest and premium, if any, on and principal of Bonds to be redeemed pursuant to the Indenture. The Fiscal Agent may conclusively rely upon such instructions.

D. When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Special Tax Fund shall be transferred to the Authority Trustee if the Authority Bonds remain outstanding or, if the Authority Bonds are no longer outstanding, 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.

#### **Redemption Fund.**

Moneys shall be deposited into the Redemption Fund by the Fiscal Agent pursuant to the terms of the Indenture and shall be set aside and used solely for the purpose of redeeming Bonds in accordance with written instructions of the District executed by an Authorized Representative given in accordance with the Indenture. 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 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 in substantially the form attached hereto as Exhibit C specifying the name and address of the payee and the amount of the Administrative Expense and a description thereof and further stating that such request has not formed the basis of any prior request for payment; or (ii) for transfer to the Authority Trustee from time to time for payment of the District's Proportionate Share of the 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 the Indenture of the definition of Permitted Investments. Notwithstanding anything in the Indenture to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in the Indenture of the definition of Permitted Investments. Any Permitted Investments that are registerable securities shall be registered in the name of the Trustee or its nominee.

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

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

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

### **Supplemental Indentures.**

#### **Amendments or Supplements.**

The Legislative Body may, by adoption of a resolution from time to time, and at any time but without notice to or consent of any of the Bondowners, approve a Supplemental Indenture 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 in the Indenture or to make any other provision with respect to matters or questions arising under the Indenture or in any Supplemental Indenture, provided that such action shall not have a material adverse effect on the interests of the Bondowners;

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

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

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

(e) to provide for the issuance of Parity Bonds pursuant to the terms of the Indenture.

Exclusive of the Supplemental Indentures hereto provided for in the Indenture, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture 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 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 shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments. Notwithstanding anything in the Indenture to the contrary, no Supplemental Indenture shall be entered into which would modify the duties of the Fiscal Agent under the Indenture without the prior written consent of the Fiscal Agent.

After the effective date of any action taken as provided above, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for that purpose at the 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 below; provided, however, that said covenants do not require the District to expend any funds other than the Special Tax Revenues.

A. On or before June 1 of each Fiscal Year, the District will review the public records of the County of San Diego, California, in connection with the Special Tax levied in such Fiscal Year to determine the amount of Special Tax actually collected in such Fiscal Year. If the District determines that (i) any single parcel subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$1,000 or more, or (ii) any single parcel or parcels under common ownership subject to the Special Tax are delinquent in the payment of Special Taxes in the aggregate of \$10,000 or more, the District shall, not later than forty five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to the Indenture and for which the Special Taxes remain delinquent. With respect to aggregate delinquencies throughout the District, if the District determines that it has collected less than 95% of the Special Taxes levied in the such Fiscal Year, then the District shall, not later than forty-five (45) days of such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of each delinquent parcel (regardless of the amount of such delinquency). The District will cause judicial foreclosure proceedings to be commenced and filed in the superior court not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to the Indenture and for which the Special Taxes remain delinquent.

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

C. Except for Parity Bonds issued pursuant to the provisions of 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 in the Indenture authorized. Nothing in the Indenture, however, 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 in the Indenture provided.

E. The District shall comply with all requirements of the Act so as to assure the timely collection of the Special Taxes. The District shall annually ascertain the parcels on which the Special Taxes are to be levied in the following Fiscal Year, taking into account any subdivisions of parcels during the current Fiscal Year. The District shall effect the levy of the Special Tax in accordance with the Special Tax RMA and the Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County of San Diego before the final date on which the Auditor of the County of San Diego will accept the transmission of the Special Tax for the parcels within the District for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Special Tax levy, the District shall prepare or cause to be prepared, and shall transmit or cause to be transmitted to the Auditor of the County of San Diego, such data as such Auditor requires to include the levy of the Special Tax on the next real property tax roll.

The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that, absent the certification described below, a reduction in the Maximum Special Tax (as such term is defined in the Special Tax RMA) authorized to be levied below the levels provided would interfere with the timely retirement of the Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the Maximum Special Tax, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Special Tax RMA) of Developed Property (as such term is defined in the Special Tax RMA) in each Fiscal Year will equal at least 110% of the gross debt service on all Bonds to remain Outstanding after the reduction is approved and will not reduce the Maximum Special Tax payable from Assessor's Parcels of Developed Property is located to less than 110% of Maximum Annual Debt Service; and (ii) the Board of Education, acting as the Legislative Body of the District, finds pursuant to the Indenture that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. Any reduction in the Maximum Special Tax approved pursuant to the preceding sentence may be approved without the consent of the Owners of the Bonds.

The District covenants that, in the event that any initiative is adopted by the qualified electors 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 in the Indenture provided for.

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 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 under the Indenture shall be deemed to be modified to that extent.

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

J. Not later than October 30 of each year, commencing October 30, 2007, and until October 30 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 (exclusive of the Rebate Fund) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable; or

(c) by depositing with an escrow bank appointed by the District, in trust, 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 (exclusive of the Rebate Fund) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

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

To accomplish such defeasance, the District shall cause to be delivered: (i) a report of the Independent Accountant verifying the determination made pursuant to 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.

Notwithstanding the foregoing, so long as the 2007 Bonds are owned by the Authority, the 2007 Bonds shall be discharged and the pledge of the Special Tax Revenues and all covenants, agreements and other obligations of the District provided for with respect to the 2007 Bonds will terminate upon the defeasance of the 2007 Authority Bonds pursuant to the terms of the 2007 Authority Indenture; so long as the 2013 Bonds are owned by the Authority, the 2013 Bonds shall be discharged and the pledge of the Special Tax Revenues and all covenants, agreements and other obligations of the District provided for with respect to the 2013 Bonds will terminate upon the defeasance of the 2013 Authority Bonds pursuant to the terms of the 2013 Authority Indenture; and so long as the 2016 Bonds are owned by the Authority, the 2016 Bonds shall be discharged and the pledge of the Special Tax Revenues and all covenants, agreements and other obligations of the District provided for with respect to the 2016 Bonds will terminate upon the defeasance of the 2016 Authority Bonds pursuant to the terms of the 2016 Authority Indenture.

#### **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 in the Indenture expressed, by proceedings for redemption, by declaration or otherwise.

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

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

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

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

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity 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 Mello-Roos 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 this Article or in any other provision of the Indenture or the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners thereof at the respective dates of maturity, as in the Indenture provided, out of the Net Special Tax Revenue pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Indenture. The principal of the Bonds shall not be subject to acceleration under the Indenture.

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

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

No remedy 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.

**Rights of BAM.**

So long as the Policy or the Reserve Policy remain in force and effect or any amounts are owed to BAM, the following provisions shall govern and control, notwithstanding anything to the contrary contained herein.

The District covenants and agrees to reimburse BAM for all amounts due and payable to the Insurer pursuant to Sections 12.10 and 12.14 of the Authority Indenture. All amounts payable pursuant to Section 12.10 of the 2016 Authority Indenture (“BAM Reimbursement Amounts”) are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the 2016 Bonds on parity with debt service due on the 2016 Bonds. In addition, all amounts payable pursuant to Section 12.14 of the 2016 Authority Indenture (“Policy Costs”) are payable from and secured by a lien on and pledge of the same revenues and collateral pledged to the 2016 Bonds subordinate only to the payment of debt service on the 2016 Bonds and BAM Reimbursement Amounts.

BAM is recognized and shall be deemed to be a third party beneficiary of this Agreement and may enforce the provisions of this Agreement as if it were a party hereto.

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and entered into as of August 1, 2016, by and among the Poway Unified School District Public Financing Authority (the “Authority”), Zions Bank, a division of ZB, National Association, a national banking association, organized and existing under and by virtue of the laws of the United States of America (the “Bank”), in its capacity as Trustee (the “Trustee”), and Cooperative Strategies, LLC, a California limited liability company, in its capacity as Dissemination Agent (the “Dissemination Agent”), under this Disclosure Agreement in connection with the issuance of the Poway Unified School District Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2016A (the “Bonds”);

#### WITNESSETH:

**WHEREAS**, pursuant to the Indenture of Trust, dated as of August 1, 2016 (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 \$46,770,000; and

**WHEREAS**, the Bonds are being issued to acquire five 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 August 1, 2016, each by and between the applicable District (as defined below) and Zions Bank, a division of ZB, National Association, 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 applicable District or Improvement Area B (as defined below);

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

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

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

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

“Annual Report Date” shall mean January 31 next following the end of the Authority’s fiscal year, which fiscal year end, as of the date of this Disclosure Agreement, is 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 Authority, or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Dissemination Agent from time to time.

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

“District” or “Districts” means Poway Unified School District Community Facilities District No. 4 (Black Mountain Ranch), Poway Unified School District Community Facilities District No. 8 (Black Mountain Ranch Phase II), Poway Unified School District Community Facilities District No. 9 (Portswood), Poway Unified School District Community Facilities District No. 10 (Torrey Highlands – Subarea IV) and Poway Unified School District Community Facilities District No.12 (Black Mountain Ranch Phase II – Southern Village and The Clusters).

“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 B” shall mean Improvement Area B of the Poway Unified School District Community Facilities District No. 8.

“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, as the original underwriter of the Bonds required to comply with the Rule.

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

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

### Section 3. Provision of Annual Reports.

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

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

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the electronic filing requirements of the MSRB for the Annual Reports;

(ii) provide any Annual Report received by it to the MSRB through the EMMA System, the Trustee and the Fiscal Agent as provided herein; and

(iii) if the Dissemination Agent is other than the Authority and to the extent it can confirm such filing of an Annual Report, file a report with the Authority, the Trustee and the Fiscal Agent certifying that an Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

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

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

(b) 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; and

(iii) Balance in the Reserve Fund and statement of Reserve Requirement as of a date within 60 days preceding the date of the Annual Report.

(c) With respect to each District, the Annual Report shall provide the following information with respect to such District and its applicable CFD Bonds:

(i) A table or tables summarizing assessed value-to-lien ratios for the property in the District or Improvement Area B, as applicable, based on the applicable land use categories under the applicable Rate and Method of Apportionment of Special Taxes. The assessed values in such table or tables will be determined by reference to the value of the parcels within such District or

Improvement Area B, as applicable, on which the Special Taxes are levied, as shown on the assessment roll of the San Diego County Assessor last equalized prior to the September 30 next preceding the Annual Report Date. The lien values in such table or tables will include all CFD Bonds outstanding as of date within 60 days preceding the date of the Annual Report, any refunding bonds relate to the Bonds and overlapping land secured debt;

(ii) Information regarding the amount of the annual special taxes levied with respect to the District or Improvement Area B, as applicable, 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 recently completed fiscal year;

(iii) A land ownership summary listing property owners, if any, responsible for more than 5% of the Special Tax levy for the District or Improvement Area B, 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 such District owned by such property owners, and the assessed value of such property, as shown on such assessment roll;

(iv) Concerning parcels within a District or Improvement Area B, as applicable, delinquent in the payment of Special Taxes to the District as of a date on or about the immediately preceding July 1 (if applicable), status of foreclosure proceedings, if any, and summary of results of foreclosure sales, if applicable;

- number of parcels in the District or Improvement Area B, as applicable, 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 such District related to any foreclosure proceedings upon delinquent properties within such District or Improvement Area B, as applicable;

(v) Identity of any delinquent taxpayer of the District or Improvement Area B, as applicable, obligated for greater than 5% of the annual Special Tax levy as of the immediately preceding November 1, if applicable, plus:

- assessed value of applicable properties, and
- summary of results of foreclosure sales, if available,

(vi) A copy of any report or reports for or concerning the District or Improvement Area B, as applicable, with respect to such District or Improvement Area B, as applicable, as of the immediately preceding October 31 required under State law (e.g., any report filed with the California Debt Investment and Advisory Commission or with the State Controller);

(vii) Any changes to the Rate and Method of Apportionment of Special Tax with respect to the District or Improvement Area B, as applicable, approved or submitted to the qualified electors of such District for approval prior to the filing of the Annual Report;

(viii) With respect to the District or Improvement Area B, as applicable, the following information:

- The amount of bonds issued with respect to such District or Improvement Area B, as applicable,
- The date of issuance of such bonds of such District or Improvement Area B, as applicable, and
- Balance as of a date within 60 days preceding the date of the Annual Report, of any other fund not referenced above; and

(ix) At the time of issuance, the Special Taxes of the District and Improvement Area B are not included in the County's Teeter Plan – provide a statement as to whether or not the Special Taxes of the District or Improvement Area B 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 Authority shall provide such further information, if any, as may be necessary to make the statements required under this Section, 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 Districts or related public entities, which have been submitted to the MSRB through the EMMA System or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Listed Events.

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

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

(x) Release, substitution or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;<sup>(1)</sup>

(xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

Section 6. Termination of Reporting Obligation. All of the Authority’s obligations hereunder shall terminate upon the earliest to occur of (i) the legal defeasance of the Bonds, (ii) prior redemption of the Bonds, or (iii) payment in full of all Bonds. If such termination occurs prior to the final maturity of

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<sup>(1)</sup> For the purposes of the event identified in subparagraph (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.



the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

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

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

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, 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 Authority to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(e).

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

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

Section 11. Duties, Immunities and Liabilities of Trustee 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 Districts. The Dissemination Agent shall have no obligation to make any disclosure concerning the Bonds, the CFD Bonds, the Authority, the Districts or Improvement Area B, as applicable, 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 Authority, a Districts or any other party, apart from the relationship created by the Authority Indenture, the CFD Bond Indentures or 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 Districts, except in its respective capacities under such agreements. No provision of this Disclosure Agreement shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may conclusively rely on the determination of the Authority as to the materiality of any event for purposes of Section 5 hereof. Neither the Trustee nor the Dissemination Agent make any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Authority's obligations under this Section shall survive the termination of this Disclosure Agreement.

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

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

If to the Authority	Poway Unified School District Public Financing Authority 15250 Avenue of Science San Diego, California 92128-3406 Telephone: 858/679-2778 Telecopier: 858/485-1388 Attention: Associate Superintendent, Business Support Services
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If to the Dissemination Agent:	Cooperative Strategies, LLC 8955 Research Drive Irvine, California 92618 Telephone: 949/250-8300 Telecopier: 949/250-8301
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If to the Trustee:	Zions Bank, a division of ZB, National Association 550 South Hope Street, Suite 2875 Los Angeles, California 90071 Telephone: 213/593-3150 Telecopier: 213/593-3160
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*provided however*, that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The parties may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.

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

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

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

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

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

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

POWAY UNIFIED SCHOOL DISTRICT PUBLIC  
FINANCING AUTHORITY

By: \_\_\_\_\_  
Authorized Officer

ZIONS BANK, A DIVISION OF ZB, NATIONAL  
ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Officer

COOPERATIVE STRATEGIES, LLC,  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

[EXECUTION PAGE OF CONTINUING DISCLOSURE AGREEMENT]

**EXHIBIT A**

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF  
FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Poway Unified School District Public Financing Authority

Name of Obligated Person: Poway Unified School District Public Financing Authority

Name of Bond Issue: Poway Unified School District Public Financing Authority  
Special Tax Revenue Refunding Bonds, Series 2016A

Date of Issuance: August \_\_, 2016

NOTICE IS HEREBY GIVEN that the Poway Unified School District Public Financing Authority (the "Authority") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of August 1, 2016, by and among the Authority, Zions Bank, a division of ZB, National Association, as Trustee, and Cooperative Strategies, LLC, as Dissemination Agent. [\_\_\_\_\_ anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_, 20\_\_

Cooperative Strategies, LLC, as Dissemination  
Agent, on behalf of the Poway Unified School  
District Public Financing Authority

cc: Poway Unified School District Public Financing Authority  
Stifel, Nicolaus & Company, Incorporated  
Zions Bank, a division of ZB, National Association

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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: \$46,770,000**  
**POWAY UNIFIED SCHOOL DISTRICT PUBLIC FINANCING AUTHORITY**  
**SPECIAL TAX REVENUE REFUNDING BONDS, SERIES 2016A**

#### 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 2016A in the aggregate principal amount of \$46,770,000 (the "2016A Bonds"). The 2016A 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 May 31, 2016 (the "Resolution of Issuance"), and an Indenture of Trust, dated as of August 1, 2016 (the "Indenture"), and entered into by and between the Authority and Zions Bank, a division of ZB, National Association, as trustee. Capitalized terms used herein, but not defined herein, have the meanings ascribed to those terms in the Indenture.

The 2016A Bonds are special, limited obligations of the Authority. The 2016A 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 2016A 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 2016A 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 2016A 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 2016A Bonds.

4. The 2016A 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 2016A Bonds is excluded from gross income for purposes of federal income taxation. Interest on the 2016A 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 2016A 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 2016A Bonds are subject to the condition that the Authority and Poway Unified School District Community Facilities District No. 4 (“CFD No. 4”), Poway Unified School District Community Facilities District No. 8 (“CFD No. 8”), Poway Unified School District Community Facilities District No. 9 (“CFD No. 9”), Poway Unified School District Community Facilities District No. 10 (“CFD No. 10”) and Poway Unified School District Community Facilities District No. 12 (“CFD No. 12”) (collectively, the “CFDs”), 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 2016A 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 2016A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016A Bonds. The Authority and the CFDs 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 2016A 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 2016A Bonds terminates upon the issuance of the 2016A 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

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## 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 Districts and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

#### **Procedures and Record Keeping**

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of

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

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

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Authority 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 Authority, 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 Authority 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 Authority 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 Authority 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 Authority believes to be reliable, but the Authority 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 Authority determines that DTC shall no longer act and delivers a written certificate to the Trustee to that effect, then the Authority will discontinue the Book-Entry System with DTC for the Bonds. If the Authority determines to replace DTC with another qualified securities depository, the Authority 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 Authority 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 Authority 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 Authority 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 Authority and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.*

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**APPENDIX H**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



**CALIFORNIA**  
**ENDORSEMENT TO**  
**MUNICIPAL BOND**  
**INSURANCE POLICY**  
**NO.**

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

\_\_\_\_\_  
Authorized Officer