



**SAN DIEGUITO SCHOOL
FACILITIES FINANCING AUTHORITY
BOARD OF DIRECTORS
MEETING**

Board of Trustees
Joyce Dalessandro
Beth Hergesheimer
Amy Herman
Maureen "Mo" Muir
John Salazar

Interim Superintendent
Eric R. Dill

THURSDAY, SEPTEMBER 15, 2016
IMMEDIATELY FOLLOWING REGULAR BOARD MTG

SAN DIEGUITO HIGH SCHOOL ACADEMY, MEDIA CENTER
800 SANTA FE DRIVE, ENCINITAS, CA 92024

Welcome to the meeting of the San Dieguito School Facilities Financing Authority of the San Dieguito Union High School District.

PUBLIC COMMENTS

If you wish to speak regarding an item on the agenda, please complete a speaker slip located at the sign-in desk and present it to the Secretary to the Board prior to the start of the meeting. When the Board Chair invites you to the podium, please state your name before making your presentation.

In the interest of time and order, presentations from the public are limited to three (3) minutes per person, per topic. The total time for agenda items shall not exceed twenty (20) minutes. An individual speaker's allotted time may not be increased by a donation of time from others in attendance.

In accordance with the Brown Act, unless an item has been placed on the published agenda, there shall be no action taken. The Board may 1) acknowledge receipt of the information, 2) refer to staff for further study, or 3) refer the matter to the next agenda.

PUBLIC INSPECTION OF DOCUMENTS

In compliance with Government Code 54957.5, agenda-related documents that have been distributed to the Board less than 72 hours prior to the Board Meeting will be available for review on the district website, www.sduhsd.net and/or at the district office. Please contact the [Office of the Superintendent](#) for more information.

CLOSED SESSION

The Board may meet in Closed Session to consider qualified matters of litigation, employee negotiations, student discipline, employee grievances, personnel qualifications, or real estate negotiations which are timely.

CELL PHONES / ELECTRONIC DEVICES

As a courtesy to all meeting attendees, please set cell phones and electronic devices to silent mode and engage in conversations outside the meeting room.

In compliance with the Americans with Disabilities Act, if you need special assistance, disability-related modifications, or accommodations, including auxiliary aids or services, in order to participate in the public meetings of the District's Governing Board, please contact the [Office of the Superintendent](#). Notification 72 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accommodation and accessibility to this meeting. Upon request, the District shall also make available this agenda and all other public records associated with the meeting in appropriate alternative formats for persons with a disability.

**BOARD OF DIRECTORS
SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY
MEETING**

AGENDA

THURSDAY, SEPTEMBER 15, 2016

IMMEDIATELY FOLLOWING REGULAR BOARD MTG

**SAN DIEGUITO HIGH SCHOOL ACADEMY, MEDIA CENTER
800 SANTA FE DRIVE, ENCINITAS, CA 92024**

A meeting of the San Dieguito School Facilities Financing Authority of the San Dieguito Union High School District has been scheduled for Thursday, September 15, 2016, ***immediately following the 6:30 pm Regular Meeting of the San Dieguito Union High School District Board of Trustees***, at the location noted above.

1. CALL TO ORDER
2. PUBLIC COMMENTS

In accordance with the Brown Act, unless an item has been placed on the published agenda, there shall be no action taken. The Board may 1) acknowledge receipt of the information, 2) refer to staff for further study, or 3) refer the matter to the next agenda. (*See Board Agenda Cover Sheet*)

DISCUSSION / ACTION ITEMS

3. ADOPTION OF RESOLUTIONS / BYLAWS, OFFICERS, TIME & PLACE OF MEETINGS, CONFLICT OF INTEREST, RETENTION OF COUNSEL / AND ISSUANCE OF SPECIAL TAX REVENUE BONDS, SERIES 2016 / DECLARATION OF INTENT TO REIMBURSE PROJECT EXPENDITURES WITH BOND PROCEEDS
 - A. ADOPTION OF RESOLUTION / BYLAWS, OFFICERS, TIME & PLACE OF MEETINGS, CONFLICT OF INTEREST, RETENTION OF COUNSEL

Motion by _____, second by _____, to adopt the Resolution adopting by-laws of The Authority; confirming members of the Board of Directors of The Authority; establishing the time and place of regular meetings of The Authority; adopting a conflict of interest code; and retaining counsel for The Authority, as shown in the attached supplements.

 - Roll Call
 - B. ADOPTION OF RESOLUTION / ISSUANCE OF SUBORDINATE SPECIAL TAX REVENUE BONDS, SERIES 2016

Motion by _____, second by _____, to adopt the Resolution authorizing the issuance and sale of subordinate special tax revenue bonds; approving forms of documents and authorizing execution thereof; and authorizing related actions necessary to implement the proposed refunding program, as shown in the attached supplements.

 - Roll Call

C. ADOPTION OF RESOLUTION / DECLARATION OF INTENT TO REIMBURSE PROJECT EXPENDITURES WITH BOND PROCEEDS

Motion by _____, second by _____, to adopt the Resolution declaring The Authority's official intent to reimburse project expenditures with bond proceeds and related actions, as shown in the attached supplement.

- Roll Call

4. ADJOURNMENT

San Dieguito School Facilities Financing Authority

INFORMATION REGARDING BOARD AGENDA ITEM

TO: BOARD OF DIRECTORS

DATE OF REPORT: September 6, 2016

BOARD MEETING DATE: September 15, 2016

PREPARED BY: John Addleman, Exec. Director of Planning Services

SUBMITTED BY: Eric Dill, Controller and Treasurer

SUBJECT: ADOPTION OF RESOLUTION ADOPTING BY-LAWS OF THE AUTHORITY; CONFIRMING MEMBERS OF THE BOARD OF DIRECTORS OF THE AUTHORITY; ESTABLISHING THE TIME AND PLACE OF REGULAR MEETINGS OF THE AUTHORITY; ADOPTING A CONFLICT OF INTEREST CODE; AND RETAINING COUNSEL FOR THE AUTHORITY / ADOPTION OF RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SPECIAL TAX REVENUE BONDS; APPROVING FORMS OF DOCUMENTS AND AUTHORIZING EXECUTION THEREOF; AND AUTHORIZING RELATED ACTIONS NECESSARY TO IMPLEMENT THE PROPOSED REFUNDING PROGRAM / ADOPTION OF RESOLUTION DECLARING THE AUTHORITY'S OFFICIAL INTENT TO REIMBURSE PROJECT EXPENDITURES WITH BOND PROCEEDS AND RELATED ACTIONS

EXECUTIVE SUMMARY

As presented in the April 21, 2016 Board Workshop, the District intends to secure new project funds from CFD 94-2 and CFD 03-1 by way of new Special Tax Revenue Bonds (Bonds).

The District's long term school facilities masterplan provides for safe, modern schools to prepare students for success in college and careers by repairing and upgrading outdated classrooms and schools, construction of and upgrading school facilities, including classrooms, science labs, and learning commons, improving safety and security, improving sustainability, and supporting instruction with 21st Century instructional technology and facilities. Pursuant to each CFD's qualified facilities, these bonds would assist the District in carrying out its masterplan by:

- Contributing towards the construction of:

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- a new physics classroom building at Canyon Crest Academy,
 - a new performing arts complex at Torrey Pines High School, and
 - a classroom building at Pacific Trails Middle School to accommodate growth
- Making improvements to perimeter security at all school sites
 - Installing green initiatives at the five middle school sites, including solar and/or battery storage, and battery storage at the two existing 1 megawatt solar facilities located at Canyon Crest Academy and La Costa Canyon High School
 - Improving student and community access with the installation of field lights at Canyon Crest Academy and Pacific Trails Middle School, and the renovation of the multi-purpose and baseball field fields at Carmel Valley Middle School.

The projects will be designed and constructed over the next three years.

Proposed Framework

District staff has been working closely with Fieldman, Rolapp & Associates (Financial Advisor), Orrick, Herrington & Sutcliffe LLP (Bond Counsel), Stradling, Yocca, Carlson & Rauth, PC (Underwriter's Counsel), Laura Romano (District Counsel) and Stifel, Nicolaus & Company, Inc. (Underwriter), collectively the Finance Team, to develop a sound framework to provide the financing.

A total of three resolutions will be proposed to be adopted at this Board of Directors meeting.

The first resolution adopts the by-laws of the Authority, confirming the officers of the Authority, establishing the time and place of regular meetings of the Authority, adopting a conflict of interest code, and retaining counsel for the Authority. When this resolution is adopted, the Board of Directors will have adopted the following formation documents, in final form:

- By-Laws of the Authority
- Conflict of Interest Code of the Authority

The second resolution approves documents related to the issuance of the San Dieguito School Facilities Financing Authority Subordinate Special Tax Revenue Bonds, Series 2016 in order to provide funds to purchase the CFD's 94-2 and 03-1 Local Obligations. When this resolution is adopted, the Board of Directors will be approving the following financing documents, in preliminary form (none of which are to be signed at this meeting).

- Trust Agreement – Contains the terms of which the Bonds are to be issued and the revenues (as said term is defined in the agreement and as said Revenues are received by the Authority as holder of the Local Obligations) are to be administered to pay the principal of and interest on the Bonds.
- Local Obligation Purchase Contract – The contract provides for terms for the sale of CFD 94-2 and 03-1's obligations in a total maximum aggregate amount of \$31 million, \$9 million for CFD 94-2 and \$22 million for CFD 03-1 respectively, to the

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San Dieguito School Facilities Financing Authority, and the Authority agrees to purchase the Local Obligations.

- Bond Purchase Contract - An agreement between the Authority and Stifel, Nicolaus & Company, Inc., (“Underwriter”), for the purchase of bonds from the Authority by the Underwriter for reoffering to the public.
- Preliminary Official Statement - Copies will be made available to persons who may be interested in purchasing the bonds.
- Continuing Disclosure Certificate – Any government entity issuing bonds has an obligation to meet specific continuing disclosure standards in compliance with Securities and Exchange Commission (SEC) Rule 15c2-12. When the bonds are issued, the District for the benefit of the underwriter(s) to meet the SEC requirements, promises to provide certain annual financial information and material event notices to the public and is included as an exhibit to the Preliminary Official Statement.

The third resolution declares the Board’s official intent to reimburse project expenditures, related to those proposed, with Bond proceeds.

Bond Information

As a result, the financing plan developed for the Authority has the following elements:

- The use of Current Interest Bonds (CIBs) only. No CABs.
- The upper limit of the par amount to be borrowed will be \$31 million. The current expectation is approximately \$25 million, however a buffer is created to provide flexibility in maximizing the pricing of the Bonds should rates move.
- Pursuant to the attached resolution, the true interest cost (TIC) on the bonds shall not exceed 5%. TIC is the total annual cost of obtaining debt financing, expressed as a percentage of the total debt amount. It is often referred to as the real cost of taking out a loan as it includes all ancillary fees and costs, along with factors related to the time value of money. As of August 10, 2016 the estimated true interest cost of the bonds is 3.28%.
- The repayment term is 30 years.
- The underwriter’s discount shall not exceed 1.00% of the aggregate principal amount.
- The repayment schedule is detailed here (Bond Debt Service).

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BOND DEBT SERVICE**San Dieguito School Facilities Financing Authority
2016 Special Tax Revenue Bonds**

Dated Date 09/01/2016
Delivery Date 09/01/2016

Period Ending	Principal	Interest	Debt Service
08/01/2017	580,000	767,169.79	1,347,169.79
08/01/2018	525,000	825,312.50	1,350,312.50
08/01/2019	535,000	814,812.50	1,349,812.50
08/01/2020	545,000	804,112.50	1,349,112.50
08/01/2021	555,000	793,212.50	1,348,212.50
08/01/2022	565,000	782,112.50	1,347,112.50
08/01/2023	580,000	770,812.50	1,350,812.50
08/01/2024	590,000	759,212.50	1,349,212.50
08/01/2025	600,000	747,412.50	1,347,412.50
08/01/2026	615,000	735,412.50	1,350,412.50
08/01/2027	625,000	723,112.50	1,348,112.50
08/01/2028	640,000	709,050.00	1,349,050.00
08/01/2029	665,000	683,450.00	1,348,450.00
08/01/2030	690,000	656,850.00	1,346,850.00
08/01/2031	755,000	629,250.00	1,384,250.00
08/01/2032	755,000	599,050.00	1,354,050.00
08/01/2033	885,000	576,400.00	1,461,400.00
08/01/2034	1,070,000	549,850.00	1,619,850.00
08/01/2035	1,020,000	517,750.00	1,537,750.00
08/01/2036	1,065,000	487,150.00	1,552,150.00
08/01/2037	1,045,000	455,200.00	1,500,200.00
08/01/2038	970,000	413,400.00	1,383,400.00
08/01/2039	1,105,000	374,600.00	1,479,600.00
08/01/2040	1,195,000	330,400.00	1,525,400.00
08/01/2041	1,360,000	282,600.00	1,642,600.00
08/01/2042	1,310,000	228,200.00	1,538,200.00
08/01/2043	1,165,000	175,800.00	1,340,800.00
08/01/2044	1,085,000	129,200.00	1,214,200.00
08/01/2045	1,080,000	85,800.00	1,165,800.00
08/01/2046	1,065,000	42,600.00	1,107,600.00
	25,240,000	16,449,294.79	41,689,294.79

(1) Assumes preliminary scale provided by Stifel, Nicolaus & Company, Inc. as of 8-10-16.

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Debt Service

Pursuant to the August 10, 2016 financing memo,

- the principal amount of \$25,240,000 will be paid over the course of 30 years,
- interest and principal will be paid in each year
- gross interest over the time will amount to \$16,449,294.79 for Total Debt Service of \$41,689,294.79, and
- overall the bonds are expected to trade above its par value, creating a net premium of approximately \$1,142,901.95. Typically a bond will trade at premium when it offers a coupon rate that is higher than prevailing interest rates. This is because investors want a higher yield and will pay more for it. The \$1,142,901.95 gained by selling at premium will be used to purchase a portion of the Local Obligations, and for costs of issuance related to underwriter’s discount of the tax-exempt bonds in the estimated amount of \$126,200.00.

Bond Components

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	13,860,000.00	101.616	3.003%	11.689
Term Bond 2041	5,675,000.00	108.520	4.000%	22.305
Term Bond 2046	5,705,000.00	107.631	4.000%	27.816
	25,240,000.00			17.892

	TIC	All-In TIC*
Par Value	25,240,000.00	25,240,000.00
+ Premium (Discount)	1,142,901.95	1,142,901.95
- Underwriter's Discount	-126,200.00	-126,200.00
- Cost of Issuance Expense		tbd
-Bond Insurance & Surety		-382,792.36
Target Value	26,256,701.95	25,873,909.59
Target Date	9/01/2016	9/01/2016
Yield	3.280735%	3.395618%

* Like TIC, All-In TIC calculates the cost of the debt to be issued. All-In TIC includes all Cost of Issuance expenses, including underwriter’s discount.

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Bond Solution

The revenue from special taxes generated by CFD 94-2 and CFD 03-1 are used for debt service on the Bonds. The revenue is first used to pay debt service on the existing Series A and B 2008 Bonds, leaving the excess revenue to be available for these 2016 Bonds (Revenue Constraints). As well, the excess revenue being used is only that excess revenue available on those CFD 94-2 and CFD 03-1 properties existing on the current tax roll, not future units. Therefore, the Revenue Constraint fluctuates over the term of the Bond depending on the amount of debt service required to pay towards the 2008 Bonds, and where property owner's stand within their 35 year commitment. As you may recall, the 35 year term of the special tax is fixed, and since building permits have been issued over time, each residence may have a different year when first assessed. For instance, those issued in 1995, would come off the tax roll in 2030, while those issued in 2015 would not fall off until 2050. Since the revenue is sensitive to delinquent tax payments, it is wise to provide a buffer (Unused Revenues) to create Debt Service Coverage for the benefit of bondholders in order to create security. As such, the Finance Team recommends the typical coverage of approximately 1.10 to 1.

BOND SOLUTION**San Dieguito School Facilities Financing Authority
2016 Special Tax Revenue Bonds**

Period Ending	Proposed Principal	Proposed Debt Service	Total Adj Debt Service	Revenue Constraints	Unused Revenues	Debt Serv Coverage
08/01/2017	580,000	1,347,170	1,347,170	1,496,779	149,609	111.10544%
08/01/2018	525,000	1,350,313	1,350,313	1,496,864	146,551	110.85315%
08/01/2019	535,000	1,349,813	1,349,813	1,497,346	147,534	110.92993%
08/01/2020	545,000	1,349,113	1,349,113	1,496,798	147,685	110.94684%
08/01/2021	555,000	1,348,213	1,348,213	1,498,668	150,455	111.15960%
08/01/2022	565,000	1,347,113	1,347,113	1,497,232	150,120	111.14380%
08/01/2023	580,000	1,350,813	1,350,813	1,497,086	146,274	110.82856%
08/01/2024	590,000	1,349,213	1,349,213	1,498,720	149,507	111.08106%
08/01/2025	600,000	1,347,413	1,347,413	1,497,536	150,124	111.14163%
08/01/2026	615,000	1,350,413	1,350,413	1,497,776	147,363	110.91246%
08/01/2027	625,000	1,348,113	1,348,113	1,498,913	150,800	111.18602%
08/01/2028	640,000	1,349,050	1,349,050	1,497,571	148,521	111.00927%
08/01/2029	665,000	1,348,450	1,348,450	1,498,519	150,069	111.12900%
08/01/2030	690,000	1,346,850	1,346,850	1,497,083	150,233	111.15440%
08/01/2031	755,000	1,384,250	1,384,250	1,533,637	149,387	110.79191%
08/01/2032	755,000	1,354,050	1,354,050	1,504,709	150,659	111.12655%
08/01/2033	885,000	1,461,400	1,461,400	1,624,367	162,967	111.15146%
08/01/2034	1,070,000	1,619,850	1,619,850	1,797,949	178,099	110.99481%
08/01/2035	1,020,000	1,537,750	1,537,750	1,709,671	171,921	111.18004%
08/01/2036	1,065,000	1,552,150	1,552,150	1,722,084	169,934	110.94828%
08/01/2037	1,045,000	1,500,200	1,500,200	1,663,123	162,923	110.86009%
08/01/2038	970,000	1,383,400	1,383,400	1,537,472	154,072	111.13720%
08/01/2039	1,105,000	1,479,600	1,479,600	1,644,052	164,452	111.11463%
08/01/2040	1,195,000	1,525,400	1,525,400	1,694,923	169,523	111.11335%
08/01/2041	1,360,000	1,642,600	1,642,600	1,822,491	179,891	110.95157%
08/01/2042	1,310,000	1,538,200	1,538,200	1,705,610	167,410	110.88347%
08/01/2043	1,165,000	1,340,800	1,340,800	1,487,997	147,197	110.97830%
08/01/2044	1,085,000	1,214,200	1,214,200	1,345,022	130,822	110.77430%
08/01/2045	1,080,000	1,165,800	1,165,800	1,291,281	125,481	110.76347%
08/01/2046	1,065,000	1,107,600	1,107,600	1,231,514	123,914	111.18757%
	25,240,000	41,689,295	41,689,295	46,282,789	4,593,495	

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RECOMMENDATION:

It is recommended that the Board:

- A. Adopt Resolution Adopting By-Laws Of The Authority; Confirming Members of the Board of Directors of the Authority; Establishing The Time And Place Of Regular Meetings Of The Authority; Adopting A Conflict of Interest Code; And Retaining Counsel For The Authority.
- B. Adopt Resolution Authorizing The Issuance and Sale Of Special Tax Revenue Bonds; Approving Forms Of Documents And Authorizing Execution Thereof; And Authorizing Related Actions Necessary To Implement The Proposed Refunding Program.
- C. Adopt Resolution Declaring The Authority's Official Intent To Reimburse Project Expenditures With Bond Proceeds and Related Actions

Attachments related to:

Items 3A: Resolution and JPA Bylaws

- B: Resolution, Trust Agreement, Local Obligation Purchase Contract, Bond Purchase Agreement, and Preliminary Official Statement
- C: Resolution, Reimburse Project Expenditures

ITEM 3A

RESOLUTION ADOPTING THE BY-LAWS OF THE AUTHORITY; CONFIRMING THE CHAIR, VICE CHAIR, EXECUTIVE DIRECTOR, SECRETARY, AND TREASURER AND CONTROLLER, RESPECTIVELY, OF THE AUTHORITY; ESTABLISHING THE TIME AND PLACE OF REGULAR MEETINGS OF THE AUTHORITY; ADOPTING A CONFLICT OF INTEREST CODE; AND RETAINING COUNSEL FOR THE AUTHORITY.

WHEREAS, the San Dieguito Union High School District (the “District”) and the California Statewide Communities Development Authority (“CSCDA”) have heretofore executed a Joint Exercise of Powers Agreement, dated as of September 1, 2016 (the “Agreement”), by and between the District and CSCDA, which Agreement creates and establishes the San Dieguito School Facilities Financing Authority (the “Authority”);

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Dieguito School Facilities Financing Authority, as follows:

Section 1. The by-laws attached hereto as Exhibit A (the “By-Laws”) are adopted as the By-Laws of the Authority.

Section 2. Pursuant to Section 7 of the By-Laws, the President of the Board of Trustees of the District shall be Chair of the Authority.

Section 3. Pursuant to Section 8 of the By-Laws, the Vice President of the Board of Trustees of the District shall be Vice Chair of the Authority.

Section 4. Pursuant to Section 9 of the By-Laws, the Superintendent of the District shall be Executive Director of the Authority.

Section 5. Pursuant to Section 10 of the By-Laws, the Clerk of the Board of Trustees of the District shall be Secretary of the Authority.

Section 6. Pursuant to Sections 11 and 12 of the By-Laws, the Associate Superintendent for Business Services of the District shall be Treasurer and Controller of the Authority.

Section 7. The regular meetings of the Authority shall be held at District Office Board Room 101, 710 Encinita Blvd., Encinitas, CA 92024, or such other place as this Board of Directors of the Authority may designate from time to time, at such time as may be designated by

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appropriate notice.

Section 8. Whenever an officer of the District is designated an officer of the Authority, the assistants and deputies of such officer from time to time shall also be, *ex officio*, officers of the Authority; and whenever a power is granted to, or a duty imposed upon, such officer, the power may be exercised, or the duty performed, by such assistant or deputy.

Section 9. Pursuant to Section 5 of the By-Laws, the Conflict of Interest Code of the District (with respect to the members of the Board of Trustees, on file with the Secretary and incorporated by reference as if fully set forth herein), is hereby adopted as the Conflict of Interest Code of the Authority.

Section 10. The Board hereby determines that an audit shall be caused to be performed by the Treasurer and Controller of the Authority as required by Section 6505 of the Government Code of the State of California. Such audit shall be filed with the Secretary of the Authority.

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Section 11. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this day, September 15, 2016, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

Chair of the Board of Directors
San Dieguito School Facilities Financing Authority

ATTEST:

Secretary of the Board of Directors
San Dieguito School Facilities
Financing Authority

SECRETARY'S CERTIFICATE

I, Amy Herman, Secretary of Board of Directors of the San Dieguito School Facilities Financing Authority, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Trustees of said Authority duly and regularly held at the regular meeting place thereof on September 15, 2016, and entered in the minutes thereof, of which meeting all of the members of the Board of Directors had due notice and at which a quorum thereof was present, and that at said meeting the resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of the meeting was posted at least 72 hours before the meeting at 800 Santa Fe Drive, Encinitas, California, a location freely accessible to members of the public, and a brief description of the resolution appeared on the agenda.

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office; the foregoing resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: _____, 2016.

Secretary of the San Dieguito
School Facilities Financing Authority

ITEM 3A

**BY-LAWS
OF THE
SAN DIEGUITO SCHOOL FACILITIES
FINANCING AUTHORITY**

Adopted September 15, 2016

ITEM 3A

ARTICLE I - THE AUTHORITY

Section 1. Name. The official name of the Authority shall be the “San Dieguito School Facilities Financing Authority”. The Authority was created pursuant to the Joint Exercise of Powers Agreement, dated as of September 1, 2016 (the “Agreement”), between the San Dieguito Union High School District (the “District”) and the California Statewide Communities Development Authority (the “CSCDA”).

Section 2. Authority Board Members. The Authority shall be administered by a governing Board of Directors (the “Board”) whose members shall be, at all times, the Board of Trustees of the District. The term of office as a member of the Board shall terminate when such member of the Board ceases to be a member of the Board of Trustees of the District, and the successor to such member of the Board of Trustees of the District shall become a member of the Board.

Section 3. Office. The business office of the Authority shall be District Office Board Room 101 at 710 Encinitas Blvd., Encinitas, CA 92024 or at such other place as may be designated by the Board.

Section 4. Compensation. Board members may receive their actual and necessary expenses, including traveling expenses incurred in the discharge of their duties, but only when authorized by the Authority and if there are unencumbered funds available for such purpose.

Section 5. Conflicts of Interest. The Authority shall adopt the Conflict of Interest Code of the District as its Conflicts of Interest Code.

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ARTICLE II - OFFICERS

Section 6. Officers. The Officers of the Authority shall be the Chair, Vice Chair, Executive Director, Secretary, and Treasurer and Controller.

Section 7. Chair. The Chair of the Authority shall be the member who is the President of the Board of Trustees of the District. The term of office shall be the same as the term of the President of the Board of Trustees of the District. The Chair shall preside at all meetings of the Authority, and shall submit such information and recommendations to the Board as he or she may consider proper concerning the business, policies and affairs of the Authority.

Section 8. Vice Chair. The Vice Chair shall be the member who is the Vice President of the Board of Trustees of the District. The term of office shall be the same as the term of the Vice President of the Board of Trustees of the District. The Vice Chair shall perform the duties of the Chair in the absence or incapacity of the Chair. In case of the resignation or death of the Chair, the Vice Chair shall perform such duties as are imposed on the Chair, until such time as a new Chair is selected or appointed.

Section 9. Executive Director. The Executive Director shall be the person who is the Superintendent of the District. The Executive Director of the Authority shall be responsible for execution and supervision of the affairs of the Authority. Except as otherwise authorized by resolution of the Board, the Executive Director or the Executive Director's designee shall sign all contracts, deeds and other instruments executed by the Authority.

Section 10. Secretary. The Secretary shall be the person who is the Clerk of the Board of Trustees of the District and shall serve at the pleasure of the Authority. The Secretary shall keep the records of the Authority, shall act as Secretary at the meetings of the Authority and

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record all votes, and shall keep a record of the proceedings of the Authority in a journal of proceedings to be kept for such purpose, and shall perform all duties incident to the office.

Section 11. Treasurer. The Associate Superintendent for Business Services of the District is hereby designated as Treasurer of the Authority. Subject to the applicable provisions of any trust agreement, indenture or resolution providing for a trustee or other fiscal agent, the Treasurer is designated as the depository of the Authority to have custody of all the money of the Authority, from whatever source, and, as such, shall have the powers, duties and responsibilities specified in Section 6505.5 of the California Government Code.

Section 12. Controller. The Associate Superintendent for Business Services of the District is hereby designated as Controller of the Authority, and, as such, shall have the powers, duties and responsibilities specified in Section 6505.5 of the California Government Code. The Controller shall draw checks or warrants to pay demands against the Authority when the demands have been approved by the Authority.

Section 13. Confirmation of Officers. Confirmation of officers shall be the first order of business at the first meeting of the Authority, regular or special, held in each calendar year.

Section 14. Authority to Bind Authority. No member, officer, agent or employee of the Authority, without prior specific or general authority by a vote of the Board, shall have any power or authority to bind the Authority by any contract, to pledge its credit, or to render it liable for any purpose in any amount.

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ARTICLE III - EMPLOYEES AND AGENTS

Section 15. Appointment of Employees and Agents. The Authority may from time to time request from the District or CSCDA the services of such personnel, counsel or agents, permanent or temporary, as may be necessary to carry out the business and affairs of the Authority. The Board may in addition employ temporary professional and technical personnel on such terms and at such rates of compensation as the Board may determine, for the performance of Authority business and affairs, provided that adequate sources of funds are identified for the payment of such temporary professional and technical services.

ARTICLE IV - MEETINGS

Section 16. Regular Meetings. Regular meetings shall be held at the business office of the Authority, or at such other place as the Chair may designate, on dates and at a time as fixed by Resolution of the Authority. If at any time any regular meeting falls on a legal holiday, such regular meeting shall be held on the next business day at the same time. At least 72 hours before a regular meeting, an agenda containing a brief general description of each item of business to be transacted or discussed shall be posted at a location freely accessible to members of the public. The agenda shall specify the time and location of the regular meeting. No action shall be taken on any item not appearing on the posted agenda except as permitted by law.

Section 17. Special Meetings. A special meeting may be called at any time by the Chair or upon the request of two of the members of the Board by delivering written notice to each member and to each person or entity entitled by law to receive such notices. Notices to the Board shall be sufficient if delivered to the Secretary. Notices to other persons or entities entitled by law to receive notices must be delivered personally or by mail and must be received

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at least 24 hours before the time of such meeting as specified in the notice. The notice shall specify the time and place of the special meeting and the business to be transacted and shall be posted at least 24 hours prior to the special meeting in a location that is freely accessible to members of the public. No other business shall be considered at such meetings by the Board. Such written notice may be dispensed with as to any Board member who at or prior to the time the meeting convenes files with the Secretary of the Authority a written waiver of notice. Such waiver may be given by telegram or telecopy. Such written notice may also be dispensed with as to any member who is actually present at the time it convenes.

Section 18. Closed Sessions. Nothing contained in these bylaws shall be construed to prevent the Board from holding closed sessions during a regular or special meeting concerning any matter permitted by law to be considered in a closed session.

Section 19. Public Hearings. All public hearings held by the Board shall be held during regular or special meetings of the Board.

Section 20. Adjourning Meetings and Continuing Public Hearings to Other Times or Places. The Board may adjourn any meeting to a time and place specified in the order of adjournment. Less than a quorum may so adjourn from time to time. If all Board members are absent from any regular meeting or adjourned regular meeting the Secretary or Acting Secretary of the Authority may declare the meeting adjourned to a stated time and place and shall cause a written notice of the adjournment to be given in the same manner as provided for special meetings unless such notice is waived as provided for special meetings. A copy of the order or notice of adjournment shall be conspicuously posted on or near the door of the place where the meeting was held within 24 hours after the time of the adjournment. When a regular or

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adjourned regular meeting is adjourned as provided in this section, the resulting adjourned regular meeting is a regular meeting for all purposes. When an order of adjournment of any meeting fails to state the hour at which the adjourned meeting is to be held, it shall be held at the hour specified for regular meetings.

Any public hearing being held, or any hearing noticed or ordered to be held at any meeting may by order or notice of continuance be continued or recontinued to any subsequent meeting in the same manner and to the same extent set forth herein for the adjournment of the meetings; provided, that if the hearing is continued to a time less than 24 hours after the time specified in the order or notice of hearing a copy of the order or notice of continuance shall be posted immediately following the meeting at which the order or declaration of continuance was adopted or made.

Section 21. Meetings to be Open and Public. All meetings of the Board to take action or to deliberate concerning Authority business and its conduct shall be open and public. All persons shall be permitted to attend any such meetings except as otherwise provided or permitted by law and Section 18 of these bylaws.

Section 22. Quorum. A majority of the members of the Board shall constitute a quorum for the purpose of conducting its business and exercising its powers and for all other official purposes, except that less than a quorum may adjourn from time to time until a quorum is obtained.

Section 23. Order of Business. At the regular meetings of the Authority, the following shall be the general order of business:

1. Roll Call

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2. Approval of Minutes
3. Reports
4. Unfinished Business
5. New Business
6. Matters Not Appearing on the Agenda
7. Adjournment

Section 24. Parliamentary Procedure. The rules of parliamentary procedure set forth in Robert's Rules of Order shall govern all meetings of the Authority, except as otherwise herein provided.

ARTICLE V - AMENDMENTS

Section 25. Amendments to By-Laws. These by-laws may be amended by the Board at any regular or special meeting by majority vote, provided that a description of the proposed amendment to any particular section is included in the notice of such meeting.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF NOT TO EXCEED \$31,000,000 PRINCIPAL AMOUNT OF SUBORDINATE SPECIAL TAX REVENUE BONDS, SERIES 2016; APPROVING THE FORM AND SUBSTANCE OF A TRUST AGREEMENT, AUTHORIZING MODIFICATIONS THEREOF AND EXECUTION AND DELIVERY AS MODIFIED; APPROVING A PRELIMINARY OFFICIAL STATEMENT, AUTHORIZING CHANGES THERETO AND EXECUTION AND DELIVERY THEREOF AND OF AN OFFICIAL STATEMENT TO BE DERIVED THEREFROM; APPROVING A LOCAL OBLIGATION PURCHASE CONTRACT AND A BOND PURCHASE CONTRACT AND EXECUTION AND DELIVERY OF EACH; AND AUTHORIZING RELATED ACTIONS NECESSARY TO IMPLEMENT THE PROPOSED REFUNDING PROGRAM

WHEREAS, the San Dieguito School Facilities Financing Authority is a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the “Authority”); and

WHEREAS, the San Dieguito Union High School District is a school district located in the County of San Diego, California, organized and existing under the Constitution and laws of the State of California (the “District”); and

WHEREAS, the District has completed its legal proceedings under the Mello-Roos Community Facilities Act of 1982 (the “Act”) with respect to authorizing the issuance and sale of the following series of special tax revenue bonds designated:

1. “San Dieguito Union High School District Community Facilities District No. 03-1 Special Tax Revenue Bonds, Series 2016” (the “CFD 03-1 Local Obligations”) for the purpose of financing the acquisition and construction of various public school facilities and prepaying a portion of the outstanding principal amount of loan obligations of the San Dieguito Union High School District Community Facilities District 03-1 (“CFD 03-1”);
2. “San Dieguito Union High School District Community Facilities District No. 94-2 Special Tax Refunding and Capital Improvement Bonds, Series 2016” (the “CFD 94-2 Local Obligations”) for the purpose of financing the acquisition and construction of various public school facilities and prepaying a portion of the outstanding principal amount of loan obligations of the San Dieguito Union High School District Community Facilities District 94-2 (“CFD 94-2”, and together with CFD 03-1, the “Facilities Districts”); and

the CFD 03-1 Local Obligations and the CFD 94-2 Local Obligations are hereinafter collectively referred to as the “Local Obligations;” and

WHEREAS, the District is empowered under the provisions of the Act to undertake legal proceedings for the levy of a special tax and for the issuance, sale and delivery of special tax bonds upon the security of the recorded special tax liens; and

WHEREAS, the Authority is empowered under the provisions of Article 4, Chapter 5, Division 7, Title 1 of the California Government Code (the “Law”) to issue its bonds for the purpose of purchasing various local obligations issued by certain local agencies and applying the proceeds of the bonds to finance certain authorized facilities and/or to refund outstanding bonds previously issued by the District; and

WHEREAS, the Authority has authorized and undertaken to issue the San Dieguito School Facilities Financing Authority Subordinate Special Tax Revenue Bonds, Series 2016 (the “Bonds”), in order to provide funds to purchase the Local Obligations and to pay costs of issuance; and

WHEREAS, the Authority has determined that the estimated amount necessary to finance the purchase of the Local Obligations and to pay costs of issuance will require the issuance of the Bonds in the aggregate principal amount not to exceed thirty-one million dollars (\$31,000,000); and

WHEREAS, the Authority and the District have determined that all things necessary to make the Bonds, when authenticated by the Trustee, and issued as provided in a Trust Agreement (the “Trust Agreement”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), the valid, binding and legal obligations of the Authority according to the import thereof and hereof have been done and performed; and

WHEREAS, in furtherance of implementing the financing, there have been filed with the Authority Secretary for consideration and approval by this Board forms of the following:

- (a) a Trust Agreement, under the terms of which the Bonds are to be issued and the Revenues (as said term is defined in the Trust Agreement and as said Revenues are received by the Authority as holder of the Local Obligations) are to be administered to pay the principal of and interest on the Bonds;
- (b) a Local Obligation Purchase Contract, under the terms of which, among other things, the District agrees to sell and the Authority agrees to purchase the Local Obligations;
- (c) a Bond Purchase Contract, under the terms of which, among other things, the Authority agrees to sell and the underwriter agrees to purchase the Bonds; and

- (d) a Preliminary Official Statement, describing the Bonds and the Local Obligations; and

WHEREAS, being fully advised in the matter of the proposed refunding program, this Board wishes to proceed with implementation of said financing program; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to authorize the execution and delivery of certain documents in order to further implement the financing in the manner and upon the terms herein provided; and

WHEREAS, as required by the Law, the District has determined that the issuance of the Bonds by the Authority and the acquisition of the Local Obligations will result in significant public benefits, including demonstrable savings in effective interest rate, bond preparation, bond underwriting and bond issuance costs;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Dieguito School Facilities Financing Authority as follows:

Section 1. The foregoing recitals are true and correct, and this Board so finds and determines.

Section 2. Pursuant to the Law, the Bonds shall be issued in the aggregate principal amount of not to exceed thirty-one million dollars (\$31,000,000). The maximum term of any maturity of the Bonds shall not extend beyond the last maturity of any of the Prior Local Obligations.

Section 3. The form and substance of the Trust Agreement are hereby approved. The Treasurer of the Authority or designee thereof is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Trust Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form and substance of the Local Obligation Purchase Contract is hereby approved. The Treasurer of the Authority or designee thereof is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Local Obligation Purchase Contract in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The form and substance of the Bond Purchase Contract is hereby approved. The Treasurer of the Authority or designee thereof is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Bond Purchase

Contract in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided that the true interest cost on the Bonds shall not exceed 5.00% as provided in the Bond Purchase Contract; and provided, further, that the underwriter's discount specified in the Bond Purchase Contract on the Bonds shall not exceed 1.00% of the aggregate principal amount thereof.

Section 6. (a) The form and substance of the Preliminary Official Statement is hereby approved. The Treasurer is authorized to execute the final Official Statement to be derived therefrom.

(b) This Board hereby authorizes the Treasurer of the Authority to find and determine that said Preliminary Official Statement in preliminary form is, and as of its date shall be deemed "final" for purpose of Rule 15c(2)-12 of the Securities and Exchange Commission, and the Treasurer of the Authority or designee thereof is hereby authorized to execute a certificate to such effect in the customary form.

(c) The Treasurer of the Authority or designee is authorized to approve corrections and additions to the Preliminary Official Statement by supplement or amendment thereto, by appropriate insertions, or otherwise as appropriate, provided that such corrections or additions shall be regarded by such officer as necessary to cause the information contained therein to conform to facts material to the Bonds or the Local Obligations or to the proceedings of this Board or the District Council of the San Dieguito Union High School District or that such corrections or additions are in form rather than in substance.

(d) The underwriter of the Bonds is authorized to distribute said Preliminary Official Statement and the final Official Statement to be derived therefrom in connection with the sale and delivery of the Bonds.

Section 7. The officers of the Authority are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, including any agency agreement, which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution and to obtain a policy of bond insurance, a rating and/or a reserve fund surety policy for any series of the Bonds. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 8. This resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this 15th day of September, 2016, by the following
vote:

AYES:

NOES:

ABSENT:

Chair of the Board of Directors
San Dieguito School Facilities Financing Authority

ATTEST:

Secretary of the Board of Directors
San Dieguito School Facilities
Financing Authority

SECRETARY'S CERTIFICATE

I, Amy Herman, Secretary of Board of Directors of the San Dieguito School Facilities Financing Authority, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Trustees of said Authority duly and regularly held at the regular meeting place thereof on September 15, 2016, and entered in the minutes thereof, of which meeting all of the members of the Board of Directors had due notice and at which a quorum thereof was present, and that at said meeting the resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of the meeting was posted at least 72 hours before the meeting at 800 Santa Fe Drive, Encinitas, California, a location freely accessible to members of the public, and a brief description of the resolution appeared on the agenda.

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office; the foregoing resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: _____, 2016.

Secretary of the San Dieguito
School Facilities Financing Authority

TRUST AGREEMENT

between

SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of [October 1, 2016]

Relating to

SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY
SUBORDINATE SPECIAL TAX REVENUE BONDS
SERIES 2016

TRUST AGREEMENT

This Trust Agreement, dated as of [October 1, 2016], between the SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY, a joint exercise of powers agency established pursuant to the laws of the State of California (the “Issuer”) and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”).

WHEREAS, the Board of Trustees (the “Board of Trustees”) of the San Dieguito Union High School District (the “District”) has heretofore established Community Facilities District No. 03-1 (“CFD 03-1”) and Community Facilities District No. 94-2 (“CFD 94-2”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, consisting of Sections 5311, et seq., of the California Government Code (the “Act”) (collectively, the “CFDs”) in order to finance and reimburse the construction of various public facilities benefitting the CFDs; and

WHEREAS, in order to assist the CFDs in financing and reimbursing the acquisition and construction of various public facilities, the San Dieguito Public Facilities Authority (the “Prior JPA”) previously issued its Revenue Bonds, 1998 Series A (Tax Exempt), Revenue Bonds 1998 Series B (Taxable) and Revenue Bonds, Series 2004, each refunded in whole by \$91,125,000 aggregate principal amount of its Revenue Refunding Bonds, Series 2006 pursuant to an Indenture of Trust dated as of July 1, 2006 by and between the Prior JPA and U.S. Bank National Association, as trustee (the “Prior JPA Bonds”); and

WHEREAS, the CFDs entered into a loan agreement, dated July 1, 2006, by and between the CFDs and the Prior JPA (the “Prior Loan Agreement”), whereby the Prior JPA agreed to lend the CFDs certain funds; and

WHEREAS, the Issuer now wishes to assist the CFDs in prepaying a portion of their obligations under the Prior Loan Agreement (the “Prior CFD Loans”) in financing the acquisition and construction of various public school facilities benefitting the CFDs; and

WHEREAS, the Board of Trustees deems it necessary and desirable to authorize and consummate the sale of a series of bonds designated the “San Dieguito Union High School Community Facilities District 03-1 Special Tax Revenue Bonds, Series 2016” in an aggregate initial principal amount of \$[PAR] and a series of bonds designated the “San Dieguito Union High School Community Facilities District 94-2 Special Tax Revenue Bonds, Series 2016” in an aggregate initial principal amount of \$[PAR] (collectively, the “Local Obligations”); and

WHEREAS, the District desires to sell the Local Obligations to the Issuer pursuant to a Local Obligation Purchase Contract (the “Local Obligation Purchase Contract”); and

WHEREAS, the Issuer is empowered under the provisions of the Marks-Roos Local Bond Pooling Act of 1985, being Article 4, Chapter 5, Division 7, Title 1 of the California Government Code to issue its bonds for the purpose of purchasing various obligations issued by various local agencies, including the Local Obligations; and

WHEREAS, the Issuer has authorized and undertaken to issue the San Dieguito School Facilities Financing Authority Subordinate Special Tax Revenue Bonds, Series 2016 (the "Bonds") pursuant to this Trust Agreement; and

WHEREAS, it has been determined that the estimated amount necessary to purchase the Local Obligations, to fund a reserve fund for each series of the Bonds, and to pay the costs of issuance of the Bonds will require the issuance of the Bonds in the aggregate principal amount of [Par] dollars (\$[PAR]); and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as provided in this Trust Agreement, the valid, binding and legal obligations of the Issuer according to the import thereof and hereof have been done and performed; and

NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH that the Issuer, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, and other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure the payment of the interest on and the principal of and the redemption premiums, if any, on all Bonds Outstanding hereunder from time to time according to their tenor and effect, and such other payments required to be made under this Trust Agreement, and to secure the observance and performance by the Issuer of all the agreements, conditions, covenants and terms expressed and implied herein and in the Bonds, do hereby assign, bargain, convey, grant, mortgage and pledge a security interest unto the Trustee, and unto its successors in the trusts hereunder, and to them and their successors and assigns forever, in all right, title and interest of the Issuer in, to and under, subject to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, each and all of the following (collectively the "Trust Estate"):

- (a) the proceeds of sale of the Bonds;
- (b) the Revenues (as herein defined);
- (c) the amounts in the Funds (as herein defined) established by this Trust Agreement, except amounts in the Rebate Fund; and
- (d) the Local Obligations;

TO HAVE AND TO HOLD IN TRUST all of the same hereby assigned, conveyed and pledged or agreed or intended so to be to the Trustee and its successors and assigns forever for the benefit of the Owners from time to time of the Bonds authenticated hereunder and issued by the Issuer and outstanding and without any priority as to the Trust Estate of any one Bond over any other (except as expressly provided in or permitted by this Trust Agreement), upon the trusts and subject to the agreements, conditions, covenants and terms hereinafter set forth;

AND THIS TRUST AGREEMENT FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all of the rights and property hereby assigned, bargained, conveyed, granted, mortgaged and pledged are to be dealt with and disposed of under, upon and subject to the agreements, conditions, covenants, purposes, terms, trusts and uses as hereinafter expressed, and the Issuer has agreed

and covenanted, and do hereby agree and covenant, with the Trustee and with the Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. The terms set forth below shall have the following meanings in this Trust Agreement, unless the context clearly otherwise requires:

“Accountant” shall mean an independent certified public accountant, or a firm of independent certified public accountants, selected by the Issuer.

“Accountant’s Certificate” shall mean a certificate signed by an independent certified public accountant of recognized national standing selected by the Issuer, or a firm of independent certified public accountants of recognized national standing.

“Act” shall mean Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended and supplemented from time to time.

“Annual Debt Service” shall mean, for each Bond Year and for each Series of Bonds, the sum of (1) the interest falling due on all Outstanding Bonds of such Series in such Bond Year, assuming that all Principal Installments are paid as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), and (2) the scheduled Principal Installments of the Outstanding Bonds of such Series, payable in such Bond Year.

“Additional Parity Bonds” shall mean, shall mean additional bonds issued on a parity with the Bonds issued pursuant to Section 3.02.

“Authorized Denominations” shall mean five thousand dollars (\$5,000) and any integral multiple thereof, but not exceeding the principal amount of the Bonds maturing on any one date.

“Authorized Officer,” when used with reference to the Issuer, shall mean the [JPA Authorized Officers], any designee thereof or any other Person authorized by the Issuer in a Written Order or resolution to perform an act or sign a document on behalf of the Issuer for purposes of this Trust Agreement, and, when used with reference to the District, shall mean the [Superintendent or Chief Business Officer], any designee thereof or any other Person authorized by the District in a Written Order or resolution to perform an act or sign a document on behalf of the District for the purposes of this Trust Agreement.

“Bond” or “Bonds” shall mean any or all of the Bonds and the Additional Parity Bonds, authorized and issued by the Issuer and authenticated by the Trustee and delivered under this Trust Agreement.

“Bond Counsel” shall mean Orrick, Herrington & Sutcliffe LLP or another attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions.

“Bond Insurance Policy” shall mean the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

“Bond Insurer” or “[Insurer]” shall mean [Insurer], a [Insurer state] domiciled stock insurance company, or any successor thereto or assignee thereof.

“Bond Register” shall mean the registration books specified as such in Section 2.07.

“Bond Year” shall mean the 12 month period ending September 1, provided, that the first Bond Year shall commence on the Dated Date and end on September 1, 2017.

“Book-Entry Bonds” shall mean any Bonds designated as Book-Entry Bonds pursuant to this Trust Agreement and registered in the name of the Nominee pursuant to Section 2.06.

“Business Day” shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which the Corporate Trust Office of the Trustee is closed.

“Capital Improvement Fund” shall mean the fund by that name established pursuant to Section [5.03].

“Cash Flow Certificate” shall mean a written certificate executed by a Cash Flow Consultant.

“Cash Flow Consultant” shall mean [Cash Flow Consultant]; provided, that the Issuer may appoint as the Cash Flow Consultant any other financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field relating to municipal securities such as the Bonds, approved by the Bond Insurer, appointed and paid by the District or the Issuer and who, or each of whom:

- (1) is in fact independent and not under the domination of the District or the Issuer;
- (2) does not have any substantial interest, direct or indirect, with the District or the Issuer; and
- (3) is not connected with the District or the Issuer as a member, officer or employee of the District or the Issuer, but who may be regularly retained to make annual or other reports to the District or the Issuer.

The Cash Flow Consultant shall not be deemed to have a “financial advisory relationship” with the Issuer within the meaning of California Government Code Section 53590(c).

“CFD 03-1 Local Obligations” means [Community Facilities District 03-1 Special Tax Revenue Bonds, Series _____].

“CFD 94-2 Local Obligations” means [Community Facilities District 94-2 Special Tax Revenue Bonds, Series _____].

“CFD 03-1 Local Obligations Indenture” shall mean that certain indenture, dated as of [October 1, 2016] between the District and U.S. Bank National Association pursuant to which the CFD 03-1 Local Obligations are to be issued, as amended or supplemented from time to time in accordance with its terms.

“CFD 94-2 Local Obligations Indenture” shall mean that certain indenture, dated as of [October 1, 2016], between the District and U.S. Bank National Association, pursuant to which the CFD 94-2 Local Obligations are to be issued, as amended or supplemented from time to time in accordance with its terms.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

“Community Facilities District” shall mean each of the Community Facilities District No. 03-1, Community Facilities District No. 94-2, Community Facilities District No. 94-1, Community Facilities District No. 94-3, Community Facilities District No. 95-1, Community Facilities District No. 95-2, Community Facilities District No. 99-1, Community Facilities District No. 99-2, and Community Facilities District No. 99-3 formed by the District, and collectively the “Community Facilities Districts.”

“Continuing Disclosure Agreement” shall mean that certain Continuing Disclosure Agreement, dated as of May 1, 20__, by and between the District and the Trustee.

“Corporate Trust Office” shall mean the office of the Trustee in San Francisco, California, at which at any particular time corporate trust business shall be administered, or such other office as it shall designate, except that with respect to presentation of Bonds for payment, redemption, transfer or exchange, such term shall mean the corporate trust office of U.S. Bank National Association, [Trustee Address], or such other office specified by the Trustee.

“Dated Date” shall mean [Dated Date].

“Depository” shall mean the securities depository acting as Depository pursuant to Section 2.06.

“District” shall mean the San Dieguito Union High School District.

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

“Eligible Local Obligations” shall mean, collectively, the CFD 03-1 Local Obligations, the CFD 94-2 Local Obligations or any special tax bonds, loans or other obligations issued by any Community Facilities District as set forth in a Supplemental Trust Agreement.

“Event of Default” shall mean any event of default specified as such in Section 8.01.

“Expense Fund” shall mean the Fund by that name established pursuant to Section 5.01.

“Expenses” shall mean all costs of issuing the Bonds and all administrative costs of the Issuer or the District that are charged directly or apportioned to the administration of the Local

Obligations and the Bonds, such as salaries and wages of employees, audits, overhead and taxes (if any), legal fees and expenses, amounts necessary to pay to the United States or otherwise to satisfy requirements of the Code and the regulations thereunder in order to maintain the tax-exempt status of the Bonds, and compensation, reimbursement and indemnification of the Trustee, together with all other reasonable and necessary costs of the Issuer or charges required to be paid by it to comply with the terms hereof or of the Bonds.

“Fiscal Year” shall mean the fiscal year of the Issuer, which at the date hereof is the period commencing on July 1 in each calendar year and ending on June 30 in the following calendar year.

“Funds” shall mean, collectively, the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund, the Expense Fund, the Redemption Fund, the Capital Improvement Fund, the Surplus Fund, the Obligation Fund, the [Local Obligation Redemption Fund], and the Rebate Fund, including all accounts therein.

“Government Obligations” shall mean and include any of the following securities: lawful currency of the United States; State and Local Government Series issued by the United States Treasury (SLGS); United States Treasury bills, notes and bonds; and certificates, receipts or other obligations evidencing direct ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any United States Treasury bill, note or bond (“STRIPS”).

“Information Services” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission or any successor agency thereto to receive reports and notices pursuant to the Securities and Exchange Commission Rule 15c2-12 as supplemented and amended from time to time; and any other service providing information with respect to called bonds.

“Interest Payment Date” shall mean March 1 and September 1 in each year, commencing on March 1, 2017.

“Issuer” shall mean the San Dieguito School Facilities Financing Authority created pursuant to the Act and its successors and assigns in accordance herewith.

“Letter of Representations” shall mean the letter of the Issuer and the Trustee delivered to and accepted by the Depository on or prior to the issuance of the Bonds setting forth the basis on which the Depository serves as depository for such Bonds as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute depository.

“Local Obligations Indentures” shall mean, collectively, the CFD 03-1 Local Obligations Indenture, the CFD 94-2 Local Obligations Indenture, and any other resolution, indenture, trust agreement or other issuing instrument providing for the issuance of Eligible Local Obligations.

“Local Obligations Revenues” shall mean all moneys collected and received by the District on account of Special Taxes securing the Eligible Local Obligations including amounts collected in the normal course via the County property tax roll and thereafter remitted to the District, Property Owner Prepayments, and amounts received by the District as a result of

superior court foreclosure proceedings brought to enforce payment of delinquent installments, but excluding therefrom any amounts explicitly included therein on account of collection charges, administrative cost charges, or attorneys fees and costs paid as a result of foreclosure actions.

“Local Obligations Statute” shall mean the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 *et seq.* of the Government Code of the State of California and all laws amendatory thereof or supplemental thereto).

“Maximum Annual Debt Service” shall mean, for each Series of Bonds, the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds of such Series.

“Minimum Reserve Requirement” shall mean the difference between the aggregate principal amount of Bonds Outstanding and the aggregate principal amount of Obligations outstanding under the Local Obligations Indentures.

“[Rating Agency]” shall mean [Rating Agency], a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “[Rating Agency]” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Issuer.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.06.

“Officer’s Certificate” shall mean a certificate signed by an Authorized Officer.

“Opinion of Bond Counsel” shall mean a legal opinion signed by a Bond Counsel.

“Outstanding” shall mean, with respect to the Bonds and as of any date, the aggregate of Bonds authorized, issued, authenticated and delivered under this Trust Agreement, except:

- (a) Bonds canceled or surrendered to the Trustee for cancellation pursuant to Section 2.10;
- (b) Bonds deemed to have been paid as provided in Section 12.02; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to this Trust Agreement.

The Bonds shall be deemed Outstanding in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy.

“Owner” or “Holder” shall mean, as of any date, the Person or Persons in whose name or names a particular Bond shall be registered on the Bond Register as of such date.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Agreement.

“Permitted Investments,” with respect to the Bonds, shall mean:

A. The following obligations to be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts. (The Bond Insurer does not give a premium credit for the investment of accrued and/or capitalized interest).

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - U.S. treasury obligations
 - All direct or fully guaranteed obligations
 - Farmers Home Administration
 - General Services Administration
 - Guaranteed Title XI financing
 - Government National Mortgage Association (GNMA)
 - State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

B. The Bond Insurer will allow the following Obligations to be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank
 - Rural Economic Community Development Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - U.S. Department of Housing & Urban Development (PHAs)
 - Federal Housing Administration
 - Federal Financing Bank
- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).

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- Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System
 - Senior debt obligations of other Government Sponsored Agencies approved by the Bond Insurer
- (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by [Rating Agency] and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by [Rating Agency] and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee or an affiliate provides investment advice or other services;
- (6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the Issuer prior to maturity or as to which irrevocable instructions have been given by the Issuer to call on the date specified in the notice; and
- (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of [Rating Agency] or S&P or any successors thereto; or
 - (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; Pre-refunded Municipal Obligations meeting the requirements of subsection (B) hereof may be used as Permitted Investments for annual appropriation lease transactions.

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- (7) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both [Rating Agency] and S&P;
- (8) Investment Agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel);
- (9) (i) The California Asset Management Program pooled investment fund maintained by PFM Asset Management LLC or any successor thereto, (ii) the Local Agency Investment Fund maintained by the California State Treasurer’s Office or (iii) any other state-administered pool investment fund in which the District is statutorily permitted or required to invest, subject to the approval of the Bond Insurer; and
- (10) Other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.

C. The value of the above investments shall be determined 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. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets Inc., Bear Stearns, or Lehman Brothers.
- 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 among the Issuer, the Trustee, and The Bond Insurer.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Prepayment” shall mean any payment with respect to the Eligible Local Obligations as a result of prepayments of assessments by property owners which, pursuant to the terms of such Eligible Local Obligations, would require all or any portion of such Eligible Local Obligations to be redeemed prior to the maturity thereof, in either case whether or not such payment includes any premium or prepayment penalty.

“Principal Installment” shall mean, with respect to any Principal Payment Date, the principal amount of Outstanding Bonds due on such date, or mandatory sinking account payment required to be paid on any Principal Payment Date and used to redeem a portion of any Bond on such date, if any.

“Principal Payment Date” shall mean September 1 of each year commencing September 1, 2017, and ending on the last date on which any Bonds are scheduled to mature.

“Property Owner” shall mean an owner or property within the related Community Facilities District.

“Property Owner Prepayments” shall mean that portion of Revenues which are initially paid to the District by or on behalf of a [residential] property owner [excluding developers] to accomplish pay-off and discharge of a lien securing Eligible Local Obligations (except the portion, if any, of such Revenues which represents accrued interest on the Eligible Local Obligations) and which are thereafter transmitted by the District to the Trustee, as assignee of the Issuer with respect to the Eligible Local Obligations, for deposit in the Redemption Fund for application in accordance with the provisions of this Trust Agreement.

“Rebate Fund” shall mean the Fund by that name established pursuant to Section 5.01.

“Rebate Instructions” shall mean those calculations and directions required to be delivered to the Trustee by the Issuer pursuant to the Tax Certificate.

“Rebate Requirement” shall mean the Rebate Requirement defined in the Tax Certificate.

“Record Date” shall mean the fifteenth (15th) day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” shall mean the Fund by that name established pursuant to Section 5.01.

“Requisition of the Issuer” shall mean a requisition of the Issuer delivered to the Trustee pursuant to Section 5.09.

“Revenue Fund” shall mean the Fund by that name established pursuant to Section 5.01.

“Revenues” shall mean (i) Eligible Local Obligations Revenues and all other amounts received by the Trustee as the payment of interest or premiums on, or the equivalent thereof, and (ii) the payment or return of principal of, or the equivalent thereof, all Eligible Local Obligations, whether as a result of scheduled payments or Property Owner Prepayments or remedial proceedings taken in the event of a default thereon, and (iii) all investment earnings on any moneys held in the Funds or accounts established hereunder, except the Rebate Fund.

“Secretary” shall mean the Secretary of the Issuer.

“Series” shall mean a separate series of Bonds.

“Bonds” shall mean the San Dieguito School Facilities Financing Authority Subordinate Special Tax Revenue Bonds, Series 2016 authorized and issued hereunder.

“Interest Fund” shall mean the Fund by that name established pursuant to Section 5.01.

“Principal Fund” shall mean the Fund by that name established pursuant to Section 5.01.

“Reserve Fund” shall mean the Fund by that name established pursuant to Section 5.01.

“Reserve Requirement” shall mean shall mean, (i) as of the date of issuance of the Bonds or any Additional Parity Bonds, the least of: (a) Maximum Annual Debt Service on the Outstanding Bonds and any Additional Parity Bonds, (b) 10% of the stated principal amount of the Outstanding Bonds and any Outstanding Additional Parity Bonds, less original issue discount, if any, plus original issue premium, if any, within the meaning of Section 148 of the Code provided that such discount or premium is more than two percent of the stated redemption price at maturity of the Outstanding Bonds and any Outstanding Additional Parity Bonds, and (c) 125% of Average Annual Debt Service on the Outstanding Bonds and any Outstanding Additional Parity Bonds; and (ii) as of any other date of calculation, the least of (a) the Reserve Requirement as of the Dated Date or (b) Maximum Annual Debt Service on the Outstanding Bonds and any Additional Parity Bonds; provided that the Reserve Requirement shall never be reduced below an amount which is less than the Minimum Reserve Requirement. The Reserve Requirement as of the Dated Date is \$[_____].

“Special Record Date” shall mean the date established by the Trustee pursuant to Section 2.01 as a record date for the payment of defaulted interest on the Bonds.

“State” shall mean the State of California.

“Supplemental Trust Agreement” shall mean any trust agreement supplemental to or amendatory of this Trust Agreement which is duly executed and delivered in accordance with the provisions of this Trust Agreement.

“Tax Certificate” shall mean that certificate, relating to various federal tax requirements, including the requirements of Section 148 of the Code, signed by the Issuer and the District on the date each Series of Bonds are issued, as the same may be amended or supplemented in accordance with its terms.

“Trust Agreement” shall mean this Trust Agreement, dated as of [October 1, 2016] between the Issuer and the Trustee, pursuant to which the Bonds are to be issued, as amended or supplemented from time to time in accordance with its terms.

“Trust Estate” shall have the meaning ascribed thereto in the granting clause hereof.

“Trustee” shall mean U.S. Bank National Association, a national banking association, duly organized and existing under the laws of the United States of America, in its capacity as trustee hereunder, and any successor as trustee under this Trust Agreement.

“Written Order”, when used with reference to the Issuer, shall mean a written direction of the Issuer to the Trustee signed by an Authorized Officer, and, when used with reference to the District, shall mean a written direction of the District to the Trustee signed by an Authorized Officer.

SECTION 1.02. Rules of Construction. Except where the context otherwise requires, words imparting the singular number shall include the plural number and vice versa, and pronouns inferring the masculine gender shall include the feminine gender and vice versa.

All references herein to particular articles or sections are references to articles or sections of this Trust Agreement. The headings and Table of Contents herein are solely for convenience of reference and shall not constitute a part of this Trust Agreement, nor shall they affect its meanings, construction or effect.

ARTICLE II

TERMS OF THE BONDS

SECTION 2.01. The Bonds.

(a) There shall be issued under and secured by this Trust Agreement bonds in the form of fully registered bonds to be designated “San Dieguito School Facilities Financing Authority Subordinate Special Tax Revenue Bonds, Series 2016” in the aggregate principal amount of [Par] Dollars (\$[PAR]). The Bonds shall be dated as of [_____, 2016] and shall bear interest at the rates specified in the table below, such interest being payable semiannually on each Interest Payment Date, and shall mature on the Principal Payment Dates in the following years in the following principal amounts, namely:

Principal Payment Date (September 1)	Principal Amount	Interest Rate
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*Term Bonds

(b) The principal of and redemption premiums, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. The Bonds shall be issued as fully registered bonds in Authorized Denominations and each Series shall be numbered in consecutive numerical order from 1 upwards. Each Bond shall bear interest from and including the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated during the period from the 15th day of the month preceding an Interest Payment Date to and including such Interest Payment Date, in which event it shall bear interest from and including such Interest Payment Date, or unless it is authenticated on or prior to February 15, 2017, in which event it shall bear interest from the Dated Date; provided, that if at the time of authentication of any Bond interest is then in default or overdue on the Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid in full or made available for payment in full on all Outstanding Bonds. Payment of the interest on any Bond shall be made to the Person whose name appears on the Bond Register as the Owner thereof as of the Record Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to the Owner at the address which appears on the Bond Register as of the Record Date, for that purpose; except that in the case of an Owner of one million dollars (\$1,000,000) or more in aggregate principal amount of any Series of Bonds, upon written request of such Owner to the Trustee, in form satisfactory to the Trustee, received not later than the Record Date, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer. The principal of and redemption premiums, if any, on the Bonds shall be payable at the Corporate Trust Office of the Trustee, upon presentation and surrender of such Bonds. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(c) Notwithstanding any other provision herein contained, any interest not punctually paid or duly provided for, as a result of an Event of Default or otherwise, shall forthwith cease to be payable to the Owner on the Record Date and shall be paid to the Owner in whose name the Bonds is authenticated at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof being given to the Owners by first class mail not less than ten (10) days prior to such Special Record Date.

SECTION 2.02. Form of Bonds. The Bonds and the certificate of authentication and assignment forms to appear thereon shall be in substantially the forms set forth in Exhibit A hereto, with such variations, insertions or omissions as are appropriate to differentiate among the Series of Bonds and as are not inconsistent herewith.

SECTION 2.03. Temporary Bonds. Until the Bonds in definitive form are ready for delivery, the Issuer may execute and, upon its request in writing, the Trustee shall authenticate and deliver in lieu of any thereof and subject to the same provisions, limitations and conditions one or more Bonds in temporary form, in substantially of the tenor of the Bonds hereinbefore in this article described, with appropriate omissions, variations and insertions as the Issuer shall determine.

Until exchanged for the Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit of this Trust Agreement. The Issuer shall, without unreasonable delay, prepare, execute and deliver to the Trustee and, upon the presentation and surrender of the Bond or Bonds in temporary form to the Trustee at its Corporate Trust Office, the Trustee shall authenticate and deliver, in exchange therefor, a Bond or Bonds of the same Series, maturity and interest rate, in definitive form, in Authorized Denominations, and for the same aggregate Outstanding principal amount, as the Bond or Bonds in temporary form surrendered. Such exchange shall be made at the Issuer's own expense and without making any charge therefor to any Owner.

SECTION 2.04. Bonds Mutilated, Destroyed, Stolen or Lost. In the event any Bond, whether temporary or definitive, is mutilated, lost, stolen or destroyed, the Issuer may execute and, upon its request in writing, the Trustee shall authenticate and deliver a new Bond of the same Series, principal amount and maturity as the mutilated, lost, stolen or destroyed Bond in exchange and substitution for such mutilated Bond, or in lieu of and substitution for such lost, stolen or destroyed Bond.

Application for exchange and substitution of mutilated, lost, stolen or destroyed Bonds shall be made to the Trustee at the Corporate Trust Office. In every case the applicant for a substitute Bond shall furnish to the Trustee security or indemnification to the Trustee's satisfaction. In every case of loss, theft or destruction of a Bond, the applicant shall also furnish to the Trustee evidence to the Trustee's satisfaction of the loss, theft or destruction and of the identity of the applicant, and in every case of mutilation of a Bond, the applicant shall surrender the Bond so mutilated.

Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of or redemption premiums, if any, on or interest on the Bonds, the Trustee may pay the

same (without surrender thereof except in the case of a mutilated Bond) instead of issuing a substitute Bond so long as security or indemnification is furnished as above provided.

Upon the issuance of any substitute Bond, the Trustee may charge the Owner of such Bond with its reasonable fees and expenses in connection therewith. Every substitute Bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen or destroyed shall constitute an original additional contractual obligation of the Issuer, whether or not the lost, stolen or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Trust Agreement equally and proportionally with any and all other Bonds of such Series duly issued under this Trust Agreement to the same extent as the Bonds in substitution for which such Bonds were issued.

SECTION 2.05. Execution of Bonds. All the Bonds shall, from time to time, be executed on behalf of the Issuer by the manual or facsimile signature of the [Chairman/President] and attested by the manual or facsimile signature of the Secretary.

If any of the officers who shall have signed any of the Bonds shall cease to be such officer of the Issuer before the Bond so signed shall have been actually authenticated by the Trustee or delivered, such Bonds nevertheless may be authenticated, issued and delivered with the same force and effect as though the Person or Persons who signed such Bonds had not ceased to be such officer of the Issuer, and any such Bond may be signed on behalf of the Issuer by those Persons who, at the actual date of the execution of such Bonds, shall be the proper officers of the Issuer, although at the date of such Bond any such Person shall not have been such officer of the Issuer.

SECTION 2.06. Special Covenants as to Book-Entry Only System for Bonds.

(a) Except as otherwise provided in subsections (b) and (c) of this Section, all of the Bonds initially issued shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), or such other nominee as DTC shall request pursuant to the Letter of Representation. Payment of the interest on any Bond registered in the name of Cede & Co. shall be made on each Interest Payment Date for such Bonds to the account, in the manner and at the address indicated in or pursuant to the Letter of Representation.

(b) The Bonds initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of such Bonds, representing the aggregate principal amount of the Bonds of such maturity. Upon initial issuance, the ownership of all such Bonds shall be registered in the registration records maintained by the Trustee pursuant to Section 2.07 in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Letter of Representation. The Trustee, the Issuer and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal or redemption price of and interest on such Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners hereunder, registering the transfer of Bonds, obtaining any consent or other action to be taken by Owners of the Bonds and for all other purposes whatsoever; and neither the Trustee nor the Issuer or any paying agent shall be affected by any notice to the contrary. Neither the Trustee nor the Issuer or any paying agent shall have any responsibility or obligation to any

Participant (which shall mean, for purposes of this Section, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Bonds, (iii) any notice which is permitted or required to be given to Owners of Bonds hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or (v) any consent given or other action taken by DTC as Owner of Bonds. The Trustee shall pay all principal of and premium, if any, and interest on the Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Letter of Representation, and all such payments shall be valid and effective to satisfy fully and discharge the Issuer's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Bonds will be transferable to such new nominee in accordance with subsection (f) of this Section.

(c) In the event that the Issuer determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain bond certificates, the Trustee shall, upon the written instruction of the Issuer, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, the Bonds will be transferable in accordance with subsection (f) of this Section. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice of such discontinuance to the Issuer or the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Bonds will be transferable in accordance with subsection (f) of this Section. Whenever DTC requests the Issuer and the Trustee to do so, the Trustee and the Issuer will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Bonds then Outstanding. In such event, the Bonds will be transferable to such securities depository in accordance with subsection (f) of this Section, and thereafter, all references in this Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Trust Agreement to the contrary, so long as all Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such Bond and all notices with respect to each such Bond shall be made and given, respectively, to DTC as provided in the Letter of Representation.

(e) The Trustee is hereby authorized and requested to execute and deliver any letter of representation or operating memorandum required by DTC and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this Trust Agreement.

(f) In the event that any transfer or exchange of Bonds is authorized under subsection (b) or (c) of this Section, such transfer or exchange shall be accomplished upon receipt by the

Trustee from the registered owner thereof of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.07 and 2.08. In the event Bond certificates are issued to Owners other than Cede & Co., its successor as nominee for DTC as Owner of all the Bonds, another securities depository as Owner of all the Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.07 and 2.08 shall also apply to, among other things, the registration, exchange and transfer of the Bonds and the method of payment of principal of, premium, if any, and interest on the Bonds.

SECTION 2.07. Transfer, Registration and Exchange of Bonds. The Bonds may be transferred or exchanged and title thereto shall pass only in the manner provided in this Trust Agreement, and the Trustee shall keep books constituting the Bond Register for the registration and transfer of the Bonds as provided herein. All Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner or by his attorney duly authorized in writing and all such Bonds shall be surrendered to the Trustee and canceled by the Trustee pursuant to Section 2.10 hereof. The Issuer and the Trustee may deem and treat the Owner of any Bond as the absolute owner of such Bond for the purpose of receiving any payment on such Bond and for all other purposes of this Trust Agreement, whether such Bond shall be overdue or not, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

SECTION 2.08. Regulations with Respect to Exchanges or Transfers of Bonds.

(a) In all cases in which the privilege of exchanging or registering the transfer of Bonds is exercised, the Issuer shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Trust Agreement. There shall be no charge to the Owner for any such exchange or registration of transfer of Bonds, but the Issuer may require the payment of a sum sufficient to pay any tax or other governmental charge required to be paid with respect to any such exchange or registration of transfer. Neither the Issuer nor the Trustee shall be required to register the transfer or exchange of any Bond during the period established by the Trustee for selection of Bonds for redemption or any Bond selected for redemption.

(b) Upon surrender for exchange or transfer of any Bond at the Corporate Trust Office of the Trustee, the Issuer shall execute (which may be by facsimile) and the Trustee shall authenticate and deliver in the name of the Owner (in the case of transfers) a new Bond or Bonds of such Series in Authorized Denominations, in the aggregate principal amount which the registered Owner is entitled to receive.

(c) New Bonds delivered upon any transfer or exchange shall be valid obligations of the Issuer, evidencing the same debt as the Bonds surrendered, shall be secured by this Trust Agreement and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds of such Series so surrendered.

SECTION 2.09. Authentication of Bonds. No Bond shall be secured by this Trust Agreement or entitled to its benefits or shall be valid or obligatory for any purpose unless there shall be endorsed on such Bond the Trustee's certificate of authentication, substantially in the

form prescribed in this Trust Agreement, executed by the manual signature of a duly authorized signatory of the Trustee; and such certificate on any Bond issued by the Issuer shall be conclusive evidence and the only competent evidence that such Bond has been duly authenticated and delivered under this Trust Agreement.

SECTION 2.10. Cancellation of Bonds. Upon the surrender to the Trustee of any temporary or mutilated Bond or Bond surrendered for transfer or exchange, or Bonds purchased, redeemed or paid at maturity, the same shall forthwith be canceled and the Trustee shall destroy such Bonds and upon written request of the Issuer deliver a certificate of destruction with respect thereto to the Issuer.

SECTION 2.11. Bonds as Special Obligations. The Bonds shall be special, limited obligations of the Issuer, payable from, and secured as to the payment of the principal of and the redemption premiums, if any, and the interest on the Bonds in accordance with their terms and the terms of this Trust Agreement solely by, the Trust Estate. The Bonds shall not constitute a charge against the general credit of the Issuer or any of its members, and under no circumstances shall the Issuer be obligated to pay principal of or redemption premiums, if any, or interest on the Bonds except from the Trust Estate. Neither the State nor any public agency (other than the Issuer) nor any member of the Issuer is obligated to pay the principal of or redemption premiums, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Issuer is pledged to the payment of the principal of or redemption premiums, if any, or interest on the Bonds. The payment of the principal of or redemption premiums, if any, or interest on, the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Issuer) or any member of the Issuer.

No agreement or covenant contained in any Bond or this Trust Agreement shall be deemed to be an agreement or covenant of any officer, member, agent or employee of the Issuer in his or her individual capacity and neither the members of the Issuer nor any officer or employee thereof executing the Bonds shall be liable personally on any Bond or be subject to any personal liability or accountability by reason of the issuance of such Bonds.

ARTICLE III

ISSUANCE OF BONDS

SECTION 3.01. Provisions for the Issuance of Bonds. The Bonds shall be executed by the Issuer and delivered to the Trustee for authentication, together with a Written Order certifying that all conditions precedent to the authorization of the Bonds have been satisfied and authorizing the Trustee to authenticate the Bonds. The Trustee shall authenticate and deliver the Bonds upon receipt of the Written Order described above, and upon the following having been made available to the Trustee:

(a) A copy of the resolution adopted by the Issuer approving this Trust Agreement and the execution and delivery by the Issuer of this Trust Agreement, duly certified by the Secretary to have been duly adopted by the Issuer and to be in full force and effect on the date of such certification;

(b) A Written Order directing that the Trustee authenticate the Bonds and containing instructions as to the delivery of the Bonds;

(c) An Officer's Certificate stating that the Issuer is not in default in the performance of any of the agreements, conditions, covenants or terms contained in this Trust Agreement; and

(d) A Cash Flow Certificate to the effect that, assuming that all payments are made with respect to the Local Obligations, (i) the Revenues, together with moneys on deposit in other funds and accounts held under this Trust Agreement, will be sufficient to pay all scheduled principal and interest payments on the Bonds when due; and (ii) the redemption premiums, if any, on the Local Obligations payable in the event of early retirement of the Local Obligations, together with other Revenues available to the Trustee for such purpose, are sufficient to offset any difference between the interest to accrue on the Bonds to be paid or redeemed with the proceeds of prepayment of such Local Obligations (plus any redemption premium payable upon redemption of such Bonds) and the income to be earned on any investment of such proceeds (assured as of the date of payment thereof), in each case until the date of payment or redemption of Bonds, such that in no event will the Prepayment of the Local Obligations cause the Trustee to have insufficient funds to pay Annual Debt Service when due after such redemption; and

(e) An original executed counterpart of this Trust Agreement.

SECTION 3.02. Additional Parity Bonds. In addition to the Bonds, the Issuer may at any time, by a Supplemental Trust Agreement, authorize the issuance of Additional Parity Bonds, payable from Revenues and secured by a pledge and charge and lien upon the Revenues equally and ratably with the Bonds previously issued (the "Additional Parity Bonds"), but only upon compliance by the Issuer with the provisions hereof and any additional requirements set forth in the Supplemental Trust Agreement, and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any Additional Parity Bonds:

(a) No Event of Default shall have occurred and then be continuing;

(b) The Supplemental Trust Agreement providing for the issuance of the Additional Parity Bonds shall specify the purposes for which the Additional Parity Bonds are being issued, which shall be to acquire Eligible Local Obligations or to refund all or part of the Bonds relating to the Outstanding Local Obligations;

(c) The Supplemental Trust Agreement providing for the issuance of the Additional Parity Bonds shall provide for a deposit to the Reserve Fund sufficient to raise the amount on deposit therein to the Reserve Requirement upon the issuance of the Additional Parity Bonds;

(d) The Supplemental Trust Agreement providing for the issuance of the Additional Parity Bonds shall provide the date, the maturity date or dates, the interest payment dates and the mandatory redemption dates, if any, for such Series; provided, that (i) the Additional Parity Bonds shall be payable as to principal on September 1 of each year in which principal of such Additional Parity Bonds falls due, and the Additional Parity Bonds shall be subject to mandatory redemption on September 1 of each year in which mandatory redemption is required; and (ii) the Additional Parity Bonds shall be payable as to interest semiannually on March 1 and September 1 of each year, except that the first installment of interest may be payable on either

March 1 or September 1 and shall be for a period of not longer than twelve (12) months and the interest shall be payable thereafter semiannually on March 1 and September 1.

(e) The Issuer shall have received written confirmation from the rating agency then rating the Bonds that the issuance of the Additional Parity Bonds will not result in a downgrade of the underlying rating on the Bonds;

(f) If the Additional Parity Bonds are issued to refund Outstanding Bonds, the Issuer will not issue any Additional Parity Bonds unless the Issuer certifies that the following conditions have been satisfied: (i) the final maturity date of the Additional Parity Bonds is no later than the final maturity date of the Bonds being refunded; (ii) the issuance of the Additional Parity Bonds will result in annual debt service savings in every year until maturity; and

(g) If the Additional Parity Bonds are issued other than under subsection (f) of this Section 3.02, then the Issuer shall also certify that the following conditions have been satisfied: (i) all conditions to the issuance of any related Local Obligations required under the applicable Community Facilities District indenture have been satisfied; (ii) the Revenues are estimated to cover one hundred ten percent (110%) of the debt service in each Fiscal Year of all Bonds (including all proposed Additional Parity Bonds), and; (iii) the Revenues derived from Local Obligations of Community Facilities Districts with at least five hundred (500) developed residential properties are estimated to cover one hundred percent (100%) of the debt service in each Fiscal Year of all Bonds (including all proposed Additional Parity Bonds).

ARTICLE IV

REDEMPTION AND PURCHASE OF BONDS

SECTION 4.01. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to this Trust Agreement shall be redeemable, upon mailed notice as provided in this article, at such times and upon such terms as are contained in this article. Whenever, by the terms of this Trust Agreement, the Trustee is required or authorized to redeem Bonds, subject to Section 4.05, the Trustee shall select the Bonds to be redeemed, shall give the notice of redemption and shall pay out of moneys available therefor the redemption price thereof, plus interest accrued and unpaid to the redemption date, in accordance with the terms of this article.

SECTION 4.02. Extraordinary Redemption. The Bonds maturing on or after September 1, 20__ shall be subject to extraordinary redemption as a whole or in part on any Interest Payment Date on or after September 1, 20__ and shall be redeemed by the Trustee from moneys transferred to the Redemption Fund pursuant to Section 5.03(c) and derived as a result of Property Owner Prepayments, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date, without premium. The Trustee shall select the Bonds to be redeemed in accordance with the Redemption Instructions delivered pursuant to Section 4.05.

All prepayments of the Eligible Local Obligations must be gross funded (including any call premium) to the next call date.

SECTION 4.03. Optional Redemption of Bonds.

(a) The Bonds maturing on or after September 1, 20__ shall be subject to optional redemption as a whole or in part on any Interest Payment Date on or after September 1, 20__, at the option of the Issuer from any moneys deposited in the Redemption Fund from any source for such purpose by the Issuer at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date, [without premium].

(b) In the case of the optional redemption of any Outstanding Bonds, in addition to the documents required by Section 4.05, the Issuer shall deliver a Written Order to the Trustee stating its election to redeem Bonds, which such Written Order containing redemption instructions shall be delivered to the Trustee at least forty-five (45) days prior to the redemption date. In the event such Written Order containing redemption instructions is delivered to the Trustee, the Issuer shall pay or cause to be paid to the Trustee on or prior to the date on which the notice of redemption shall be given pursuant to Section 4.06 an amount which, in addition to other moneys (including the amount to be transferred from the applicable reserve fund pursuant to Sections 5.11(b) and 5.14(b)), if any, available therefor held by the Trustee will be sufficient to redeem on the redemption date at the redemption price thereof, plus interest accrued and unpaid to the redemption date, the Outstanding Bonds identified in Written Orders delivered pursuant to Section 4.05; provided, that such amount may be delivered after such date and prior to the redemption date if such Written Order requires the notice of redemption to state that such redemption shall be conditioned upon the receipt of such funds.

SECTION 4.04. Mandatory Redemption of Bonds.

(a) The Bonds maturing on September 1, 20__ are also subject to mandatory redemption in part by lot on September 1 in each year commencing September 1, 20__ at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, in accordance with the following schedule:

Year (September 1)	Redemption Amount
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* Maturity

(b) The Bonds maturing on September 1, 20__ are also subject to mandatory redemption in part by lot on September 1 in each year commencing September 1, 20__ at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, in accordance with the following schedule:

Year (September 1)	Redemption Amount
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* Maturity

(c) In the event that Bonds subject to mandatory redemption pursuant to this Section are redeemed in part prior to their stated maturity date from any moneys other than Principal Installments, the remaining Principal Installments for such Bonds shall be reduced proportionately in each year remaining until and including the final maturity date of such Bonds.

(d) In the event the mandatory sinking fund redemption installments are paid by the Bond Insurer pursuant to the Bond Insurance Policy, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Owners who surrender their Bonds a new Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered. The Trustee shall designate any portion of payment of principal on Bonds paid by the Bond Insurer, 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 Bonds registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name of [Insurer], 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 Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Bond Insurer.

SECTION 4.05. Redemption Instructions. In the event a portion, but not all, of the Outstanding Bonds are to be redeemed pursuant to Section 4.02 or Section 4.03, the Trustee shall select the amounts and maturities of Bonds for redemption in accordance with a Written Order of the Issuer. Upon occurrence of any extraordinary redemption in part, the selection of the Bonds to be redeemed shall be subject to the approval of the Bond Insurer. Upon any prepayment of a Local Obligation or a determination to redeem Bonds pursuant to Section 4.03, the District and the Issuer shall deliver to the Trustee and the Bond Insurer at least forty-five (45) days prior to the redemption date the following:

- (i) A Written Order of the Issuer to the Trustee including the following items:
 - (A) designation of the maturities, Series and amounts of Bonds to be redeemed; provided, that except as necessary to meet the requirements of subsection (C) below, the Bonds shall be redeemed pro rata (as nearly as possible given minimum authorized denominations) in proportion to the total principal amount Outstanding of each such Series at the time of redemption;
 - (B) designation of the reduction, if any, in the Reserve Requirement required pursuant to the Cash Flow Certificate delivered pursuant to subsection (ii) below, resulting from such redemption; and

(C) a certification to the effect that after giving effect to this redemption, the total principal amount of outstanding Local Obligations will be equal to or greater than the total principal amount of Outstanding Bonds.

(ii) A Cash Flow Certificate certifying that the anticipated or scheduled Revenues to be received from the Local Obligations will be sufficient in time and amount (together with funds then held under the Trust Agreement representing payments under the Local Obligations and available therefore) to make all remaining scheduled Principal Installments with respect to, and interest on, the Outstanding Bonds after such redemptions. The Cash Flow Certificate shall indicate the amount, if any, on deposit in the Reserve Fund which shall be transferred to the Redemption Fund to redeem Bonds as provided in Sections 5.11(b), 5.14(b) and 6.02(c). The Cash Flow Certificate shall indicate the amount which must be withdrawn from the Reserve Fund to redeem a portion of the Bonds pursuant to Section 5.14(b) provided, that such withdrawal shall not result in any reduction in the proportional relationship between principal and interest remaining due on the Local Obligations and principal and interest remaining due on the Bond as existed prior to such redemption and provided further that the aggregate amount remaining on deposit in the Reserve Fund after such withdrawal shall be equal to or greater than the Minimum Reserve Requirement.

SECTION 4.06. Notice of Redemption. In the case of any redemption of Bonds, the Trustee shall determine that it has in the Funds maintained pursuant to this Trust Agreement and available therefor sufficient moneys on hand to pay the principal of, the interest on, and the redemption premium, if any, to make any such redemption. Subject to receipt of the Written Order of the Issuer delivered pursuant to Section 4.05, if sufficient moneys are available for such redemption, the Trustee shall give notice, as hereinafter in this section provided, that Bonds, identified by CUSIP numbers, serial numbers and maturity date, have been called for redemption and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof that has been called for redemption (or if all the Outstanding Bonds are to be redeemed, so stating, in which event such serial numbers may be omitted), that they will be due and payable on the date fixed for redemption (specifying such date) upon surrender thereof at the Corporate Trust Office, at the redemption price (specifying such price), together with any accrued interest to such date, and that all interest on the Bonds, or portions thereof, so to be redeemed will cease to accrue on and after such date and that from and after such date such Bond or such portion shall no longer be entitled to any lien, benefit or security under this Trust Agreement, and the Owner thereof shall have no rights in respect of such redeemed Bond or such portion except to receive payment from such moneys of such redemption price plus accrued interest to the date fixed for redemption.

Such notice shall be mailed by first class mail, in a sealed envelope, postage prepaid, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption, to the Information Services and to the Owners of such Bonds, or portions thereof, so called for redemption, at their respective addresses as the same shall last appear on the Bond Register. No notice of redemption need be given to the Owner of a Bond to be called for redemption if such Owner waives notice thereof in writing, and such waiver is filed with the Trustee prior to the redemption date. Neither the failure of an Owner to receive notice of redemption of Bonds hereunder nor any error in such notice shall affect the validity of the proceedings for the

redemption of Bonds. Such notice may specify that it is conditional upon the receipt of funds to pay the redemption price of the Bonds to be redeemed on or prior to the redemption date and that if such funds are not available, the redemption will be canceled and such Bonds shall remain Outstanding.

At the time notice of redemption is given to the Owners, the Trustee shall send a copy of the notice of redemption by facsimile, certified mail or overnight delivery to the Depository; provided, that failure to provide notice to the Depository or to the Information Services shall not affect the validity of proceedings for the redemption of any Bonds.

SECTION 4.07. Selection of Bonds for Redemption. If less than all the Bonds are to be redeemed at one time, the Issuer shall select the Series of Bonds of such Series to be redeemed. Whenever less than all the Outstanding Bonds of a Series of any one maturity are to be redeemed on any one date, the Trustee shall select the particular Bond to be redeemed by lot and in selecting the Bond of such Series for redemption the Trustee shall treat each Bond of such Series of a denomination of more than five thousand dollars (\$5,000) as representing that number of Bonds of such Series of five thousand dollars (\$5,000) denomination which is obtained by dividing the principal amount of such Bond of such Series by five thousand dollars (\$5,000), and the portion of any Bond of such Series of a denomination of more than five thousand dollars (\$5,000) to be redeemed shall be redeemed in an Authorized Denomination. The Trustee shall promptly notify the Issuer in writing of the numbers of the Bonds of such Series so selected for redemption in whole or in part on such date.

SECTION 4.08. Payment of Redeemed Bonds. If notice of redemption has been given or waived as provided in Section 4.06, the Bonds or portions thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price thereof, together with accrued interest to the date fixed for redemption, upon presentation and surrender of the Bonds to be redeemed at the office specified in the notice of redemption. If there shall be called for redemption less than the full principal amount of a Bond, the Issuer shall execute and deliver and the Trustee shall authenticate, upon surrender of such Bond, and without charge to the Owner thereof, Bonds of like interest rate and maturity in an aggregate principal amount equal to the unredeemed portion of the principal amount of the Bonds so surrendered in such Authorized Denominations as shall be specified by the Owner.

If any Bond or any portion thereof shall have been duly called for redemption and payment of the redemption price, together with unpaid interest accrued to the date fixed for redemption, shall have been made or provided for by the Issuer, then interest on such Bond or such portion shall cease to accrue from such date, and from and after such date such Bond or such portion shall no longer be entitled to any lien, benefit or security under this Trust Agreement, and the Owner thereof shall have no rights in respect of such Bond or such portion except to receive payment of such redemption price, and unpaid interest accrued to the date fixed for redemption.

SECTION 4.09. Purchase in Lieu of Redemption. In lieu of redemption of any Bond pursuant to the provisions of Sections 4.02, 4.03 or 4.04 hereof and after complying with Section 4.05 hereof, amounts on deposit in the Principal Fund or in the Redemption Fund may also be used and withdrawn by the Trustee at any time prior to selection of Bonds for redemption having taken place with respect to such amounts, upon a Written Order for the purchase of such

Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Issuer may in its discretion determine, but not in excess of the redemption price thereof plus accrued interest to the purchase date. All Bonds so purchased shall be delivered to the Trustee for cancellation. Upon any purchase of Term Bonds, an amount equal to the aggregate principal amount of Term Bonds so purchased shall be credited towards a part or all of any one or more Mandatory Sinking Fund Installments for such Term Bonds in the same manner as if redeemed pursuant to Sections 4.02, 4.03 or 4.04 hereof, as applicable, and all Term Bonds so purchased shall be delivered to the Trustee for cancellation. The portion of any such Mandatory Sinking Fund Installments remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Mandatory Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Mandatory Sinking Fund Installment for the purpose of the calculation of Mandatory Sinking Fund Installments due on any future date. The purchase of the Bonds in lieu of redemption shall require the approval of the Bond Insurer wherein any Bonds so purchased is not extinguished.

ARTICLE V

REVENUES AND FUNDS FOR BONDS

SECTION 5.01. Establishment of Funds. There is hereby established with the Trustee, and the Trustee hereby agrees to maintain, the following special trust funds for the Bonds, which the Trustee shall keep separate and apart from all other funds and moneys held by it: the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund, the Redemption Fund, the Expense Fund, the Capital Improvement Fund, the Surplus Fund, the Obligation Fund and the Rebate Fund.

SECTION 5.02. Deposit of Proceeds of Bonds and Other Funds. The Trustee shall apply the new proceeds (principal amount of the Bonds, [plus/less] net original issue premium, less Underwriter's Discount, less bond insurance premium) received from the sale of the Bonds in an amount of \$_____:

- (a) The Trustee shall deposit the sum of \$_____ in the Reserve Fund;
- (b) The Trustee shall transfer the sum of \$_____ to the escrow agent for the Prior Bonds for the payment of the redemption price of the Prior Bonds on _____, 20__ pursuant to an escrow agreement relating thereto; and
- (c) The Trustee shall deposit the sum of \$_____ in the Capital Improvement Fund for the payment of costs of the Project.
- (d) The Trustee shall deposit the sum of \$_____ in the Expense Fund for the payment of costs of issuance for the Bonds.

[The Trustee shall transfer the sum of \$_____ from the reserve fund for the Prior Bonds and the sum of \$_____ from the Expense Fund for the Prior Bonds to the Escrow Agent for the Prior Bonds to pay a portion of the redemption price of the Prior Bonds on _____, 20__.]

SECTION 5.03. Capital Improvement Fund. The Trustee shall establish and maintain a fund to be designated the Capital Improvement Fund. Amounts in the Capital Improvement Fund shall be withdrawn by the Trustee and transferred to or upon the order of the Issuer or the District for the purpose of paying the cost of public capital improvements (as defined in the Act) upon receipt of one or more sequentially numbered written requisitions of the Issuer or the District stating (1) the amount, purpose and payee of the payment; (2) that the payment is for a public capital improvement as defined in the Act; and (3) that the payment is for a cost that has not been previously paid from the Capital Improvement Fund (costs of a public capital improvement may include the payment of lease payments for the use and possession of a public capital improvement).

SECTION 5.04. Obligation Fund.

(a) All Local Obligations shall be held in the Obligation Fund, which the Trustee is hereby directed to establish and maintain.

(b) The District further covenants that it will not cause any Local Obligations to be refunded (in whole or in part) except from Property Owner Prepayments unless at the time of such refunding no Bonds will be Outstanding hereunder.

SECTION 5.05. Covenant Respecting Local Obligation Redemption Fund.

(a) The District expressly acknowledges that, pursuant to the Local Obligation Statute and the Local Obligation Resolution pursuant to which the Local Obligations were issued by the District and sold to the Issuer, the District is legally obligated to establish and maintain a separate redemption fund for the Local Obligations (the "Local Obligation Redemption Fund") which is held by U.S. Bank National Association in its capacity as Fiscal Agent under the Local Obligation Resolution and, so long as any part of the Local Obligations remains outstanding, to deposit into the Local Obligation Redemption Fund, upon receipt, any and all Local Obligation Revenues received by the District. The District further acknowledges that, pursuant to the Local Obligation Statute and the Local Obligation Resolution, no temporary loan or other use whatsoever may be made of the Local Obligation Revenues, and the Local Obligation Redemption Fund constitutes a trust fund for the benefit of the owners of the Local Obligations.

(b) The District hereby covenants for the benefit of the Issuer, as owner of the Local Obligations, the Trustee, as assignee of the Issuer with respect to the Local Obligations, and the Owners from time to time of the Bonds, that it will establish, maintain and administer the Local Obligation Redemption Funds and the Local Obligation Revenues in accordance with their status as trust funds as prescribed by the Local Obligation Statute, the Local Obligation Resolution, and this Amended and Restated Trust Agreement.

(c) The District further covenants that, no later than ten (10) Business Days prior to each Interest Payment Date and Principal Payment Date on the Bonds, the District will advance to the Trustee against payment on the Local Obligations, as assignee of the Issuer with respect to the Local Obligations, the interest due on the Local Obligations on such Interest Payment Date and the principal of all Local Obligations maturing on such Principal Payment date, respectively, and upon receipt by the Trustee, such amounts shall constitute Revenues. The Trustee shall provide written notice to the Issuer no later than February 1 and August 1 of each year during

which the Bonds remain outstanding specifying the amount required to be paid to the Trustee pursuant to this subsection 5.05(c) in each such month.

SECTION 5.06. Revenues Derived From Property Owner Prepayments.

(a) The District and the Issuer acknowledge that the Local Obligations Statute requires that amounts received by the District on account of Property Owner Prepayments shall be utilized, in accordance with the Local Obligations Statute, for the sole purpose of prior redemption of Local Obligations and not to pay current, scheduled debt service payments on the Local Obligations. Correspondingly, in order to maintain a proper matching between debt service payments on the Local Obligations and debt service payments on the Bonds, it is a requirement of this Trust Agreement that Revenues received by the Trustee which constituted Property Owner Prepayments when received by the District shall be utilized by the Trustee pursuant to Section 4.02 and this Section 5.06.

(b) The Issuer hereby covenants for the benefit of the Bond Insurer and Owners that, as to each separate date upon which Bonds are to be redeemed from the proceeds of Property Owner Prepayments, the Written Orders of the Issuer required pursuant to Section 4.05 shall, as nearly as possible (taking into account the minimum denominations of such bonds and the requirements of Section 4.05(ii), apply such Property Owner Prepayments to the redemption of Bonds.

(c) All Revenues derived from Property Owner Prepayments (except the portion of such Revenues relating to accrued interest, which shall be deposited in the Revenue Fund) received by the Trustee shall be immediately deposited in the Redemption Fund to be used to redeem Bonds pursuant to Section 4.02.

SECTION 5.07. Revenue Fund. All Revenues, other than Revenues derived from Property Owner Prepayments (which shall be identified in writing to the Trustee by the District and deposited in the Redemption Fund and administered in accordance with Section 5.06), received by the Trustee shall be deposited by the Trustee into the Revenue Fund. Not later than five (5) Business Days prior to each Interest Payment Date and Principal Payment Date on the Bonds, the Trustee shall transfer Revenues from the Revenue Fund, in the amounts specified in Sections 5.08 through 5.17 hereof, for deposit into the respective funds specified therein in the order of priority set forth, the requirements of each fund to be fully satisfied, leaving no deficiencies therein, prior to any deposit into any fund later in priority.

SECTION 5.08. Interest Fund. The Trustee shall deposit in the Interest Fund before each Interest Payment Date from the Revenue Fund an amount of Revenues which together with any amounts then on deposit in the Interest Fund is equal to the interest on the Bonds due on such date. On each Interest Payment Date, the Trustee shall pay the interest due and payable on the Bonds on such date from the Interest Fund. All amounts in the Interest Fund 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.

SECTION 5.09. Principal Fund. Having first satisfied the requirements of the foregoing Section 5.09, the Trustee shall next deposit in the Principal Fund before each Principal Payment Date from the Revenue Fund an amount of Revenues which together with any amounts

then on deposit in the Principal Fund (other than amounts previously deposited on account of any Bonds which have matured but which have not been presented for payment), is sufficient to pay the Principal Installments on the Bonds when due on such Principal Payment Date. The Trustee shall pay the Principal Installments when due upon presentation and surrender of the subject Bonds.

SECTION 5.10. The Reserve Fund.

(a) The Trustee shall deposit in the Reserve Fund the amount transferred to the Reserve Fund pursuant to Section 5.02. Except as provided in subsection (b) (c), and (d) below, all moneys in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or the principal or the redemption premiums, if any, of, the Bonds; but solely in the event that insufficient moneys are available in the Interest Fund, the Principal Fund, or the Redemption Fund for such purpose. Having first satisfied the requirements of the foregoing Sections 5.09 and 5.10, the Trustee shall next deposit in the Reserve Fund an amount of Revenues which, together with any amounts on deposit in the Reserve Fund, equal the Reserve Requirement.

(b) Upon any partial redemption of the Bonds pursuant to Sections 4.02, 4.03 or 4.04, the Trustee shall withdraw an amount from the Reserve Fund equal to the reduction in the Reserve Requirement specified in the Written Order of the Issuer delivered in connection with such redemption pursuant to Section 4.05 and transfer such amount to the Redemption Fund; provided, that such withdrawal, if any, shall not exceed the amount of cash on deposit in the Reserve Fund. In the event of a redemption of Local Obligations resulting from a Property Owner Prepayment, the Trustee shall transfer to the Redemption Fund from any cash on deposit in the Reserve Fund an amount equal to the amount specified in such Written Order; provided that the amount on deposit in the Reserve Fund after such withdrawal shall be equal to or greater than the Minimum Reserve Requirement. The Reserve Requirement shall be reduced by the amount of such transfer. The Trustee shall notify the District of such amounts to be transferred.

(c) Except as provided in Section 6.02(c), the Trustee shall retain in the Reserve Fund all earnings on cash amounts on deposit in the Reserve Fund which amounts shall be applied as provided in subsections (a) and (d) of this Section 5.11.

(d) Notwithstanding any other provision hereof, the failure to maintain an amount in the Reserve Fund equal to the Reserve Requirement shall not be an Event of Default hereunder.

SECTION 5.11. Expense Fund. The Trustee shall deposit in the Expense Fund the amount transferred to the Expense Fund pursuant to Section 5.02 for payment of the costs of issuance of the Bonds. In addition, having first satisfied the requirements of the foregoing Sections 5.09, 5.10, 5.11, 5.12, 5.13, and 5.14, the Trustee shall next deposit in the Expense Fund from Revenues an amount specified in a Written Order of the Issuer delivered pursuant to this Section 5.15. The Issuer shall deliver to the Trustee within thirty (30) days after the beginning of each Fiscal Year a Written Order specifying the amount of Expenses it anticipates will be required to be paid in such Fiscal Year. The Issuer may amend such Written Order at any time during the Fiscal Year by filing a new Written Order with the Trustee which shall supersede all previously filed Written Orders with respect to Expenses. Amounts in the Expense Fund shall be applied by the Trustee to the payment of Expenses upon receipt of a Requisition of the Issuer stating the Person to whom payment is to be made, the amount and purpose of the payment and that (i) such payment is a proper charge against the Expense Fund, and (ii) such payment has not been previously paid from the Expense Fund. Any amounts remaining in the Expense Fund on the last day of each Fiscal Year shall be retained in the Expense Fund unless the Issuer delivers a Written Order to the Trustee requesting that such amounts be transferred to the District. Any amounts so transferred shall be subject to the provisions of Section 5.10.

SECTION 5.12. Surplus Fund. Having first satisfied the requirements of the foregoing Sections 5.09, 5.10, 5.11, 5.12, 5.13, 5.14 and 5.15, the Trustee shall transfer any remaining amount in the Revenue Fund to the Surplus Fund. Amounts in the Surplus Fund (together with any earnings thereon) shall be applied or transferred as follows:

(a) On each June 1, the Trustee shall transfer the amount specified in a Written Order of the District containing evidence of the calculations required by Section [] of the Tax Certificate from the Surplus Fund to the Capital Improvement Fund. If the Trustee does not receive a Written Order pursuant to this Section 5.16(a) by June 15 in each year, the Trustee shall transfer the amount of \$_____ from the Surplus Fund to the Capital Improvement Fund; provided that such amount shall be reduced in each year by the percentage of Bonds redeemed in the prior fiscal year pursuant to Section 4.02 as a result of Property Owner Prepayments on the Local Obligations. On or about the fifth anniversary of the Closing Date, the Issuer will engage a consultant to perform a yield calculation on the Loans that takes into account the actual payments made on the Loans, as approved by Bond Counsel. After such calculation has been approved by Bond Counsel, the Trustee will adjust the annual Capital Improvement Fund transfer amount as directed in a Written Order of the District containing evidence of the calculations required by Section [] of the Tax Certificate. The annual Capital Improvement Fund transfer amount will be zero for fiscal years after June 30, 20__.

(b) The remainder of the amounts, if any, on deposit in Surplus Fund after making the transfer required pursuant to subsection (a) above shall be transferred to the Local Obligations Redemption Fund and shall be applied as a credit to the next debt service payment.

SECTION 5.13. Redemption Fund.

(a) All moneys held in or transferred to the Redemption Fund pursuant to Sections 5.07, 5.11(b) and 5.14(b) shall be used for the purpose of redeeming or purchasing all or a portion of the Outstanding Bonds pursuant to Section 4.02 or 4.03.

(b) The Trustee shall use amounts in the Redemption Fund for the payment of the redemption price of Bonds called for redemption pursuant to Sections 4.02 or 4.03 or the purchase price of Bonds purchased pursuant to Section 4.09, together with accrued interest to the redemption or purchase date.

SECTION 5.14. Rebate Fund. The Trustee agrees to establish and maintain a fund separate from any other fund established and maintained hereunder designated the Rebate Fund. The Trustee shall deposit in the Rebate Fund, from funds made available by the Issuer, the Rebate Requirement, all in accordance with Rebate Instructions received from the Issuer. The Trustee will apply moneys held in the Rebate Fund as provided in Section 7.04 hereof and according to instructions provided by the Issuer. Subject to the provisions of Section 7.04, moneys held in the Rebate Fund are hereby pledged to secure payments to the United States of America. The Issuer and the Owners will have no rights in or claim to such moneys. The Trustee will invest all amounts held in the Rebate Fund in Permitted Investments as directed in writing by the Issuer and all investment earnings with respect thereto shall be deposited in the Rebate Fund.

Upon receipt of the Rebate Instructions required by the Tax Certificate to be delivered to the Trustee, the Trustee will remit part or all of the balance held in the Rebate Fund to the United States of America as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as the Rebate Instructions shall direct. The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Issuer including supplying all necessary information in the manner provided in the Tax Certificate to the extent such information is reasonably available to the Trustee, and shall have no liability or responsibility to monitor or enforce compliance by the Issuer with the terms of the Tax Certificate.

The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the Rebate Fund or from other moneys provided to it by the Issuer. The Trustee shall not be responsible for computing the Rebate Requirement. Computations of the Rebate Requirement shall be furnished to the Trustee or on behalf of the Issuer in accordance with the Tax Certificate.

Notwithstanding any other provision of this Trust Agreement, including in particular Article XII hereof pertaining to defeasance, the obligation to remit the rebate amounts to the United States and to comply with all other requirements of this Section, and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

ARTICLE VI

SECURITY FOR AND INVESTMENT OF MONEYS

SECTION 6.01. Security. All moneys required to be deposited with or paid to the Trustee in any of the Funds (other than the Rebate Fund) referred to in any provision of this Trust Agreement shall be held by the Trustee in trust, and except for moneys held for the payment or redemption of Bonds or the payment of interest on Bonds pursuant to Section 12.03,

shall, while held by the Trustee, constitute part of the Trust Estate and shall be subject to the lien and pledge created hereby.

SECTION 6.02. Investment of Funds.

(a) So long as the Bonds are Outstanding and there is no default hereunder, moneys on deposit to the credit of the Redemption Fund, the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund, the Capital Improvement Fund, the Surplus Fund and all accounts within such funds (other than amounts invested in Local Obligations) shall, at the request of an Authorized Officer of the Issuer, which shall be in writing at least two (2) Business Days prior to the date of investment, specifying and directing that such investment of such funds be made, be invested by the Trustee in Permitted Investments having maturities or otherwise providing for availability of funds when needed for purposes of this Trust Agreement, and moneys held in the Rebate Fund shall, at the request of an Authorized Officer of the Issuer, which shall be confirmed in writing at least two (2) Business Days prior to the date of investment, specifying and directing that such investment of such funds be made, be invested by the Trustee in Government Obligations having maturities or otherwise providing for availability of funds when needed for purposes of this Trust Agreement, and the Trustee shall be entitled to rely on such instructions for purposes of this Section. The Trustee shall notify the Issuer in writing no less than five (5) Business Days prior to the date moneys held hereunder will be available for investment. The Authorized Officer of the Issuer, in issuing such written instructions, shall comply with the provisions of the Tax Certificate. In the absence of a written investment direction of the Issuer, the Trustee shall invest such moneys in a taxable money market portfolio composed of or fully secured by U.S. government securities. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of investments.

(b) Notwithstanding anything to the contrary contained in this Trust Agreement, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund (or account) from which such accrued interest was paid. The Trustee shall not be responsible for any losses or consequences of any investment if it follows such instructions in good faith.

The securities purchased with the moneys in each such Fund shall be deemed a part of such Fund. If at any time it shall become necessary or appropriate that some or all of the securities purchased with the moneys in any such Fund be redeemed or sold in order to raise moneys necessary to comply with the provisions of the Trust Agreement, the Trustee shall effect such redemption or sale, employing, in the case of a sale, any commercially reasonable method of effecting the same. The Trustee shall not be liable or responsible for any consequences resulting from any such investment or resulting from the redemption, sale or maturity of any such investment as authorized pursuant to this Section. The Issuer acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer the right to receive brokerage confirmations of security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer monthly cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Investments in the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund, the Capital Improvement Fund, the Surplus Fund and the Redemption Fund, may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular Funds amounts received or held by the Trustee; provided, that the Trustee shall at all times account for such investments strictly in accordance with the Funds to which they are credited and otherwise as provided in the Trust Agreement.

(c) Except as provided in this subsection (c), all earnings on the investment of the moneys on deposit in any fund shall remain a part of such fund. Amounts on deposit in the Reserve Fund in excess of the Reserve Requirement shall be held in the Reserve Fund until each August 15 and March 15, respectively, and shall be applied as directed in Section 5.11(b); provided, that on each August 15, after making any transfer to the Redemption Fund on such date as required by Section 5.11(b), any remaining amounts on deposit in said Reserve Fund in excess of the Reserve Requirement shall be transferred to the Capital Improvement Fund.

ARTICLE VII

COVENANTS OF THE ISSUER AND THE DISTRICT

SECTION 7.01. Payment of Bonds; No Encumbrances. The Issuer shall cause the Trustee to promptly pay, from Revenues and other funds derived from the Trust Estate pledged hereunder, the principal of and redemption premium, if any, on and the interest on every Bond issued under and secured by this Trust Agreement at the place, on the dates and in the manner specified in this Trust Agreement and in such Bonds according to the true intent and meaning thereof. The Issuer shall not issue any bonds, notes or other evidences of indebtedness or incur any obligations payable from or secured by the Trust Estate, other than the Bonds.

SECTION 7.02. Enforcement and Amendment of Obligations. The District, the Issuer and Trustee shall enforce all of their rights with respect to the Local Obligations to the fullest extent necessary to preserve the rights and protect the security of the Bond Insurer and the Owners under this Trust Agreement.

The District, the Issuer and the Trustee may, without the consent of or notice to the Owners, but with the consent of the Bond Insurer, consent to any amendment, change or modification of the Local Obligations that may be required (a) to conform to the provisions of this Trust Agreement (including any modifications or changes contained in any Supplemental Trust Agreement), (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Local Obligations, (d) in connection with any other change therein which is not to the material prejudice of the Trustee or the Owners of the Bonds pursuant to an Opinion of Bond Counsel, (e) in the Opinion of Bond Counsel, to preserve or assure the exemption of interest on the Local Obligations or the Bonds from federal income taxes or the exemption from California personal income tax.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the District, the Issuer nor the Trustee shall consent to any amendment, change or modification of the Local Obligations without the consent of the Bond Insurer and the

mailing of notice and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as in this Section provided. If at any time the Issuer and the District, as the case may be, shall request the consent of the Trustee to any such proposed amendment, change or modification of the Local Obligations, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by Section 14.04 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Owners. Nothing contained in this Section shall be construed to prevent the Trustee, with the consent of the Issuer and the Bond Insurer, from settling a default under the Local Obligations on such terms as the Trustee may determine to be in the best interests of the Owners.

SECTION 7.03. Further Documents. The Issuer covenants that it will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of this Trust Agreement; provided, that no such instruments or actions shall pledge the faith and credit or the taxing power of the State or any political subdivision of the State. The Issuer covenants and agrees to take such action as is necessary from time to time to perfect or otherwise preserve the priority of the pledge of Trust Estate under applicable law.

SECTION 7.04. Tax Covenants.

(a) The Issuer and the District 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 interest on the Bonds under Section 103 of the Code. The Issuer and the District will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer or take or omit to take any action that would cause the Bonds to be “private activity bonds” within the meaning of Section 141(a) of the Code or obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Code. The Issuer will not allow ten percent (10%) or more of the proceeds of the Bonds to be used in the trade or business of any nongovernmental units and will not lend five percent (5%) or more of the proceeds of the Bonds to any nongovernmental units.

(b) The Issuer and the District will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the Issuer and the District will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds. In the event that at any time the Issuer is of the opinion that for purposes of this Section it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee hereunder, the Issuer will so instruct the Trustee in writing, and the Trustee will take such actions as directed by such instructions.

(c) The Issuer will pay or cause to be paid the Rebate Requirement as provided in the Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds. The Issuer will cause the Rebate Requirement to be deposited in the Rebate Fund as provided in the Tax Certificate (which is incorporated herein by reference).

(d) The Trustee will conclusively be deemed to have complied with the provisions of this Section including the provisions of the Tax Certificate if it follows the directions of the Issuer set forth in the Tax Certificate and the Rebate Instructions and shall not be required to take any actions hereunder in the absence of Rebate Instructions from the Issuer.

(e) Notwithstanding any provision of this Section, if the Issuer shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds, the Trustee and the Issuer may conclusively rely on such Opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

(f) The provisions of this Section 7.04 shall survive the defeasance of the Bonds.

SECTION 7.05. Maintenance of Existence. The Issuer shall maintain the existence, powers and authority of the Issuer as a joint powers authority under California law.

SECTION 7.06. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement. Any provisions of the Continuing Disclosure Agreement may, however, be modified or waived only if there is filed with the Trustee, and the District an Opinion of Bond Counsel to the effect that such modification or waiver will not, in and of itself, cause the undertakings in the Continuing Disclosure Agreement to no longer satisfy the requirements of Securities Exchange Commission Rule 15c2-12(b)(5). Notwithstanding any other provision of this Trust Agreement, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default and shall not be deemed to create any monetary liability on the part of the District to any other persons, including Owners; provided, that any Owner or beneficial owner of the Bonds or the Trustee, at the written request of the Owners of at least 25% aggregate principal amount in Outstanding Bonds, the Trustee shall, but only to the extent funds or other indemnity in an amount satisfactory to the Trustee have been provided to it to hold the Trustee harmless from any loss, cost, liability or expenses and additional charges of the Trustee and fees and expenses of its attorneys, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section 7.06.

ARTICLE VIII

DEFAULTS AND REMEDIES

SECTION 8.01. Events of Default. The following shall constitute “Events of Default” hereunder:

- (a) if payment of interest on the Bonds shall not be made when due; or
- (b) if payment of any Principal Installment shall not be made when due and payable, whether at maturity, by proceedings for redemption, or otherwise; or

(c) if the Issuer shall fail to observe or perform in any material way any other agreement, condition, covenant or term contained in this Trust Agreement on its part to be performed, and such failure shall continue for thirty (30) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Issuer, as the case may be, by the Trustee, the Bond Insurer or by the Owner(s) of not less than twenty-five percent (25%) in aggregate principal amount of each Series of the Bonds Outstanding with the consent of the Bond Insurer, provided, that if such default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within the applicable period and diligently pursued until the default is corrected; or

(d) there shall be a default under the Local Obligations Indenture.

SECTION 8.02. Proceedings by Trustee; No Acceleration. Upon the happening and continuance of any Event of Default the Trustee in its discretion may, with the Bond Insurer's consent and shall, at the Bond Insurer's direction or at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of each Series of Bonds Outstanding shall with the consent of the Bond Insurer (but only if indemnified to its satisfaction from any liability, expenses or costs), do the following:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, including the right to receive and collect the Revenues;

(b) bring suit upon or otherwise enforce any defaulting Local Obligations;

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;

(d) as a matter of right, have a receiver or receivers appointed for the Trust Estate and of the earnings, income, issues, products, profits and revenues thereof pending such proceedings, with such powers as the court making such appointment shall confer; and

(e) take such action with respect to any and all Permitted Investments as the Trustee shall deem necessary and appropriate, subject to Section 8.04 and to the terms of such Permitted Investments.

The Trustee shall have no right to declare the principal of all of the Bonds then Outstanding, or the interest accrued thereon, to be due and payable immediately.

SECTION 8.03. Effect of Discontinuance or Abandonment. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Trustee, the Bond Insurer and the Owners shall be restored to their former positions and rights under this Trust Agreement, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

SECTION 8.04. Rights of Owners. Anything in this Trust Agreement to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners

in Sections 8.01, 8.02 and 8.05, upon the happening and continuance of any Event of Default, the Owners of not less than twenty-five percent (25%) in aggregate principal amount of each Series of the Bonds then Outstanding with the consent of the Bond Insurer shall have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under this Trust Agreement.

The Trustee may refuse to follow any direction that conflicts with law or this Trust Agreement or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability without adequate indemnification therefor.

SECTION 8.05. Restriction on Owner's Action. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in this article, no Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under this Trust Agreement, or any other remedy under this Trust Agreement or on the Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless the Owners of not less than twenty-five percent (25%) in aggregate principal amount of each Series of the Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in this Trust Agreement, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case to be conditions precedent to the execution of the trusts of this Trust Agreement or for any other remedy under this Trust Agreement, it being understood and intended that no one or more Owners of the Bonds secured by this Trust Agreement shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Trust Agreement, or to enforce any rights under this Trust Agreement or under the Bonds, except in the manner provided in this Trust Agreement, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in this Trust Agreement, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of this Section. Notwithstanding the foregoing provisions of this Section or any other provision of this Trust Agreement, the obligation of the Issuer shall be absolute and unconditional to pay, but solely from the Trust Estate, the principal of and the redemption premiums, if any, on and the interest on the Bonds to the respective Owners thereof at the respective due dates thereof, and nothing herein shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

SECTION 8.06. Power of Trustee to Enforce. All rights of action under this Trust Agreement or under any of the Bonds secured by this Trust Agreement which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings

instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners subject to the provisions of this Trust Agreement.

SECTION 8.07. Remedies Not Exclusive. No remedy in this Trust Agreement conferred upon or reserved to the Trustee, the Bond Insurer or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under this Trust Agreement or now or hereafter existing at law or in equity or by statute.

SECTION 8.08. Waiver of Events of Default; Effect of Waiver. Upon the written request of the Bond Insurer or the Owners of at least a majority in aggregate principal amount of all Outstanding with the consent of the Bond Insurer, the Trustee shall waive any Event of Default hereunder and its consequences. The Trustee may waive any Event of Default hereunder and its consequences at any time with the consent of the Bond Insurer. If any Event of Default shall have been waived as herein provided, the Trustee shall promptly give written notice of such waiver to the Issuer and shall give notice thereof by first class mail, postage prepaid, to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

No delay or omission of the Trustee, the Bond Insurer or of any Owner to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and remedy given by this article to the Trustee and to the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

SECTION 8.09. Application of Moneys upon Event of Default. Any moneys received by the Trustee pursuant to this article shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel incurred in representing the Owners, be applied as follows:

- (a) unless the principal of all of the Outstanding Bonds shall be due and payable,

FIRST - To the payment of the Owners of the Bonds entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment of the Owners of the Bonds entitled thereto of the unpaid principal of and redemption premiums, if any, on any of the Bonds which shall have become due (other than the Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Trust Agreement) in the order of their due dates, and if the amount available shall not be sufficient to pay in full the principal of and redemption premiums, if any, on such Bonds due on any particular date,

then to the payment ratably, according to the amount due on such date, to the Persons entitled thereto without any discrimination or privilege;

THIRD - To be held for the payment to the Owners of the Bonds entitled thereto as the same shall become due of the principal of and redemption premiums, if any, on and interest on the Bonds which may thereafter become due, either at maturity or upon call for redemption prior to maturity, and if the amount available shall not be sufficient to pay in full such principal and redemption premiums, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs hereof; and

(b) if the principal of all of the Outstanding Bonds shall be due and payable, to the payment of the principal and redemption premiums, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of the principal of or the redemption premium, if any, on any Outstanding Bond over any other Outstanding Bond or of any interest on any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal and redemption premiums, if any, and interest, to the Owners entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

(c) After having first satisfied all obligations to Owners of Bonds pursuant to subsections (a) and (b) of this Section 8.09, then any remaining moneys received by the Trustee pursuant to this article shall be transferred to the Revenue Fund.

(d) Whenever moneys are to be applied pursuant to the provisions of this Section 8.09, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

(e) Upon the occurrence and continuance of an Event of Default or the occurrence and continuance of an event which with notice or lapse of time or both would constitute an Event of Default, amounts on deposit in the Capital Improvement Fund shall not be disbursed but shall instead be applied to the payment of debt service or redemption price of the Bonds.

ARTICLE IX

THE TRUSTEE

SECTION 9.01. Appointment and Acceptance of Duties.

The Trustee hereby accepts and agrees to the trusts hereby created to all of which the Issuer agrees and the respective Owners of the Bonds, by their purchase and acceptance thereof, agree.

SECTION 9.02. Duties, Immunities and Liability of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Trust Agreement, and no implied duties or obligations shall be read into this Trust Agreement against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Issuer may, in the absence of an Event of Default, and upon receipt of an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, shall, remove the Trustee by giving written notice of such removal to the Trustee, and thereupon the Issuer shall promptly appoint a successor Trustee by an instrument in writing. The Trustee may be removed at any time, at the request of the Bond Insurer, for any breach of the Trust set forth herein.

(c) The Trustee may, subject to (d) below, resign by giving written notice of such resignation to the Issuer and to the Bond Insurer and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the Bond Register. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing. Notwithstanding any other provision of this Trust Agreement, no removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Bond Insurer, shall be appointed.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the Issuer and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the Issuer or 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 this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Issuer 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 as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder by first class mail, postage prepaid, to the Owners at their addresses listed in the Bond Register.

(e) Any Trustee appointed under the provisions of this Section shall be a trust company or bank in good standing having the powers of a trust company, or bank authorized to exercise trust powers, having a corporate trust office in California, having a combined capital and surplus of at least seventy-five million dollars (\$75,000,000), subject to supervision or examination by federal or state authority and acceptable to the Bond Insurer. 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 authority above referred to, then for the purpose of this subsection 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 this subsection, the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) No provision in this Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder. The Trustee shall be entitled to interest on all moneys advanced by it hereunder at its prime rate then in effect plus two percent.

(g) In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

(h) The Trustee makes no representation or warranty, express or implied, as to the compliance with legal requirements of the use contemplated by the Issuer of the funds under this Trust Agreement.

(i) The Trustee shall not be responsible for the validity or effectiveness or value of any collateral or security securing the Local Obligations. The Trustee shall not be responsible for the recording or filing of any document relating to this Agreement or the Local Obligations or of financing statements (or continuation statements in connection therewith) or mortgage or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests or lien on or in any collateral or security securing the Local Obligations. The Trustee shall not be deemed to have made representations as to the security afforded thereby or as to the validity or sufficiency of any such document, collateral or security.

(j) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until it shall have actual knowledge thereof at its corporate trust office in San Francisco, California.

(k) The Trustee shall not be accountable for the use or application by the Issuer or any other party of any funds which the Trustee has released under this Trust Agreement.

(l) The Trustee shall provide a monthly accounting of all Funds held pursuant to this Trust Agreement (and all funds held by the Trustee as trustee or fiscal agent pursuant to the Local Obligations) to the Issuer within fifteen (15) Business Days after the end of such month and shall provide statements of account for each annual period beginning July 1 and ending June 30, within 90 days after the end of such period. Such accounting shall show in reasonable detail all financial transactions during the accounting period and the balance in any Funds and accounts (including the Obligation Fund) created under this Trust Agreement as of the beginning and close of such accounting period.

(m) The Trustee makes no representations with respect to any information, statement, or recital in, and shall have no liability with respect to, any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

SECTION 9.03. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of Section 9.02, shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 9.04. Compensation and Indemnification. The Issuer shall pay or cause the District to pay the Trustee reasonable compensation for its services rendered hereunder and reimburse the Trustee for reasonable expenses, disbursements and advances, including attorney's fees, incurred by the Trustee in the performance of its obligations hereunder and with respect to the Local Obligations.

The Issuer agrees, to the extent permitted by law, to indemnify the Trustee and its officers, directors, employees, attorneys and agents for, and to hold it harmless against, any loss, liability or expense incurred without negligence or willful misconduct on its part arising out of or in connection with (i) the acceptance or administration of the trusts imposed by this Trust Agreement, including performance of its duties hereunder, or related to the Local Obligations including the costs and expenses of defending itself against any claims or liability in connection with the exercise or performance of any of its powers or duties hereunder (ii) the projects to be financed with the purchase of the Local Obligations; (iii) the sale of any Bonds or the purchase of the Local Obligations and the carrying out of any of the transactions contemplated by the Bonds or the Local Obligations; or (iv) any untrue statement of any material fact or omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other disclosure document utilized by the Issuer or under its authority in connection with the sale of the Bonds or the Local Obligations. The Issuer's obligations hereunder with respect to indemnity of the Trustee and the provision for its compensation set forth in this Article shall survive and remain valid and binding notwithstanding the maturity and payment of the Bonds, or the resignation, or removal of the Trustee.

The Trustee shall have no responsibility for or liability in connection with assuring that all of the procedures or conditions to closing set forth in the contract of purchase for sale of the Bonds, that all documents required to be delivered on the closing date to the parties are actually

delivered, except its own responsibility to receive or deliver the proceeds of the sale, deliver the Bonds and other certificates expressly required to be delivered by it and its counsel.

The Trustee shall be entitled to rely on the covenants, representations and warranties of each obligor on the Local Obligations and in the documents and certificates delivered in connection therewith and each Written Order.

SECTION 9.05. Liability of Trustee. The recitals of facts herein and in the Bonds contained shall be taken as statements of the Issuer, and the Trustee does not assume any responsibility for the correctness of the same, and does not make any representations as to the validity or sufficiency of this Trust Agreement or of the Bonds, and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it; provided, that the Trustee shall be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee (in its individual or any other capacity) may become the Owner of Bonds with the same rights it would have if it were not Trustee hereunder, and, to the extent permitted by law, may act as depository for and permit any of its officers, directors and employees to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. 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 a majority in principal amount of the Outstanding Bonds 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, hereunder. Whether or not therein expressly so provided, every provision of this Trust Agreement or related documents relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

SECTION 9.06. Right to Rely on Documents. The Trustee may rely on and shall be protected in acting or refraining from acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, bond 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 counsel of or to the Issuer, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by an Officer's Certificate, and such Officer's Certificate shall be full warrant to the Trustee for any action taken or suffered or omitted in good faith under the provisions of this Trust Agreement in reliance upon such Officer's Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee shall be entitled to advice of counsel and other professionals or agents concerning all matters of trust and its duty hereunder, but the Trustee shall not be answerable for the acts or omissions of any agent, attorney-at-law, certified public accountant, or other professional if such agent, attorney-at-law, certified public accountant or other professional was selected by the Trustee with due care.

SECTION 9.07. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject at all reasonable times upon prior notice to the inspection of the Issuer, the Owners of at least twenty-five percent (25%) of the aggregate principal amount of the Bonds, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

SECTION 9.08. Indemnity for Trustee. Before taking any action or exercising any rights or powers under this Trust Agreement, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all costs and expenses which it may incur and to indemnify it against all liability, except liability which may result from its negligence or willful misconduct, by reason of any action so taken.

ARTICLE X

EXECUTION OF INSTRUMENTS BY OWNERS AND PROOF OF OWNERSHIP OF BONDS

SECTION 10.01. Execution of Instruments; Proof of Ownership. Any request, direction, consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor by different parties and may be signed or executed by such Owners in Person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Trust Agreement and shall be conclusive in favor of the Trustee with regard to any action taken, suffered or omitted by either of them under such instrument if made in the following manner:

(a) The fact and date of the execution by any Person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the Person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

(b) The fact of the ownership of Bonds under this Trust Agreement by any Owner and the serial numbers of such Bonds and the date of his ownership of the same shall be proved by the Bond Register.

Nothing contained in this article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters in this article stated which to it may seem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond and any Bond or Bonds issued in exchange or

substitution therefor or upon the registration of transfer thereof in respect of anything done by the Trustee in pursuance of such request or consent.

ARTICLE XI

MODIFICATION OF TRUST AGREEMENT AND SUPPLEMENTAL TRUST AGREEMENTS

SECTION 11.01. Supplemental Trust Agreements Without Consent of Owners. The Issuer and the District may, without the consent of the Owners, enter into a Supplemental Trust Agreement or Supplemental Trust Agreements, which thereafter shall form a part of this Trust Agreement, for any one or more of the following purposes:

(a) to add to the agreements and covenants of the Issuer or the District contained in this Trust Agreement other agreements and covenants thereafter to be observed, or to surrender any right or power in this Trust Agreement reserved to or conferred upon the Issuer or the District; provided, that no such agreement, covenant or surrender shall materially adversely affect the rights of any Owner;

(b) to cure any ambiguity, to supply any omission or to cure, correct or supplement any defect or inconsistent provisions contained in this Trust Agreement or in any Supplemental Trust Agreement;

(c) to make any change which does not materially adversely affect the rights of any Owner;

(d) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority;

(e) to authorize the issuance under and subject to the Act of any Additional Parity Bonds and to provide the conditions and terms under which such Additional Parity Bonds may be issued subject to this Trust Agreement;

(f) to subject to this Trust Agreement additional collateral or to add other agreements of the Issuer or the District;

(g) to modify this Trust Agreement or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America; or

(h) to evidence the succession of a new Trustee.

The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment hereof any particular Bond would be affected by any modification or amendment of this Trust Agreement and any such determination shall be binding and conclusive on the Issuer, the District and all Owners of Bonds. For all purposes of this Section, the Trustee shall be entitled to rely upon and shall be fully protected in relying upon an

Opinion of Bond Counsel, in form and substance satisfactory to it, with respect to the extent, if any, to which any action affects the rights under this Trust Agreement of any Owner.

SECTION 11.02. Trustee Authorized to Enter into Supplemental Trust Agreement. The Trustee is hereby authorized to enter into any Supplemental Trust Agreement with the Issuer and the District authorized or permitted by the terms of this Trust Agreement, and to make the further agreements and stipulations which may be therein contained, and for all purposes of this Section, the Trustee shall be entitled to rely upon and shall be fully protected in relying upon an Opinion of Bond Counsel, in form and substance satisfactory to it, to the effect that such Supplemental Trust Agreement is authorized or permitted by the provisions of this Trust Agreement.

SECTION 11.03. Supplemental Trust Agreements With Consent of Owners. Any modification or alteration of this Trust Agreement or of the rights and obligations of the Issuer, the District or the Owners of the Bonds may be made with the consent of the Bond Insurer and the Owners of not less than a majority in aggregate principal amount of each Series of the Bonds then Outstanding; provided, that no such modification or alteration shall be made which will reduce the percentage of aggregate principal amount of Bonds the consent of the Owners of which is required for any such modification or alteration, or permit the creation by the Issuer or the District of any lien prior to or on a parity with the lien of this Trust Agreement upon the Trust Estate or which will affect the times, amounts and currency of payment of the principal of or the redemption premiums, if any, on or the interest on the Bonds or affect the rights, duties or obligations of the Trustee without the consent of the party affected thereby.

ARTICLE XII

DEFEASANCE

SECTION 12.01. Defeasance. If and when the Bonds secured hereby shall become due and payable in accordance with their terms or through redemption proceedings as provided in this Trust Agreement, or otherwise, and the whole amount of the principal and the redemption premiums, if any, and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under this Trust Agreement by the Issuer, including all fees and expenses of the Trustee, then and in that case, this Trust Agreement and the lien created hereby shall be completely discharged and satisfied and the Issuer shall be released from the agreements, conditions, covenants and terms of the Issuer contained in this Trust Agreement, and the Trustee shall assign and transfer all property to the District (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances and shall execute such documents as may be reasonably required by the Trustee or the Issuer in this regard.

Notwithstanding the satisfaction and discharge of this Trust Agreement, those provisions of this Trust Agreement relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners and the Trustee shall, subject to Section 14.09, continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the

principal of and redemption premiums, if any, on and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due, and those provisions of this Trust Agreement contained in Section 9.04 relating to the compensation and indemnification of the Trustee and in Section 7.04 relating to the tax covenants of the Issuer and the District shall remain in effect and shall be binding upon the Trustee, the District and the Issuer.

Notwithstanding anything contained in this Trust Agreement to the contrary, in the event that the interest and/or principal due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Issuer, and the assignment and pledge of the Revenues and the other funds as provided herein and all agreements, covenants and other obligations of the Issuer to the Holders of the Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Holders.

SECTION 12.02. Bonds Deemed to Have Been Paid. If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest installments therefor at the maturity or redemption date thereof, such Bonds shall be deemed to be paid within the meaning and with the effect provided in Section 12.01. Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in Section 12.01 if (a) in case said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail notice of redemption of such Bonds on such redemption date, such notice to be given in accordance with the provisions of Article IV, (b) there shall have been deposited with the Trustee in escrow either moneys in an amount which (as stated in a Cash Flow Certificate) shall be sufficient, or noncallable Government Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a Cash Flow Certificate), to pay when due the principal of and the redemption premiums, if any, and the interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event any of such Bonds are not to be redeemed within the next succeeding sixty (60) days, the Issuer shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to Article IV, a notice to the Owners of such Bonds and to the Securities Depositaries and the Information Services that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal of and redemption premiums, if any, on and interest on such Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and redemption premiums, if any, on and interest on such Bonds; provided, that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and at the direction of the Issuer, be reinvested in Government Obligations maturing at times and in amounts, together with the other moneys

and payments with respect to Government Obligations then held by the Trustee pursuant to this Section, sufficient to pay when due the principal of and redemption premiums, if any, and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Order so directing, be paid over to the Issuer as received by the Trustee free and clear of any trust, lien or pledge.

SECTION 12.03. Moneys Held for Particular Bonds. Except as otherwise provided in Section 12.02 or 14.08, the amounts held by the Trustee for the payment of the principal or the redemption premiums, if any, or the interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it solely for the Owners of the Bonds entitled thereto.

ARTICLE XIII

[PROVISIONS RELATING TO THE BOND INSURANCE POLICY AND THE BOND INSURER

SECTION 13.01. Consents and Rights of the Bond Insurer. As long as the Bond Insurance Policy shall be in full force and effect, the Issuer and the Trustee agree to comply with the following provisions:

(a) Any provision hereof expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer, and the Bond Insurer reserves the right to charge the Issuer a fee for any consent or amendment hereto.

(b) Any reorganization or liquidation plan with respect to the Issuer or the District must be acceptable to the Bond Insurer, and in the event of any such reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Holders of the Bonds absent a default by the Bond Insurer under the Bond Insurance Policy.

(c) Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds or the Trustee for the benefit of the Holders of the Bonds under this Indenture.

(d) The Bond Insurer shall be deemed to be the Holder of all Bonds then Outstanding for purposes of this Indenture, including without limitation for purposes of granting any consents or approving amendments and exercising all remedies following the occurrence of an Event of Default. Notwithstanding any other provision of this Indenture, any provision of this Indenture requiring the consent of, the giving of notice to, or control of proceedings by the Bond Insurer shall be in effect for so long as, and only during such time as (1) the Bonds are Outstanding and (2) no default shall have occurred and be continuing by the Bond Insurer with respect to the payment provisions under the Bond Insurance Policy.

(e) To the extent that this Trust Agreement confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Trust Agreement, the Bond

Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

SECTION 13.02. Information to be Provided to the Bond Insurer. As long as the Bond Insurance Policy shall be in full force and effect, the Issuer or the Trustee, as appropriate, agree to furnish to the Bond Insurer (to the attention of the Surveillance Department of the Bond Insurer, unless otherwise indicated), upon request, the following:

- (1) a copy of any financial statement, audit and/or annual report of the Issuer and the District;
- (2) a copy of any notice to be given to the Holders of the Bonds, including, without limitation, notice of any redemption of or defeasance of the Bonds, and any certificate rendered pursuant hereto relating to the security for the Bonds; and
- (3) such additional information it may reasonably request in writing.

The Bond Insurer shall be included as a party to be notified (to the attention of the Surveillance Department of the Bond Insurer) under the Continuing Disclosure Certificate relating to the Bonds delivered pursuant to Section 7.06.

The Trustee shall notify the Bond Insurer (to the attention of the General Counsel's Office of the Bond Insurer) of any failure of the Issuer to provide any notices or certificates required to be provided by the Issuer to the Trustee pursuant hereto at the same time as it shall notify the Issuer of such failure.

Notwithstanding any other provision hereof, the Trustee shall immediately notify the Bond Insurer (to the attention of the General Counsel's Office of the Bond Insurer) if at any time the Trustee has actual knowledge there are insufficient moneys to make any payments of interest and/or principal as required and immediately upon the occurrence of any Event of Default hereunder known to the Trustee.

The Issuer and the District will permit the Bond Insurer to discuss the affairs, finances and accounts of the Issuer and the District or any information the Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer and the District. The Trustee or the Issuer, as appropriate, will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Bonds at any reasonable time during normal business hours.

As long as the Bond Insurance Policy shall be in full force and effect, the Bond Insurer shall have the right to direct an accounting, at the Issuer's expense, and the Issuer's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Bond Insurer shall be deemed an Event of Default hereunder; provided, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Holder of the Bonds.

SECTION 13.03. Payment Procedure Pursuant to the Bond Insurance Policy. As long as the Bond Insurance Policy shall be in full force and effect, the Issuer and the Trustee agree to comply with the following provisions:

(a) At least one (1) Business Day prior to each Interest Payment Date, the Trustee will determine whether there will be sufficient money in the accounts and funds established hereunder to pay the interest on or principal of the Bonds on such Interest Payment Date. If the Trustee determines that there will be insufficient money in such accounts and funds for such purpose, the Trustee shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to interest or principal, or both. If the Trustee has so notified the Bond Insurer at least one (1) Business Day prior to an Interest Payment Date, the Bond Insurer will make payments of interest or principal due on the Bonds on such Interest Payment Date, and if the Trustee has not so notified the Bond Insurer at least one (1) Business Day prior to an Interest Payment Date, the Bond Insurer will make payments of interest or principal due on the Bonds on or before the first (1st) Business Day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to the Bond Insurer as provided in subsection (a) above, make available to the Bond Insurer, and at the Bond Insurer's direction, to The Bank of New York, in New York, New, York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Issuer maintained by the Trustee and all records relating to the accounts and funds maintained by the Trustee hereunder.

(c) After giving any notice to the Bond Insurer pursuant to subsection (a) above, the Trustee shall provide the Bond Insurer and the Insurance Trustee with a list of Holders of Bonds entitled to receive interest or principal payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Holders of Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the Holders of Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Trustee shall, at the time it provides notice to the Bond Insurer pursuant to subsection (a) above, notify the Holders of Bonds entitled to receive the payment of interest or principal thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Holder's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Bonds for payment thereon first to the Trustee, who shall note on such Bonds the portion of the principal paid by the Trustee, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

ITEM 3B

(e) In the event that the Trustee has actual notice that any payment of interest on or principal of any Bond which has become due for payment and which is made to a Holder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from such Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Bond Insurer is notified in the manner set forth in subsection (a) above, notify all Holders of Bonds that in the event that any Holder's payment is so recovered, such Holder will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of interest on and principal of the Bonds which have been made by the Trustee and subsequently recovered from Holders and the dates on which such payments were made.

(f) In addition to those rights granted the Bond Insurer hereunder, the Bond Insurer shall, to the extent it makes payment of interest on or principal of the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Holders of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee upon surrender of the Bonds by the Holders thereof together with proof of the payment of principal thereof.

(g) The Issuer hereby covenants and agrees that it shall reimburse the Bond Insurer for any amounts paid under the [Insurer] Policy and all costs of collection thereof and enforcement of this Trust Agreement and any other documents executed in connection with this Trust Agreement, together with interest thereon, from the date paid or incurred by the Bond Insurer until payment thereof in full by the Issuer, payable at the Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the Bond Insurer in respect of interest on the Obligations. Such payment obligation shall be payable on demand and on a parity with, and from the same sources and secured by the same security as, regularly scheduled principal and interest payments in respect of the Bonds. For purposes of the foregoing, "Insurer Payment Rate" shall mean the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest on the Bonds and (ii) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A. ("Chase") at its principal office in the District of 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 Chase) plus 3 percent. The Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Chase ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Bond Insurer shall specify.]

ARTICLE XIV

MISCELLANEOUS

SECTION 14.01. Dissolution of Issuer. In the event of the dissolution of the Issuer, all the agreements, conditions, covenants and terms contained in this Trust Agreement by or on behalf of, or for the benefit of, the Issuer shall bind or inure to the benefit of the successors of the Issuer from time to time and any officer, board, commission, agency or instrumentality to whom or to which any power or duty of the Issuer shall be transferred.

SECTION 14.02. Parties Interested Herein. Except as in this Trust Agreement otherwise specifically provided, nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon any Person other than the Issuer, the District, the Trustee, the Bond Insurer, and the Owners of the Bonds any right, remedy or claim under or by reason of this Trust Agreement, this Trust Agreement being intended to be for the sole and exclusive benefit of the Issuer, the Trustee, the Bond Insurer, and the Owners of the Bonds.

SECTION 14.03. Severability of Invalid Provisions. If any clause, provision or section of this Trust Agreement is held illegal or invalid by any court, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections of this Trust Agreement, and this Trust Agreement shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained herein.

SECTION 14.04. Notice. All written notices to be given hereunder to the Issuer or the Trustee shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Issuer: San Dieguito School Facilities Financing Authority
710 Encinitas Blvd.
Encinitas, California 92024
Attention: [Director of Planning Services]

If to the Bond Insurer: [Insurer]
[Address]
Attention:

If to the Trustee: U.S. Bank National Association
[1 California Street, Suite 1000
San Francisco, California 94111]
Attention: Global Corporate Trust Services

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, whether by telex, telegram or telecopier, upon the sender's receipt of an appropriate answer back or other written acknowledgment or confirmation of receipt of the entire notice, approval, demand, report or other communication, (c) if given by first class mail

deposited with the United States mail postage prepaid, seventy-two (72) hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, twenty-four (24) hours after delivery to said overnight courier, or (d) if given by any other means, upon delivery at the address specified in this Section.

In case, by reason of the suspension of or irregularities in regular mail service, it shall be impractical to mail to the Owners of Bonds notice of any event when such notice is required to be given pursuant to any provision of this Trust Agreement, then any manner of giving such notice as the Issuer shall direct and not objected to by the Trustee shall be deemed to be a sufficient giving of such notice.

SECTION 14.05. Counterparts. This Trust Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but all of which such counterparts shall together constitute but one and the same instrument.

SECTION 14.06. Governing Law. This Trust Agreement shall be governed as to validity, construction and performance by the laws of the State.

SECTION 14.07. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Trust Agreement, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Trust Agreement, and no interest shall accrue for the period from and after such nominal date.

SECTION 14.08. Limitation of Liability. The Issuer shall not be obligated to make any payments required hereunder or under any Bond, or be deemed to incur any liability hereunder or by reason hereof or arising out of any of the transactions contemplated hereby, payable from any funds or assets other than the Trust Estate as provided herein.

SECTION 14.09. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest on, or principal or redemption premiums, if any, of any Bond which remains unclaimed for two (2) years after the date when such amounts have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date such amounts have become payable, shall be paid by the Trustee to the Issuer as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Issuer for the payment of such amounts; provided, that before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, give notice by first class mail to all Owners and to those Securities Depositories and Information Services selected by it pursuant to Section 4.06 that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the Issuer.

SECTION 14.10. Concerning the Bond Insurer. Notwithstanding anything to the contrary set forth herein, the provisions as set forth in Article XIII shall govern with respect to the Bonds. The Bond Insurer shall be deemed to be the Holder of all Bonds then Outstanding for

ITEM 3B

purposes of this Trust Agreement, including without limitation for purposes of granting any consents or approving amendments and exercising all remedies following the occurrence of an Event of Default. Notwithstanding any other provision of this Trust Agreement, any provision of this Trust Agreement requiring the consent of, the giving of notice to, or control of proceedings by the Bond Insurer shall be in effect for so long as, and only during such time as (1) the Bonds are Outstanding and (2) no default shall have occurred and be continuing by the Bond Insurer with respect to the payment provisions under the Bond Insurance Policy.

IN WITNESS WHEREOF, the Issuer has caused this Trust Agreement to be executed by its Treasurer and the Trustee has caused this Trust Agreement to be executed by its authorized officer, all as of the day and year first above written.

San Dieguito School Facilities Financing Authority

By: _____
Treasurer

Attest:

Secretary

U.S. Bank National Association,
as Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF BOND

SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY
SUBORDINATE SPECIAL TAX REVENUE BOND
SERIES 2016

No. R-___ \$_____

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP NUMBER</u>
____%	September 1, 20__	_____, 20__	_____

Registered Owner: CEDE & CO.

Principal Sum: _____ DOLLARS

San Dieguito School Facilities Financing Authority, a joint exercise of powers agency established pursuant to the laws of the State of California (the "Issuer"), for value received hereby promises to pay to the registered owner specified above, or registered assigns, on the maturity date set forth above (subject to any right of prior redemption hereinafter mentioned) the principal sum set forth above in lawful money of the United States of America; and to pay interest thereon at the interest rate per annum set forth above in like lawful money from the date hereof. The interest on this Bond will be payable on March 1 and September 1 in each year (each an "Interest Payment Date"), commencing on March 1, 2017, unless this Bond is authenticated on or prior to February 15, 2017, in which event it shall bear interest from the Dated Date. The principal hereof and redemption premium hereon, if any, are payable upon presentation and surrender hereof at the Corporate Trust Office of U.S. Bank National Association, in San Francisco, California, or such other place as designated by the Trustee (together with any successor as trustee under the Trust Agreement hereinafter mentioned, the "Trustee"). Interest hereon is payable by check, mailed by first class mail, on each interest payment date to the owner whose name appears on the bond register maintained by the Trustee as of the close of business on the fifteenth day of the month preceding such interest payment date (the "Record Date"), except with respect to defaulted interest for which a special record date will be established; provided, that in the case of an owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds, upon written request of such owner to the Trustee received not later than the Record Date, such interest shall be paid on the interest payment date in immediately available funds by wire transfer to an account in the United States. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Issuer and the Trustee may deem and treat the owner of this Bond as the absolute owner hereof for the purpose of receiving payment as herein provided and for all other purposes, and the Issuer and the Trustee shall not be affected by notice to the contrary.

This Bond is one of a duly authorized issue of bonds of the Issuer designated as “San Dieguito School Facilities Financing Authority Subordinate Special Tax Revenue Refunding Bonds, Series 2016” issued in the aggregate principal amount of [Par] (\$[PAR]) pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the California Government Code, including the Marks-Roos Local Bond Pooling Act of 1985 (California Government Code, Sections 6584-6594) as amended and supplemented (the “Act”), and pursuant to an Trust Agreement dated as of July 1, 20__ (the “Trust Agreement”), between the Issuer and the Trustee. The Bonds are issued for the purpose of purchasing Local Obligations, and reference is hereby made to the Trust Agreement (a copy of which is on file at the San Francisco office of the Trustee) and all trust agreements supplemental thereto and to the Act for a description of the purposes thereof, of the rights thereunder of the owners of the Bonds, of the nature and extent of the security for the Bonds and of the rights, duties and immunities of the Trustee, and the rights and obligations of the Issuer thereunder, to all the provisions of which Trust Agreement, the owner of this Bond, by acceptance hereof, assents and agrees. Capitalized terms used herein and not otherwise defined have the meanings described thereto in the Trust Agreement.

The Bonds and the interest thereon and any redemption premiums thereon are special, limited obligations of the Issuer payable solely from the Trust Estate (as that term is defined in the Trust Agreement) and are secured by the Trust Estate, including amounts held in the funds and accounts (other than the Rebate Fund) established pursuant to the Trust Agreement (including proceeds of the sale of the Bonds), subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement. No member or officer of the Issuer, nor any person executing this Bond, shall in any event be subject to any personal liability or accountability by reason of the issuance of this Bond.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE FROM, AND SECURED AS TO THE PAYMENT OF THE PRINCIPAL OF AND ANY REDEMPTION PREMIUMS ON OR INTEREST ON THE BONDS IN ACCORDANCE WITH THEIR TERMS AND THE TERMS OF THE TRUST AGREEMENT, SOLELY FROM THE TRUST ESTATE. THE BONDS DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER OR ITS MEMBERS, AND UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE OBLIGATED TO PAY PRINCIPAL OF OR ANY REDEMPTION PREMIUMS ON OR INTEREST ON THE BONDS EXCEPT FROM THE TRUST ESTATE. NEITHER THE STATE OF CALIFORNIA NOR ANY PUBLIC AGENCY (OTHER THAN THE ISSUER) NOR ANY MEMBER OF THE ISSUER IS OBLIGATED TO PAY THE PRINCIPAL OF OR ANY REDEMPTION PREMIUMS ON OR INTEREST ON THE BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE ISSUER (INCLUDING THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR ANY REDEMPTION PREMIUMS ON OR INTEREST ON THE BONDS, AND NEITHER THE PRINCIPAL OF NOR ANY REDEMPTION PREMIUMS ON NOR INTEREST ON THE BONDS CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY (OTHER THAN THE ISSUER) OR ANY MEMBER OF THE ISSUER.

ITEM 3B

The Bonds are subject to extraordinary, optional and mandatory redemption upon the terms, at the times, upon notice and with the effect provided in the Trust Agreement, which provisions are hereby incorporated by reference in this Bond as if fully set forth herein.

The Bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. This Bond may be transferred or exchanged by the owner hereof, in person or by an attorney duly authorized in writing, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Trust Agreement, and upon surrender and cancellation of this Bond. Upon such transfer or exchange, a new Bond or new Bonds, of authorized denominations, for the same aggregate principal amount, interest rate, and maturity will be issued to the transferee in accordance with the provisions of the Trust Agreement. The Trustee is not required to register the transfer of, or to exchange, any Bond during the period established by the Trustee for selection of Bonds for redemption or any Bond which has been selected for redemption.

The Trust Agreement and the rights and obligations of the Issuer and of the owners of the Bonds may be modified or amended from time to time and at any time (and in certain cases without the consent of the owners) in the manner, to the extent, and upon the terms provided in the Trust Agreement.

The Trust Agreement contains provision permitting the Issuer to make provisions for the payment of the interest on, and the principal of and premium, if any, on, any of the Bonds so that such Bonds shall no longer be deemed to be outstanding under the terms of the Trust Agreement.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of California, including the Act, and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any limit prescribed by the Constitution and laws of the State of California, including the Act, and is not in excess of the amount of Bonds permitted to be issued under the Trust Agreement.

This Bond shall not be entitled to any benefit under the Trust Agreement, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by an authorized signatory of the Trustee.

IN WITNESS WHEREOF, the San Dieguito School Facilities Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chairman and countersigned by the manual or facsimile signature of its Secretary, all as of the dated date set forth above.

San Dieguito School Facilities Financing Authority

By: _____
Chairman

Countersigned:

By: _____
Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement, which has been authenticated on the date below.

Dated: _____, 20__

U.S. Bank National Association,
as Trustee

By: _____
Authorized Signatory

[FORM OF DTC ENDORSEMENT TO APPEAR ON BONDS]

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York Corporation ("DTC"), to the Issuer or the Trustee for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

STATEMENT OF INSURANCE

**[SUBORDINATE SPECIAL TAX REVENUE BONDS
SERIES 2016 BONDS ONLY]**

[Insurer] Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by [Insurer] ("[Insurer]"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from [Insurer] or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of [Insurer] as more fully set forth in the Policy.

[FORM OF ASSIGNMENT]

For value received, the undersigned sells, assigns and transfers unto _____ this registered Bond and irrevocably constitutes and appoints _____ attorney to transfer the same on the books of the Trustee, with full power of substitution in the premises.

Dated: _____

SIGNATURE GUARANTEED BY:

NOTE: The signature(s) to this Assignment must correspond with the name(s) as written on the face of this Bond in every particular, without alteration or enlargement or any change whatsoever. The signature(s) must be guaranteed by an eligible guarantor institution (being banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to Securities and Exchange Commission Rule 17A(d)15.

Social Security Number, Taxpayer Identification Number or other Identifying Number of Assignee:

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SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

**COMMUNITY FACILITIES DISTRICT NO. 03-1
SPECIAL TAX REVENUE BONDS, SERIES 2016**

and

**COMMUNITY FACILITIES DISTRICT NO. 94-2
SPECIAL TAX REVENUE BONDS, SERIES 2016**

LOCAL OBLIGATION PURCHASE CONTRACT

dated as of [Dated Date]

San Dieguito Union High School District
710 Encinitas Blvd.
Encinitas, CA 92024

Ladies and Gentlemen:

The undersigned San Dieguito School Facilities Financing Authority (the “Authority”) offers to enter into this Local Obligation Purchase Contract (the “Local Obligation Purchase Contract”) with you, the San Dieguito Union High School District (the “District”), which, upon acceptance, will be binding upon the District and the Authority; and except as otherwise provided herein, all capitalized terms used herein shall have the meanings attributed to them in the Trust Agreement, dated as of [____ 1, 2016], by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”) (the “Trust Agreement”).

1. Purchase, Sale and Delivery of the Obligations.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Authority hereby agrees to purchase from the District, and the District hereby agrees to sell to the Authority, all (but not less than all) of the following securities:

(i) \$[CFD NO. 03-1 PAR] aggregate principal amount of the District’s San Dieguito Union High School District Community Facilities District No. 03-1 Special Tax Revenue Bonds, Series 2016 (the “CFD No. 03-1 Local Obligations”) issued under an Indenture, dated as of [____ 1, 2016], by and between the District and U.S. Bank National Association, as Fiscal Agent (the “CFD No. 03-1 Indenture”); and

(ii) \$[CFD NO. 94-2 PAR] aggregate principal amount of the District's San Dieguito Union High School District Community Facilities District No. 94-2 Special Tax Revenue Bonds, Series 2016 (the "CFD No. 94-2 Local Obligations," and together with the CFD No. 03-1 Local Obligations, the "Local Obligations") issued under an Indenture, dated as of [_____] 1, 2016], by and between the District and U.S. Bank National Association, as Fiscal Agent (the "CFD No. 94-2 Indenture," and together with the CFD No. 03-1 Indenture, the "Indentures");

all dated the date of their initial delivery, bearing interest payable on the dates and at the interest rates, and maturing on the dates and in the amounts and subject to the optional and mandatory redemption provisions, as set forth in Exhibit A attached hereto and incorporated herein.

The purchase price for the CFD No. 03-1 Local Obligations shall be \$[CFD NO. 03-1 PAR], and the purchase price for the CFD No. 94-2 Local Obligations shall be \$[CFD NO. 94-2 PAR], which purchase prices shall be paid from the proceeds of sale of the San Dieguito School Facilities Financing Authority Subordinate Special Tax Revenue Bonds, Series 2016, issued under the Trust Agreement (the "Authority Bonds").

The Local Obligations shall be substantially in the forms described in, shall be issued and secured under the provisions of, and shall be payable as provided in the Indentures, each of which provide for the issuance of the Local Obligations and the registration thereof in the name of the Trustee.

(b) At [8:00 a.m.], California time, on [Dated Date], or at such earlier or later time or date as shall be agreed by the District and the Authority (such time and date being herein referred to as the "Closing Date"), the District will deliver to the Authority at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California (or such other location as may be designated by the Authority and approved by the District) the Local Obligations in definitive forms, duly executed by the District and authenticated by the Fiscal Agent or the Trustee, as the case may be, for each of the Local Obligations, and will deliver to the Authority the other documents herein mentioned; and the Authority will accept such delivery and pay the total purchase price of the Local Obligations as set forth in paragraph (a) of this section as provided in the Trust Agreement (such delivery and payment being herein referred to as the "Closing").

2. Representations, Warranties and Agreements of the District. The District represents and warrants to and agrees with the Authority that:

(a) The District is and will be at the Closing Date duly organized and existing as a school district under and by virtue of the Constitution and laws of the State of California, with full power and authority to issue the Local Obligations and to carry out and consummate the transactions contemplated by the Local Obligations, the Local Obligation Purchase Contract, the Trust Agreement, and the Indentures (collectively, the "Financing Documents"), and the Financing Documents are and will be at the Closing Date valid and binding obligations of the District;

(b) When delivered to and paid for by the Authority at the Closing in

accordance with the provisions of the Local Obligation Purchase Contract, the Local Obligations will have been duly authorized, executed, issued and delivered and will constitute valid and binding obligations of the District in conformity with, and entitled to the benefit and security of, their respective Indentures;

(c) By official action of the District prior to or concurrently with the acceptance hereof, the District has authorized and approved the execution and delivery of the Financing Documents, and authorized and approved the performance by the District of the obligations on its part contained in the Financing Documents and has authorized and approved the consummation by the District of all other transactions contemplated by the Local Obligation Purchase Contract;

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the knowledge of the District, threatened against the District or its properties or operations (i) seeking to restrain or enjoin the issuance, sale, execution or delivery of the Local Obligations, (ii) in any way contesting or affecting the validity or enforceability of any of the Financing Documents, any proceedings of the District taken concerning the issuance or sale of the Local Obligations, the collection of the special taxes securing the Local Obligations or the existence or powers of the District relating to the issuance of the Local Obligations or (iii) which, if determined adversely to the District or its interests, would have a material and adverse effect on the consummation of the transactions contemplated by or the validity of the Financing Documents or on the operations of the District with respect to the Local Obligations;

(e) The execution and delivery of the Financing Documents, and the consummation of the transactions therein and herein contemplated, and the fulfillment of or compliance with the terms and conditions thereof and hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the District is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Financing Documents or the operations of the District with respect to the Local Obligations;

(f) The District is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, which breach or default may have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Financing Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default under any such instrument;

(g) All approvals, consents, authorizations, certifications and other orders of any governmental authority, board, agency or commission having jurisdiction, and all filings with any such entities, which would constitute conditions precedent to or the failure to obtain which would materially adversely affect the performance by the District of its obligations under the Financing Documents have been duly obtained, and no further consent, approval, authorization or other action or filing with or by any governmental or regulatory authority having jurisdiction over the District is or will be required for the issue and sale of the Local Obligations or the consummation by the District of the other transactions described in the Financing Documents;

(h) The special taxes constituting the security for the Local Obligations have been duly and lawfully authorized under and pursuant to the Mello-Roos Community Facilities District Act of 1982 (the "Act") and such special taxes are secured by a valid and legally binding continuing lien on the land subject to the special taxes as provided in the Act;

(i) The District has authorized and will annually levy and collect special taxes, in addition to amounts necessary to pay debt service on the Local Obligations, in an amount sufficient (subject to any maximum special tax permitted by law) to pay the Expenses (as defined in the Indentures) arising directly from the administration or enforcement of the Local Obligations.

The execution and delivery of the Local Obligation Purchase Contract by the District shall constitute a representation by the District to the Authority that the representations, warranties and agreements contained in this Section 2 are true as of the date hereof; provided, that as to all matters of law the District is relying on the advice of counsel to the District; and provided further, that no member of the District Council shall be individually liable for the breach of any representation, warranty or agreement contained herein.

3. Conditions to the Purchase of the Local Obligations by the Authority. The obligation of the Authority to accept delivery of and pay for the Local Obligations on the Closing Date shall be subject, at the option of the Authority, to the accuracy in all material respects of the representations, warranties and agreements on the part of the District contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the District made in any certificates, or other documents furnished pursuant to the provisions hereof, and to the performance by the District of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) At the Closing Date, the Financing Documents shall be in full force and effect in the form heretofore submitted to the Authority and there shall have been taken in connection with the issuance of the Local Obligations and with the transactions contemplated thereby and by the Local Obligation Purchase Contract, all such actions as, in the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), shall be necessary and appropriate;

(b) At the Closing Date, the Financing Documents shall not have been amended, modified or supplemented, except as may have been agreed to by the Authority;

(c) At or prior to the Closing Date, the Authority and the Trustee shall have received the following documents, in each case satisfactory in form and substance to the Authority:

- (1) An executed copy of each of the Financing Documents;
- (2) An unqualified approving opinion of Bond Counsel, dated the Closing Date and addressed to the District, as to the validity of the Local Obligations;
- (3) An opinion of the District Counsel, dated the Closing Date and addressed to the District and the Authority, in substantially the form attached hereto as Exhibit B; and
- (4) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Authority or Bond Counsel may reasonably request to evidence compliance by the District with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the District contained herein, and the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

If the District shall be unable to satisfy the conditions to the Authority's obligations contained in the Local Obligation Purchase Contract, the Local Obligation Purchase Contract shall terminate and neither the Authority nor the District shall have any further obligation hereunder.

4. Expenses. All expenses and costs of the District and the Authority incident to the authorization, issuance and sale of the Local Obligations and the Authority Bonds, including fees and expenses of consultants, the Trustee, Bond Counsel and counsel for the District and the fees and expenses incurred by the Authority in connection with the sale of the Authority Bonds shall be paid by the District and the District agrees that it will pay, from the proceeds of the Local Obligations.

5. Notices. Any notice or other communication to be given to the District under the Local Obligation Purchase Contract may be given by delivering the same in writing at the District's address set forth above, Attention: [Acting Superintendent / Executive Director of Planning Services], and any such notice or other communications required to be given to the Authority may be given by delivering the same in writing to the Authority at 710 Encinitas Blvd., Encinitas, CA 92024, Attention: [Treasurer or Executive Director]. The approval of the Authority when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Authority and delivered to the District.

6. Parties In Interest; Governing Law. The Local Obligation Purchase Contract is made solely for the benefit of the District, the Authority and the Trustee and no other persons, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. The Local Obligation Purchase Contract shall be governed by the laws of the State of California.

ITEM 3B

7. Pledge; Assignment. The District hereby approves the pledge and assignment of all of the Authority's right, title and interest in the Local Obligations to the Trustee under the Trust Agreement for the benefit of the Owners of the Authority Bonds.

8. Limitation on Liability. The Authority shall incur no liability hereunder or by reason hereof or arising out of the transactions contemplated hereby, and shall be under no obligation to purchase the Local Obligations hereunder, except from proceeds of the Authority Bonds available therefor held by the Trustee under, and subject to the conditions set forth in, the Trust Agreement. The District shall incur no liability hereunder or by reason hereof or arising out of the transactions contemplated hereunder, except as otherwise provided in Sections 4 and 5 hereof, or be obligated to make any payments with respect to the Local Obligations, except from amounts pledged to the payment of the Local Obligations (including special taxes levied and collected in the applicable community facilities districts) pursuant to the terms thereof.

9. Counterparts. The Local Obligation Purchase Contract may be signed in two or more counterparts; all such counterparts, when signed by all parties, shall constitute but one single agreement.

SAN DIEGUITO SCHOOL FACILITIES
FINANCING AUTHORITY

By _____
[Treasurer / Executive Director]

ACCEPTED AND AGREED TO:

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

By _____
[Acting Superintendent / Executive Director of Planning Services]

Exhibit A

CFD No. 03-1 Local Obligations Maturity Schedule and Redemption Provisions

Maturity Schedule

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
<u>September 1</u>		
2__	\$[CFD NO. 03- 1 PAR]	____%

Redemption Provisions

(a) Optional Redemption. [If and to the extent that an Allocable Portion of Authority Bonds are then optionally redeemable from the redemption price (including accrued interest) of any CFD No. 03-1 Local Obligations, the CFD No. 03-1 Local Obligations are subject to redemption at the option of the District prior to their respective maturity dates as a whole or in part in inverse order of maturity on any date from funds derived by the District from any source, upon mailed notice as provided in the Indenture, at the principal amount thereof, together with accrued interest thereon to the date of redemption, without premium; provided, that in no event may the District redeem CFD No. 03-1 Local Obligations pursuant to this paragraph if an Allocable Portion of Authority Bonds is not then redeemable from the proceeds of such redemption of CFD No. 03-1 Local Obligations; and provided further, that prior to the exercise of any partial redemption option under this section, the District shall deliver to the Fiscal Agent a certificate of an independent financial consultant certifying that the proposed redemption price complies with this paragraph.

If less than all the Outstanding CFD No. 03-1 Local Obligations are to be redeemed at the option of the District at any one time, the Trustee shall select the CFD No. 03-1 Local Obligations or the portions thereof to be redeemed in any manner that it deems appropriate and fair.]

(b) [Mandatory Redemption. The CFD No. 03-1 Local Obligations are subject to redemption prior to their stated maturity in part, by lot, from the following mandatory redemption payments, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium:]

ITEM 3B

<u>Payment Date</u>	<u>Redemption Amount</u>
<u> 1</u>	
20__	\$
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__*	

* Maturity Date

CFD No. 94-2 Local Obligations Maturity Schedule and Redemption Provisions

Maturity Schedule

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
<u>September 1</u>		
20__	\$[CFD NO. 94- 2 PAR]	____%

Redemption Provisions

(a) Optional Redemption. [If and to the extent that an Allocable Portion of Authority Bonds are then optionally redeemable from the redemption price (including accrued interest) of any CFD No. 94-2 Local Obligations, the CFD No. 94-2 Local Obligations are subject to redemption at the option of the District prior to their respective maturity dates as a whole or in part in inverse order of maturity on any date from funds derived by the District from any source, upon mailed notice as provided in the Indenture, at the principal amount thereof, together with accrued interest thereon to the date of redemption, without premium; provided, that in no event may the District redeem CFD No. 94-2 Local Obligations pursuant to this paragraph if an Allocable Portion of Authority Bonds is not then redeemable from the proceeds of such redemption of CFD No. 94-2 Local Obligations; and provided further, that prior to the exercise of any partial redemption option under this section, the District shall deliver to the Fiscal Agent a certificate of an independent financial consultant certifying that the proposed redemption price complies with this paragraph.

If less than all the Outstanding CFD No. 94-2 Local Obligations are to be redeemed at the option of the District at any one time, the Trustee shall select the CFD No. 94-2 Local Obligations or the portions thereof to be redeemed in any manner that it deems appropriate and fair.]

(b) [Mandatory Redemption. The CFD No. 94-2 Local Obligations are subject to redemption prior to their stated maturity in part, by lot, from the following mandatory redemption payments, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium:]

ITEM 3B

<u>Maturity Date</u>	<u>Redemption Amount</u>
<u>1</u>	
20__	\$
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__*	

*Maturity Date

Exhibit B

[Form of District Counsel Opinion]

[Closing Date]

Governing Board
San Dieguito School Facilities Financing Authority
Encinitas, California

District Council
San Dieguito Union High School District
Encinitas, California

U.S. Bank National Association
[Address]

San Dieguito Union High School District
Community Facilities District No. 03-1
Special Tax Refunding Bonds; and

San Dieguito Union High School District
Community Facilities District No. 94-2
Special Tax Refunding Bonds

Ladies and Gentlemen:

I have served as counsel to the San Dieguito Union High School District (the “District”) in connection with the issuance, sale and delivery of the above-reference securities (collectively, the “Local Obligations”), and this letter is being delivered pursuant to the Local Obligation Purchase Contract dated as of [Dated Date] (the “Local Obligation Purchase Contract”) by and between the San Dieguito School Facilities Financing Authority (the “Authority”) and the District, and all capitalized terms not otherwise defined herein have the meanings ascribed thereto in the Local Obligation Purchase Contract.

As such counsel, I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the District; and (ii) all necessary documentation of the District relating to the authorization, execution and delivery of the Local Obligations and all of the Financing Documents.

Based on the foregoing, I am of the opinion that:

1. The District is a school district located in San Diego County (the “County”), duly organized and existing under and by virtue of the Constitution and laws of the State of California.

ITEM 3B

2. The District has the full legal right, power and authority to execute, deliver and perform its obligations and duties under the Financing Documents, and the District has complied with the provisions of applicable law in all matters relating to the transactions contemplated by the Financing Documents.

3. The Financing Documents have each been duly authorized, executed and delivered by the District, are each in full force and effect and, assuming due authorization, execution and delivery by the other parties thereto, each constitutes a legal, valid and binding agreement of the District enforceable against the District in accordance with its terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and to the application of equitable principles if equitable remedies are sought.

4. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the District of the Financing Documents or the performance by the District of its respective obligations thereunder.

5. The execution and delivery of the Financing Documents by the District, and compliance with the provisions thereof, will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the District, or any commitment, agreement or other instrument to which the District is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the District (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the District and its affairs.

6. To the best of my knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body pending or threatened against or affecting the District or any of its officers in their respective capacities as such which questions the powers of the District referred to in paragraph 2 above or in connection with the transactions contemplated by the Financing Documents, or the validity of the proceedings taken by the District in connection with the authorization, execution or delivery of the Financing Documents, wherein any unfavorable decision, ruling or finding would adversely affect the transactions contemplated thereby or by the Official Statement, or which, in any way, would adversely affect the validity or enforceability of the Financing Documents or, in any material respect, the ability of the District to perform its obligations under the Financing Documents.

Very truly yours,

District Counsel

BOND PURCHASE AGREEMENT

\$ _____
SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY
SUBORDINATE SPECIAL TAX REVENUE BONDS
SERIES 2016

September __, 2016

San Dieguito School Facilities Financing Authority
c/o San Dieguito Union High School District
710 Encinitas Boulevard
Encinitas, California 92024

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated, acting on behalf of itself as underwriter (the “**Underwriter**”) and not as a fiduciary or agent for any other party, offers to enter into this this Bond Purchase Agreement (this “**Purchase Agreement**”) with the San Dieguito School Facilities Financing Authority (the “**Authority**”) which will be binding upon the Authority and the Underwriter upon the acceptance hereof by the Authority. This offer is made subject to its acceptance by the Authority by execution of this Purchase Agreement and its delivery to the Underwriter on or before 8:00 p.m., Pacific Daylight Time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Trust Agreement (as hereinafter defined).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the San Dieguito School Facilities Financing Authority Subordinate Special Tax Revenue Bonds, Series 2016 (the “**Bonds**”). The purchase price for the Bonds shall be \$_____ (being the aggregate principal amount thereof (\$_____), plus a net original issue premium of \$_____, less an underwriter’s discount of \$_____, and less \$_____ to be paid directly to the Insurer (as defined herein).

Section 2. Description of the Bonds. The Bonds shall be issued pursuant to an Trust Agreement (the “**Trust Agreement**”) dated as of October 1, 2016 by and between the Authority and U.S. Bank National Association, as trustee (the “**Trustee**”) and pursuant to the Marks-Roos Local Bond Pooling Act (the “**Bond Law**”) and a resolution of the Authority adopted on September __, 2016 (the “**Bond Resolution**”). The Bonds shall be as described in the Trust Agreement and the Official Statement dated the date hereof relating to the Bonds (which, together with all exhibits and appendices included therein or attached thereto and such amendments or supplements thereto which shall be approved by the Underwriter, is hereinafter called the “**Official Statement**”).

The scheduled payment of principal of and interest on the Series A Bonds maturing on September 1, of the years 20__ through 20__, inclusive (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 [Bond Insurer] (the “Insurer”).

The proceeds of the Bonds shall be applied by the Authority to finance the purchase of the following issues of Bonds (the “**Local Obligations**”):

(a) \$_____ San Dieguito Union High School District Community Facilities District No. 94-2 Special Tax Revenue Bonds, Series 2016 (the “CFD No. 94-2 Local Obligations”) being issued by CFD No. 94-2 pursuant to a Bond Indenture, dated as of October 1, 2016 (the “CFD No. 94-2 Bond Indenture”), between CFD No. 94-2 and U.S. Bank National Association to finance capital facilities in connection with CFD No. 94-2 and to prepay certain existing obligations of CFD No. 94-2; and

(b) \$_____ San Dieguito Union High School District Community Facilities District No. 03-1 Special Tax Revenue Bonds, Series 2016 (“CFD No. 03-1 Local Obligations”) being issued by CFD No. 03-1 pursuant to a Bond Indenture, dated as of October 1, 2016 (the “CFD No. 03-1 Bond Indenture”), between CFD No. 03-1 and U.S. Bank National Association to finance capital facilities in connection with CFD No. 03-1 and to prepay certain existing obligations of CFD No. 03-1.

The Local Obligations will be purchased by the Authority in accordance with a Local Obligations Bond Purchase Agreement dated the date hereof (the “**Local Obligations Bond Purchase Agreement**”), by and among the Authority and the CFDs.

Section 3. Public Offering. The Underwriter agrees to make a bona fide public offering of all the Bonds initially at the public offering prices (or yields) set forth on Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

The Authority acknowledges and agrees that: (i) the primary role of the Underwriter is to purchase the Bonds for resale to investors in an arm’s-length commercial transaction between the Authority and the Underwriter and that the Underwriter has financial and other interests that differ from those of the Authority, (ii) the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the District and has not assumed any advisory or fiduciary responsibility to the Authority with respect to the transaction contemplated hereby and the discussions, undertakings and proceedings leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters), (iii) the only obligations the Underwriter has to the Authority with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement, except as otherwise provided by applicable rules and regulations of the Securities and Exchange Commission or the rules of the Municipal Securities Rulemaking Board (the “MSRB”), and (iv) the Authority has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate in connection with the transaction contemplated herein.

The Authority acknowledges that it previously received a letter from the Underwriter regarding MSRB Rule G-17 Disclosure, and that it has provided the Underwriter acknowledgment of such letter.

Section 4. Delivery of Official Statement. The Authority has delivered or caused to be delivered to the Underwriter prior to the execution of this Purchase Agreement or the first offering of the Bonds, whichever first occurs, the Preliminary Official Statement relating to the Bonds dated September __, 2016 (the “**Preliminary Official Statement**”). Such Preliminary Official Statement is the official statement deemed final by the Authority for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the “**Rule**”) and approved for distribution by resolution of the Authority. The Authority has executed and delivered to the Underwriter a certification to such effect in the form attached hereto as Exhibit B.

The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement. The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the Preliminary Official Statement, together with any amendments or supplements thereto prepared by the Authority, with such delivery being made in the manner required by the Rule.

Within seven (7) business days from the date hereof, the Authority shall deliver to the Underwriter a final Official Statement, executed on behalf of the Authority by an authorized representative of the Authority and dated the date hereof, which shall include information permitted to be omitted by paragraph (b)(1) of the Rule and with such other amendments or supplements as shall have been approved by the Authority and the Underwriter. The Underwriter agrees that it will deliver a copy of the final Official Statement (described below) to each purchaser of the Bonds with such delivery being made in the manner required by the Rule. The Underwriter agrees that, in accordance with Rule G-32 of the Municipal Securities Rulemaking Board, within one business day after receipt from the Authority but by no later than the Closing (as defined below), it will file a copy of the Official Statement with the Municipal Securities Rulemaking Board.

The Authority will undertake, pursuant to the Trust Agreement and a continuing disclosure agreement (the “**Continuing Disclosure Agreement**”) substantially in the form attached as Appendix E to the Preliminary Official Statement, to provide certain annual financial information and notices of the occurrence of certain events, as described therein.

Section 5. The Closing. At 9:00 a.m., Pacific Daylight Time, on October __, 2016, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Authority, the San Dieguito Union High School District (the “**School District**”) and the Underwriter, the Authority will deliver (i) the Bonds in definitive form to the Underwriter through the facilities of The Depository Trust Company in New York, New York, or such other location as may be specified by the Underwriter, with CUSIP identification numbers printed thereon, in fully registered form and registered in the name of Cede & Co., and (ii) the closing documents hereinafter mentioned at the offices of Orrick, Herrington & Sutcliffe LLP (“**Bond Counsel**”), in San Francisco, California, or another place to be mutually agreed upon by the Authority, the School District and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by federal funds wire payable to the order of the Trustee on behalf of the Authority. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the “**Closing**.” The Bonds will be delivered in such denominations and deposited in

the account or accounts specified by the Underwriter pursuant to written notice not later than five business days prior to Closing. The Bonds will be made available to the Underwriter for inspection not less than 24 hours prior to the Closing.

Section 6. Representations, Warranties and Covenants. The Authority represents, warrants and covenants to the Underwriter that:

(a) Due Organization, Existence and Authority. The Authority is a joint powers authority duly organized and existing under the laws of the State of California, with full right, power and authority to execute, deliver and perform its obligations under this Purchase Agreement, the Trust Agreement, the Continuing Disclosure Agreement and the Local Obligations Bond Purchase Agreement (together, the “**Authority Documents**”) and to carry out and consummate the transactions contemplated by the Authority Documents and the Official Statement.

(b) Due Authorization and Approval. By all necessary official action of the Authority, including but not limited to the Bond Resolution, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations contained in, the Authority Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally. The Authority has complied, and will at the Closing be in compliance in all respects, with the terms of the Authority Documents.

(c) Official Statement Accurate and Complete. The Preliminary Official Statement was as of its date, and the final Official Statement is, and at all times subsequent to the date of the final Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the final Official Statement contain, and up to and including the Closing will contain, no misstatement of any material fact and do not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading; provided, however, no representation is made with respect to information therein relating to the Depository Trust Company and its book-entry only system.

(d) Underwriter’s Consent to Amendments and Supplements to Official Statement. Until the date which is the earlier of the date which is twenty-five (25) days following the End of the Underwriting Period (as defined below) or the date on which all of the Bonds have been sold by the Underwriter, the Authority will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Authority will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(e) No Breach or Default. As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the Authority is not and will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States, or any applicable judgment or decree

or any indenture, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Authority Documents and compliance with the provisions of each of such agreements or instruments do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States, or any applicable judgment, decree, license, permit, indenture, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Documents.

(f) No Litigation. As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government authority, public board or body, is or will be pending or threatened (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the Authority Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Authority and its authority to pledge the revenues securing the Bonds; (iii) which may result in any material adverse change relating to the Authority; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the final Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the final Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

(g) Continuing Disclosure. At or prior to the Closing, the Authority shall have duly authorized, executed and delivered the Continuing Disclosure Agreement. The Continuing Disclosure Agreement shall comply with the provisions of the Rule and be substantially in the form attached to the Official Statement in Appendix E. Based on a review of its prior undertakings under the Rule, and except as disclosed in the Official Statement, during the last five years, the Authority has not failed to comply in all material respects with its previous undertakings pursuant to the Rule.

(h) Securities Laws. The Authority will furnish such information, execute such instruments, and take such other action in cooperation with, and at the expense of, the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions, provided, however, that the Authority shall not be required to consent to service of process in any jurisdiction in which it is not so subject as of the date hereof;

(i) Application of Proceeds. The Authority will apply the proceeds from the sale of the Bonds for the purposes specified in the Trust Agreement;

(j) Amendments to Official Statement. From the date hereof until the earlier of twenty-five (25) days after the End of the Underwriting Period (as defined below) or the date on which all of the Bonds have been sold by the Underwriter, the Authority will amend or supplement the Official Statement in any manner necessary to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, and (at the expense of the Authority) shall deliver in the electronic format designated by the MSRB each amendment of or supplement to the Official Statement (in form and substance reasonably satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. As used herein, the term “End of the Underwriting Period” means the later of such time as (i) the Bonds are delivered to the Underwriter, or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the date of the Closing. Any notice delivered pursuant to this provision shall be written notice delivered to the Authority at or prior to the Closing, and shall specify a date (other than the date of Closing and not more than 25 days after the Closing) to be deemed the “End of the Underwriting Period.”

Section 7. Closing Conditions. The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and covenants herein and the performance by the Authority of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter’s obligations under this Purchase Agreement to purchase and pay for the Bonds shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the Authority contained herein shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing (i) the Authority Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter, and (ii) there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement and the Authority Documents.

(c) Issuance and Purchase of Local Obligations. Concurrent with the issuance of the Bonds and the purchase thereof by the Underwriter in accordance with this Purchase Agreement, the CFDs shall have issued the CFD Bonds, and the Local Obligations shall have been delivered to the Authority under and in accordance with the Local Obligations Bond Purchase Agreement, and all conditions set forth in the Local Obligations Bond Purchase Agreement to the issuance and delivery of the Local Obligations shall have been satisfied.

(d) Closing Documents. At or prior to the Closing, the Underwriter shall receive each of the documents identified in Section 8.

Section 8. Closing Documents. In addition to the other conditions to the Underwriter's obligations under this Purchase Agreement to purchase and pay for the Bonds, at or before the Closing the Underwriter shall receive each of the following documents, provided that the actual payment for the Bonds by the Underwriter and the acceptance of delivery thereof shall be conclusive evidence that the requirements of this Section 8 shall have been satisfied or waived by the Underwriter.

(a) Bond Opinion. An approving opinion of Bond Counsel dated the date of the Closing and substantially in the form set forth in Appendix D to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the foregoing opinion addressed to the Authority may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them.

(b) Supplemental Opinion. A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter, and dated the date of the Closing substantially to the following effect:

(i) This Purchase Agreement, the Local Obligations Bond Purchase Agreement and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the Authority and assuming due execution and delivery by the other parties thereto, constitute the valid, legal and binding agreements of the Authority, enforceable in accordance with their terms.

(ii) the statements contained in the Official Statement under the captions "THE BONDS," "SECURITY FOR THE BONDS," "SECURITY FOR THE LOCAL OBLIGATIONS" "LEGAL MATTERS-Tax Matters," and "MISCELLANEOUS-Continuing Disclosure," and in Appendices A and D, insofar as such statements expressly summarize certain provisions of the Bonds, the Trust Agreement, the Local Obligations and the opinion of such firm concerning the exclusion from gross income for federal income tax purposes and exemption from State of California personal income taxes of interest on the Bonds, are accurate in all material respects.

(iii) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(c) Authority Counsel Opinion. An opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, counsel to the Authority, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to Bond Counsel substantially to the following effect:

(i) The Authority is a joint powers authority duly organized and validly existing under the laws of the State of California.

(ii) The Bond Resolution has been duly adopted, is in full force and effect and has not been modified, amended or rescinded.

(iii) The Authority Documents have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding obligation of the Authority

enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought.

(iv) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending or threatened against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Authority Documents or seeking to restrain or enjoin the repayment of the Bonds or in any way contesting or affecting the validity of the Authority Documents or contesting the authority of the Authority to enter into or perform its obligations under any of the Authority Documents, or under which a determination adverse to the Authority would have a material adverse effect upon the financial condition or the revenues of the Authority, or which, in any manner, questions the right of the Authority to pledge the Revenues to the payment of the Bonds.

(d) Trustee Counsel Opinion. The opinion of counsel to the Trustee, dated the date of the Closing, addressed to the Underwriter, to the effect that:

(i) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America, having full power to enter into, accept and administer the trust created under the Trust Agreement.

(ii) The Trust Agreement has been duly authorized, executed and delivered by the Trustee and constitutes the legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought.

(e) Authority Certificate. A certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by the Executive Director, Clerk or other duly authorized officer of the Authority to the effect that:

(i) The representations, warranties and covenants of the Authority contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Authority has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the Authority at or prior to the date of the Closing.

(ii) No event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) Trustee's Certificate. A certificate of the Trustee, dated the date of Closing, in form and substance acceptable to counsel for the Underwriter, to the following effect:

(i) The Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Trust Agreement.

(ii) The Trustee is duly authorized to enter into the Trust Agreement.

(iii) To its best knowledge after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental district, public board or body pending against the Trustee or threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Trust Agreement or contesting the powers of the Trustee or its authority to enter into and perform its obligation under the Trust Agreement;

(g) Letter Regarding the Official Statement. A letter of Underwriter's Counsel regarding the Official Statement, dated the Closing Date and addressed to the District, in substantially the form attached hereto as Exhibit D;

(h) Original Executed Documents. An original executed copy of each of the Authority Documents, along with original executed copies of the Continuing Disclosure Agreement.

(i) Rating. Evidence as of the Closing Date satisfactory to the Underwriter (i) that the Insured Bonds have been rated "____" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), based on the issuance of the Policy by the Insurer, (ii) that the Bonds have received an underlying rating of "____" from S&P, and (iii) that any such ratings have not been revoked or downgraded;

(j) Certificate of Special Tax Consultant. A certificate in form and substance as set forth in Exhibit C hereto, of Willdan Financial Services, Irvine, California ("**Special Tax Consultant**"), dated as of the Closing Date;

(k) Municipal Bond Insurance Policy. The Policy from the Insurer insuring the payment of principal of and interest on the Insured Bonds; and

(i) a certificate of the Insurer dated the date of Closing in form and substance acceptable to the Underwriter regarding, among other matters, the due authorization, execution and validity of the Policy; and

(ii) an opinion of counsel to the Insurer, dated the date of Closing and addressed to the District and the Underwriter, to the effect that the Policy is the legal, valid and binding obligation of the Insurer enforceable in accordance with its terms, and the disclosure regarding the Insurer and the Policy in the Official Statement under the applicable caption and the specimen Policy included as an appendix to the Official Statement accurately reflect and fairly present the information purported to be shown therein;

(l) Underwriter's Counsel Opinion. The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, dated the Closing Date and addressed to the Underwriter, in form and substance satisfactory to the Underwriter; and

(m) Additional Documents. Such additional certificates, instruments and other documents as Bond Counsel, Underwriter's Counsel, the Authority or the Underwriter may reasonably deem necessary.

If the Authority shall be unable to satisfy the conditions contained in this Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by

this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the Authority shall be under further obligation hereunder, except as further set forth in Section 10.

Section 9. Termination Events. The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefor, by notification to the Authority if at any time between the date hereof and prior to the Closing:

(a) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(b) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the Authority, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(c) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(d) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental district having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Trust Agreement needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(e) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Bonds; or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(f) a general banking moratorium shall have been established by federal or California authorities; or

(g) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak of hostilities or a national or international calamity or crisis, or there has occurred any escalation of existing hostilities, calamity or crisis, financial or otherwise, the effect of which on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds; or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(h) the commencement of any action, suit or proceeding described in Section 6(f) which, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(i) there shall be in force a general suspension of trading on the New York Stock Exchange.

Section 10. Expenses. The Underwriter shall be under no obligation to pay and the Authority shall pay or cause to be paid the expenses incident to the performance of the obligations of the Authority hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the Authority Documents and the cost of preparing, printing, issuing and delivering the definitive Bonds, (b) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the Authority and the School District; (c) the fees and disbursements of Bond Counsel; and (d) the cost of printing of the Preliminary Official Statement and any supplements and amendments thereto and the cost of printing of the Official Statement, including the requisite number of copies thereof for distribution by the Underwriter.

The Underwriter shall pay and the Authority shall be under no obligation to pay all expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, including but not limited to (a) reporting fees chargeable by the California Debt and Investment Advisory Commission, (b) the Underwriter Counsel's fee, and (c) CUSIP Service Bureau fees.

Section 11. Notice. Any notice or other communication to be given to the Authority under this Purchase Agreement may be given by delivering the same in writing to such entity at the address set forth above. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to: Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Ralph Holmes.

Section 12. Entire Agreement. This Purchase Agreement, when accepted by the Authority, shall constitute the entire agreement between the Authority and the Underwriter and is made solely for the benefit of the Authority and the Underwriter (including the successors or assigns

of any Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the Authority's representations, warranties and agreements in this Purchase Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of the Bonds.

Section 13. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 14. 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 15. Governing Law. The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of the State of California.

Section 16. No Assignment. The rights and obligations created by this Purchase Agreement shall not be subject to assignment by the Underwriter or the Authority without the prior written consent of the other parties hereto.

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED**, as Underwriter

By: _____
Managing Director

Accepted as of the date first stated above:

**SAN DIEGUITO SCHOOL FACILITIES
FINANCING AUTHORITY**

By: _____
[Title]

Time of execution:

EXHIBIT A
MATURITY SCHEDULE

\$_____ Serial Bonds

<i>Principal Payment Date</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
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\$_____ % Term Bonds due September 1, 20__, Priced to yield _____ %

EXHIBIT B

**SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY
SUBORDINATE SPECIAL TAX REVENUE BONDS
SERIES 2016**

RULE 15c2-12 CERTIFICATE

I, _____, hereby certify that I am the [Title] of the San Dieguito School Facilities Financing Authority (the "Authority") and as such I am authorized to execute this Certificate on behalf of the District.

I hereby further certify that there has been delivered to the original purchasers of the San Dieguito School Facilities Financing Authority Subordinate Special Tax Revenue Bonds, Series 2016 (the "Bonds"), a preliminary official statement relating to the Bonds, dated September __, 2016 (including the cover page, the introduction and all appendices thereto, the "Preliminary Official Statement"), which the District deemed to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12.

The District hereby approves of the use and distribution of the Preliminary Official Statement.

Dated: September __, 2016

**SAN DIEGUITO SCHOOL FACILITIES
FINANCING AUTHORITY**

By: _____

[Title]

EXHIBIT C

**SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY
SUBORDINATE SPECIAL TAX REVENUE BONDS
SERIES 2016**

CERTIFICATE OF SPECIAL TAX CONSULTANT

Willdan Financial Services (“**Special Tax Consultant**”) was retained as Special Tax Consultant and assisted in the preparation of the Official Statement dated September __, 2016 (the “**Official Statement**”) relating to the above-referenced bonds (the “**Bonds**”).

With respect to each of the CFDs and the related Local Obligations, we hereby certify as follows:

(i) Based upon the Special Tax Consultant’s review of the Official Statement and such other documents as it deems relevant in the circumstances, the Special Tax Consultant hereby certifies that the Special Tax in the CFD, if collected in the maximum amounts permitted pursuant to the rate and method of apportionment for the CFD, would generate at least 110% of the gross annual debt service on the Local Obligation, provided that the annual debt service figures on the attached debt service schedule, which were relied upon by Special Tax Consultant, are substantially true and correct.

(ii) Although the Special Tax, if collected in the maximum amounts pursuant to the rate and method of apportionment, will generate at least 110% of the gross annual debt service payable with respect to the Local Obligation each year, no representation is made herein as to actual amounts that will be collected in future years.

(iii) All information with respect to the rate and method of apportionment for the CFD in the Official Statement is true and correct as of the date of the Official Statement and as of the date hereof.

(iv) All information supplied by us for use in the Preliminary Official Statement and the Official Statement was true and correct as of the date of the Preliminary Official Statement and the Official Statement, respectively, and all information in the Official Statement remains true and correct as of the date hereof and such information does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Dated: _____, 2016

WILLDAN FINANCIAL SERVICES

By: _____

EXHIBIT D**FORM OF LETTER REGARDING THE OFFICIAL STATEMENT**

San Dieguito Union High School District
710 Encinitas Boulevard
Encinitas, California 92024

\$ _____ *

**SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY
SUBORDINATE SPECIAL TAX REVENUE BONDS
SERIES 2016**

Ladies and Gentlemen:

We have acted as legal counsel for Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), in connection with the sale by the San Dieguito School Facilities Financing Authority (the “Authority”), and the purchase by the Underwriter, of the above-referenced Subordinate Special Tax Revenue Bonds, Series 2016 (the “Bonds”) pursuant to a Bond Purchase Agreement, dated September __, 2016 (the “Purchase Agreement”), by and between the Underwriter and the Authority.

In reaching the conclusions set forth below, we have examined originals or copies certified or otherwise identified to our satisfaction of (i) the Purchase Agreement, (ii) the Joint Exercise of Powers Agreement, dated October 1, 2016, by and between the San Dieguito Union High School District (the “School District”) and the California Statewide Communities Development Authority, pursuant to which the Authority was formed; (iii) the resolution of the Authority adopted on September __, 2016 pertaining to the Bonds (the “Bond Resolution”), (iv) the Trust Agreement, dated as of October 1, 2016 (the “Trust Agreement”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”); (v) the Continuing Disclosure Agreement executed by the Authority, dated the date hereof, (vi) the Official Statement relating to the Bonds dated September __, 2016 (the “Official Statement”), (vii) the approving opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), dated the date hereof, (viii) the documents, letters, certificates and opinions delivered pursuant to the provisions of Section 8 of the Purchase Agreement, and (ix) such other documents, certificates, instructions and records as we have considered necessary or appropriate as a basis for our conclusions (all of the foregoing collectively, the “Legal Documents”). None of the School District, the Authority, nor their respective representatives are authorized to rely on the conclusions set forth herein in connection with the delivery of the Legal Documents or the making of the representations or certifications set forth therein.

We have assumed, but not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto, and that all representations made in the documents that we have reviewed are true and accurate.

Although we have not undertaken to check the accuracy, completeness or fairness of, or verified the information contained in, the Official Statement, and are therefore unable to make any representation to you in that regard, we have participated in conferences prior to the date of the Official Statement with your representatives and representatives of the Authority, the Underwriter, Bond Counsel, Fieldman, Rolapp & Associates, Inc. as financial advisor to the School District, and others, during which conferences the contents of the Official Statement and related matters were discussed. Based upon the information made available to us in the course of our participation in such conferences, our review of the

documents referred to above, our reliance on the certificates and the opinions of counsel described above and our understanding of applicable law, we advise you as a matter of fact but not opinion that no information has come to the attention of the attorneys in the firm representing the Underwriter in connection with the Bonds that caused us to believe that the Official Statement as of its date contained, or as of the date hereof contains, any untrue statement of a material fact, or as of its date omitted, or as of the date hereof omits, to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that we express no view with respect to Appendices A through G to the Official Statement, the information pertaining to The Depository Trust Company, its book-entry system, any information in or omissions with respect to the ratings on the Bonds and the rating agencies referenced therein, any bond insurance with respect to the Bonds, and any financial, statistical, demographic or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion in the Official Statement, including any of the appendices thereto). Finally, other than reviewing the various certificates and opinions required by the Purchase Agreement regarding the Official Statement, we have not taken any steps since the date of the Official Statement to verify the accuracy of the statements contained in the Official Statement as of the date hereof.

By acceptance of this letter, you acknowledge that the preceding paragraph is neither a legal opinion nor a guarantee regarding the Official Statement; rather it is a statement of negative assurance regarding factual information that did not come to the attention of attorneys in our firm working on this matter during the limited activities that we performed as counsel to the Underwriter. Further, in accepting this letter, the School District recognizes and acknowledges that: (i) the conclusions set forth herein are based on certain limited activities performed by specific attorneys in our firm in our role as counsel to the Underwriter; (ii) the scope of the activities performed by such attorneys in our role as counsel to the Underwriter and for purposes of delivering such advice were inherently limited and do not purport to encompass all activities necessary for compliance by you or others in accordance with applicable state and federal securities laws; (iii) the activities performed by such attorneys in our role as counsel to the Underwriter rely in part by representations, warranties, certifications and opinions of other parties to the transaction, including representations, warranties and certifications made by the School District and the Authority; and (iv) while such statements of negative assurance are customarily given to underwriters of municipal bonds to assist them in discharging their responsibilities under federal securities laws, the responsibilities of the School District or the Authority under those laws may differ from those of underwriters in material respects, and the preceding paragraph may not serve the same purpose or provide the same utility to the School District or the Authority as it would to underwriters.

This letter is being rendered to you solely for your benefit in connection with the issuance of the Bonds and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent. This letter is limited to matters governed by the laws of the State of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. No opinion is expressed herein with respect to the validity of the Bonds or the compliance with, or applicability of, any "blue sky" laws of any state as they relate to the offer or sale of the Bonds.

We have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events occurring after the date hereof with respect to the Bonds or other matters discussed in the Official Statement. This letter is not intended to be, and may not be, relied upon by owners of Bonds, the owners of any beneficial ownership interest therein or by any other party to whom it is not addressed.

Respectfully submitted,

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2016**NEW ISSUE-FULL BOOK ENTRY**

INSURED RATING: S&P: ITEM 3B
UNDERLYING RATING: S&P: “___”
 (See “MISCELLANEOUS – Ratings” herein)

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

\$ _____ *

SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY
SUBORDINATE SPECIAL TAX REVENUE BONDS
SERIES 2016

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

The San Dieguito School Facilities Financing Authority Subordinate Special Tax Revenue Bonds, Series 2016 (the “Bonds”) are being issued by the San Dieguito School Facilities Financing Authority (the “Authority”) to acquire certain special tax obligations (the “Local Obligations”) of community facilities districts (the “Series 2016 Districts”) formed by the San Dieguito Union High School District (the “School District”). The Local Obligations are being issued to (i) prepay certain obligations under the Prior Loan Agreement (as defined herein), (ii) finance certain school facilities of benefit to the Series 2016 Districts, (iii) establish a reserve fund for the Bonds, and (iv) pay certain costs of issuance of the Local Obligations and the Bonds. See “FINANCING PLAN.”

The Bonds are payable solely from Revenues (defined herein) pledged by the Authority pursuant to that certain Trust Agreement, dated as of October 1, 2016 (the “Trust Agreement”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). Revenues consist primarily of special taxes levied in the Series 2016 Districts and paid to the Authority as debt service on the Local Obligations. See “SECURITY FOR THE BONDS – Revenues; Flow of Funds.”

The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2017. The Bonds will be initially issued only in book-entry form and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Bonds. See “THE BONDS – General” and – Book-Entry Only System” herein.

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption.”

The scheduled payment of principal and interest on the Bonds maturing on September 1 of the years 20__ through 20__, inclusive (the “Insured Bonds”), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by _____ (the “Insurer”). See “BOND INSURANCE” herein.

[Insurer Logo]

CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE AUTHORITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. THE PURCHASE OF THE BONDS INVOLVES SIGNIFICANT INVESTMENT RISKS, AND THE BONDS MAY NOT BE SUITABLE INVESTMENTS FOR MANY INVESTORS. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “SPECIAL RISK FACTORS” FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

Maturity Schedule
 (see inside cover)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Orrick Herrington & Sutcliffe LLP, San Francisco, California, as Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority, and the School District by Orrick Herrington & Sutcliffe LLP San Francisco, California, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities DTC or its agent on or about October __, 2016.

[Stifel logo]

Dated: September __, 2016.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

MATURITY SCHEDULE*

Series 2016A

\$ _____ Serial Bonds

<i>Maturity (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP[†] No.</i>
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\$ _____ % Term Bonds due September 1, 20__, Priced to yield _____% CUSIP[†] No. _____

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the Authority nor the Underwriter takes any responsibility for the accuracy of such numbers.

**SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY
GOVERNING BOARD**

Beth Hergesheimer
Chair

Joyce Dalessandro
Vice Chair

Amy Herman
Member

Maureen "Mo" Muir
Member

John Salazar
Member

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
BOARD OF TRUSTEES**

Beth Hergesheimer
President

Joyce Dalessandro
Vice President

Amy Herman
Clerk

Maureen "Mo" Muir
Trustee

John Salazar
Trustee

SCHOOL DISTRICT ADMINISTRATORS

Eric Dill
*Interim Superintendent and
Associate Superintendent, Business Services*

John Addleman
Executive Director, Planning Services

BOND COUNSEL AND DISCLOSURE COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

SPECIAL TAX CONSULTANT

Willdan Financial Services
Irvine, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

Investment in the Bonds involves risks which are not appropriate for certain investors. Therefore, only persons with substantial financial resources (in net worth or income) who understand those risks should consider such an investment.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the San Dieguito School Facilities Financing Authority, San Dieguito Union High School District and Community Facilities Districts formed by San Dieguito Union High School District. No dealer, broker, salesperson or other person has been authorized by the Authority, the School District, the Community Facilities Districts, the Trustee or the Underwriter 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 representations must not be relied upon as having been authorized by the Authority, the School District, the Community Facilities Districts, the Trustee 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.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the Community Facilities Districts, the School District or the Authority. This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such are not to be construed as representations of fact.

The Underwriter has provided the following sentence 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 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, create any implication that there has been no change in the affairs of the Authority, the School District, the Community Facilities Districts or any other parties described herein since the date hereof. All summaries of the Trust Agreement or other documents 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. Reference is hereby made to such documents on file with the School District for further information in connection therewith.

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 "plan," "expect," "estimate," "project," "budget" or other similar words.

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 does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. The Authority is obligated to provide continuing disclosure for certain historical information only. See the caption "MISCELLANEOUS – Continuing Disclosure" herein.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 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 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION 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

\$ _____*

**SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY
SUBORDINATE SPECIAL TAX REVENUE BONDS
SERIES 2016**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto (the “Official Statement”), is to provide certain information concerning the sale and issuance of the San Dieguito School Facilities Financing Authority Subordinate Special Tax Revenue Bonds, Series 2016 (the “Bonds”).

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 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.

Capitalized terms not defined herein shall have the meaning set forth in Appendix A hereto. See Appendix A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Financing Purpose

Purpose of the Bonds. The Bonds are being issued by the San Dieguito School Facilities Financing Authority (the “Authority”) to acquire the “Local Obligations” described below and to fund a reserve fund for the Bonds. The principal and interest payments on the Local Obligations to be received by the Authority are the primary source of repayment for the Bonds. See “FINANCING PLAN” herein.

Purpose of the Local Obligations. The Local Obligations are being issued by two community facilities districts formed by the San Dieguito Union High School District (the “School District”): San Dieguito Union High School District Community Facilities District No. 94-2 (“CFD No. 94-2”); and San Dieguito Union High School District Community Facilities District No. 03-1 (“CFD No. 03-1” and, collectively with CFD No. 94-2, the “Series 2016 Districts”). The Local Obligations are being issued to (i) prepay certain obligations under the Prior Loan Agreement (as defined herein), (ii) finance certain school facilities of benefit to the Series 2016 Districts, (iii) establish reserve funds for the Local Obligations, and (iv) pay certain costs of issuance of the Local Obligations and the Bonds. See “FINANCING PLAN.”

The Series 2016 Districts are parties to that certain Loan Agreement, dated as of July 1, 2006, as amended by a First Amendment to Loan Agreement, dated May 15, 2008 (as amended, the “Prior JPA Loan Agreement”), by and among the San Dieguito Public Facilities Authority (the “Prior JPA”), the Series 2016 Districts and seven other community facilities districts formed by the School District. In addition, CFD No. 94-2 has entered into that certain Installment Purchase Agreement (94-2), dated as of July 1, 2006 (the “Prior Installment Purchase Agreement”), between the Prior JPA and CFD No. 94-2.

THE OBLIGATIONS OF THE SERIES 2016 DISTRICTS UNDER THE LOCAL OBLIGATIONS ARE SUBORDINATE TO THEIR RESPECTIVE OBLIGATIONS UNDER THE PRIOR JPA LOAN AGREEMENT AND THE PRIOR INSTALLMENT PURCHASE AGREEMENT. See “ – The Bonds; The Local Obligations – Local Obligations Subordinate” below.

The Bonds; The Local Obligations

Bonds. The Bonds are payable from “Revenues,” as more completely defined below, generally consisting of revenues received by the Authority as the result of the payment of debt service on the Local Obligations, and amounts held in the funds and accounts established and held for the benefit of the Bonds under the Trust Agreement. The debt service on each series of Local Obligations is paid from the proceeds of special taxes levied on the taxable property related to such Local Obligations which are received by the School District after the payment of amounts due in respect of the Prior Loan Agreement the Prior Installment Purchase Agreement. See “SECURITY FOR THE LOCAL OBLIGATIONS” and Appendix B – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.”

Local Obligations. The Local Obligations consist of the following two separate series of bonds issued by community facilities districts formed by the School District:

CFD No. 94-2 Local Obligations: \$_____ San Dieguito Union High School District Community Facilities District No. 94-2 Special Tax Revenue Bonds, Series 2016 (the “CFD No. 94-2 Local Obligations”) being issued by CFD No. 94-2 to _____. The CFD No. 94-2 Local Obligations are payable from Special Taxes levied on taxable property in CFD No. 94-2. See “THE COMMUNITY FACILITIES DISTRICTS – CFD No. 94-2” herein.

CFD No. 03-1 Local Obligations: \$_____ San Dieguito Union High School District Community Facilities District No. 03-1 Special Tax Revenue Bonds, Series 2016 (the “CFD No. 03-1 Local Obligations”) being issued by CFD No. 03-1 to _____. The CFD No. 03-1 Local Obligations are payable from Special Taxes levied on taxable property in CFD No. 03-1. See “THE COMMUNITY FACILITIES DISTRICTS – CFD No. 03-1” herein.

CFD No. 94-2 and CFD No. 03-1 are collectively referred to in this Official Statement as the “Series 2016 Districts.” The CFD No. 94-2 Local Obligations and the CFD No. 03-1 Local Obligations are collectively referred to in this Official Statement as the “Local Obligations.” The seven other community facilities districts established by the School District that are subject to the Prior JPA Loan Agreement are referred to herein collectively with the Series 2016 Districts as the “Community Facilities Districts.”

Local Obligations Subordinate. The obligations of the Series 2016 Districts under the Local Obligations are subordinate to their respective obligations under the Prior JPA Loan Agreement and the Prior Installment Purchase Agreement. In addition, the obligations of each of the Communities Facilities Districts under the Prior JPA Loan Agreement are cross-collateralized. In the event of a shortfall by any Community Facility District in payments of certain amounts due under the Prior JPA Loan Agreement, the remaining Community Facilities Districts are obligated to pay additional amounts, pro rata, to account for such shortfall. As a result, deficiencies in special tax collections in any of the other seven Community Facilities Districts will increase the amounts due from the Series 2016 Districts under the Prior JPA Loan Agreement.

Bond Insurance

[To be completed.] See “BOND INSURANCE” and Appendix G – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Legal Authority

The Bonds. The Bonds are being issued under Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and a Trust Agreement dated as of October 1, 2016 (the “Trust Agreement”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”).

The Local Obligations. The Local Obligations are being issued pursuant to 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 (the “Mello-Roos Act”), and two separate Indentures, each dated as of October 1, 2016 (each, a “Local Obligation Indenture”), each by and between the applicable Series 2016 District and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”).

Sources of Payment for the Bonds and the Local Obligations

The Bonds are secured by a first lien on and pledge of all of the Revenues. “Revenues” are defined in the Trust Agreement to include:

- (i) Local Obligations Revenues and all other amounts received by the Trustee as the payment of interest or premiums on, or the equivalent thereof;
- (ii) the payment or return of principal of, or the equivalent thereof, all Eligible Local Obligations, whether as a result of scheduled payments or Property Owner Prepayments or remedial proceedings taken in the event of a default thereon; and
- (iii) all investment earnings on any moneys held in the Funds or accounts established under the Trust Agreement, except the Rebate Fund.

Pursuant to the Trust Agreement, “Local Obligations Revenues” means all moneys collected and received by the School District on account of Special Taxes securing the Eligible Local Obligations including amounts collected in the normal course via the County property tax roll and thereafter remitted to the District, Property Owner Prepayments, and amounts received by the District as a result of superior court foreclosure proceedings brought to enforce payment of delinquent installments, but excluding therefrom any amounts explicitly included therein on account of collection charges, administrative cost charges, or attorneys’ fees and costs paid as a result of foreclosure actions.

“Eligible Local Obligations” is defined in the Trust Agreement to mean, collectively, the CFD No. 94-2 Local Obligations, the CFD No. 03-1 Local Obligations or any special tax bonds, loans or other obligations issued by any Community Facilities District as set forth in a Supplemental Trust Agreement.

Local Obligations. Each Local Obligation will be payable from proceeds of the Special Tax received with respect to the applicable Series 2016 District. Pursuant to each Local Obligation Indenture, “Special Tax” means the special tax authorized to be levied and collected annually on all Taxable Land in the applicable Series 2016 District under and pursuant to the Mello-Roos Act; provided that, so long as any amounts are outstanding under the Prior JPA Loan Agreement and the Prior Installment Agreement, such special tax revenues will only be available upon release from the lien of the Prior JPA Loan Agreement, on or after August 1 in each year. See “SECURITY FOR THE BONDS – Special Tax Authorization.

The Local Obligations are not cross-collateralized. In other words, Special Taxes from one Series 2016 District cannot be used to cover any shortfall in the payment of debt service on the Local Obligation of another Series 2016 District.

Description of the Bonds

Payments. Interest is payable semiannually on each March 1 and September 1, commencing March 1, 2017. Principal of and premium, if any, on the Bonds shall be payable by the Trustee. See “THE BONDS – General Provisions” and “ – Book-Entry Only System” herein.

Denominations. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof.

Redemption. The Bonds are subject to redemption prior to their maturity. See “THE BONDS – Redemption” herein.

Registration, transfers and exchanges. The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) under the book-entry system maintained by DTC. See “THE BONDS – Payment, Registration, Transfer and Exchange of Bonds” and “– Book-Entry Only System.”

The School District

The School District consists of approximately 85 square miles of territory in the northern portion of San Diego County (the “County”), California (the “State”). The School District educates students from five feeder elementary school districts: Encinitas, Cardiff, Solana Beach, Del Mar and Rancho Santa Fe. The School District operates five comprehensive middle schools for grades seven through eight, and four comprehensive high schools for grades nine through twelve. The School District also offers a continuation high school with an alternative education program for grade nine through twelve, an alternative high school for independent study program for high school teens seeking individualized attention and flexible scheduling and an adult education program. Enrollment in the School District for grades seven through twelve was 12,726 students for the 2015-16 school year. See “THE SCHOOL DISTRICT.”

Neither the Bonds nor the Local Obligations are a debt of the School District, and no revenues of the School District are pledged to repayment of the Bonds or the Local Obligations.

The Authority

The Authority is a joint exercise of powers authority organized and existing pursuant to the Act. Its members are the School District and the California Statewide Communities Development Authority.

Professionals Involved in the Offering

All proceedings in connection with the issuance of the Bonds are subject to the approval of Orrick Herrington & Sutcliffe LLP San Francisco, California, Bond Counsel. Willdan Financial Services is acting as Special Tax Consultant to the School District. U.S. Bank National Association, Los Angeles, California, will act as the Trustee for the Bonds, the Fiscal Agent for the Local Obligations and the Escrow Agent for the Prior CFD Bonds being refunded. Stifel, Nicolaus & Company, Incorporated is acting as underwriter in connection with the issuance and delivery of the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as counsel to the Underwriter.

Orrick Herrington & Sutcliffe LLP, the Underwriter, and Stradling Yocca Carlson & Rauth will receive compensation contingent upon issuance of the Bonds.

Continuing Disclosure

The Authority will execute a Continuing Disclosure Agreement and will covenant therein for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Authority and the Series 2016 Districts by not later than 7 months following the end of its fiscal year (which currently would be by February 1 each year based upon the June 30 end of the Authority’s fiscal year), commencing by February 1, 2017 with the report for the 2015-16 Fiscal Year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will be filed by the Authority with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and any notices of material events is set forth in Appendix E – “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants will be

made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). See “MISCELLANEOUS – Continuing Disclosure.”

FINANCING PLAN

Purpose of Issue and the Refunding Plan

Acquisition of the Local Obligations. The Authority is issuing the Bonds to purchase the Local Obligations [and to fund the Reserve Fund].

Prepayment of Prior JPA Loan Agreement. Pursuant to the Local Obligation Indentures, certain proceeds of the Local Obligations, along with other available moneys, will be used to prepay amounts due under the Prior JPA Loan Agreement and, in turn, to redeem the outstanding \$_____ aggregate principal amount of Prior JPA’s Revenue Refunding Bond, Series 2006C.

Financing of School Facilities. Portions of the proceeds of the Local Obligations are expected to be used by the School District to finance school facilities as permitted under the Mello-Roos Act and the proceedings pursuant to which each Series 2016 District was established. See “COMMUNITY FACILITIES DISTRICTS” herein.

Estimated Sources and Uses of Funds

The Bonds. The anticipated sources and uses of funds relating to the Bonds and the refunding of the Prior Bonds are as follows:

Sources:

- Principal Amount of the Bonds
- Net Original Issue Premium/(Discount)

Total Sources

Uses⁽¹⁾:

- Acquisition of Local Obligations
[Reserve Fund]
- Underwriter’s Discount
- Cost of Issuance
- Bond Insurance Premium

Total Uses

⁽¹⁾ The Authority will acquire the Local Obligations for a total purchase price of \$_____ and in consideration of the purchase the Series 2016 Districts and the Authority will agree to the application of the purchase price and existing funds as set forth below.

Local Obligations. The anticipated sources and uses of funds relating to the Local Obligations are as follows:

	<i>CFD No.</i> <i>94-2</i>	<i>CFD No.</i> <i>03-1</i>	<i>Total</i>
Sources			
Par Amount			
<i>Plus:</i> Original Issue Premium			
Total Sources			
Uses			
Redemption of Prior JPA Bonds			
Reserve Fund ⁽¹⁾			
Cost of Issuance Fund ⁽²⁾			
Underwriter's Discount			
Bond Insurance			
Total Uses			

- ⁽¹⁾ [On the date of issuance of the Bonds and the Local Obligations, each Series 2016 District will deposit a portion of the proceeds of the Local Obligations into the Reserve Fund and the Series B Reserve Fund established for such Series 2016 District.]
- ⁽²⁾ On the date of issuance of the Bonds and the Local Obligations, each Series 2016 District will deposit a portion of the proceeds of the Local Obligations into the Cost of Issuance Fund held under the Trust Agreement. Amounts in the Cost of Issuance Fund will be used to pay Trustee, Fiscal Agent and Escrow Agent fees, Bond Counsel, Underwriter's Counsel and other legal fees, printing costs, rating agency fees and other related costs.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery, and will be issued in the aggregate principal amounts set forth on the inside front cover hereof. The Bonds will bear interest from their dated date at the rates per annum set forth on the inside front cover hereof, 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 front cover hereof. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof.

Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner as of the Record Date immediately preceding each Interest Payment Date. Interest will be paid by check of the Trustee mailed on the Interest Payment Date by first class mail, postage prepaid, to the Owner at the address as it appears on the Bond Register or by wire transfer to an account in the United States of America upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds provided to the Trustee, in writing, not later than the Record Date for such Interest Payment Date. The Bonds are issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple. See the subsection hereof entitled "Book-Entry Only System."

Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Trust Office of the Trustee.

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date (the 15th calendar day of the month preceding an Interest Payment Date, whether or not it is a Business Day) and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or

before February 15, 2017, in which event it will bear interest from the Dated Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon, or from the Dated Date if no interest has been paid or made available for payment.

Redemption

Optional Redemption.* The Bonds maturing on or before September 1, 20__ are not subject to optional redemption prior to maturity. The Bonds maturing on or after September 1, 20__ may be redeemed at the option of the Authority, from any source of available funds, prior to maturity on any date on or after September 1, 20__ as a whole, or in part from the same maturities as the maturities the Local Obligations simultaneously redeemed if any redemption of Local Obligations is being made in conjunction with such optional redemption, and, as nearly as practicable, proportionately between the Series of the Bonds (based on Outstanding principal amount), and by lot within a maturity, and, if Local Obligations are not being simultaneously redeemed, from such maturities and in such amounts as are selected by the Authority and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

Prior to consenting to the optional prepayment of any Local Obligation, the Authority will deliver to the Trustee a certificate of an Independent Accountant verifying that, following such optional prepayment of the Local Obligations and redemption of Bonds, the principal and interest generated from the remaining Local Obligations is adequate to make the timely payment of principal and interest due on the Bonds will remain Outstanding under the Trust Agreement following such optional redemption.

Special Redemption.* The Bonds are subject to special redemption on any Interest Payment Date from proceeds of early redemption of Local Obligations from the prepayment of Special Taxes within a Series 2016 District, in whole or in part, from the same maturities as the maturities of the Local Obligations simultaneously redeemed and, as nearly as practicable, proportionately between the Series of the Bonds (based on Outstanding principal amount), at the following redemption prices expressed as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

<i>Redemption Dates</i>	<i>Premium</i>
March 1, 20__ and before	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

Mandatory Sinking Fund Redemption.* The Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, in part, on September 1, 20__, and on each September 1 thereafter by lot, from sinking fund payments at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

<i>Redemption Date (September 1)</i>	<i>Redemption Amount</i>
20__	
20__	
20__ (maturity)	

The Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, in part, on September 1, 20__, and on each September 1 thereafter by lot, from sinking fund

* Preliminary, subject to change.

payments at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

<i>Redemption Date</i> <i>(September 1)</i>	<i>Redemption</i> <i>Amount</i>
20__	
20__	
20__ (maturity)	

In the event that Bonds maturing on September 1, 20__, or on September 1, 20__, are redeemed pursuant to the optional or special redemption provisions described above, the sinking fund payments for the applicable maturity redeemed will be reduced as nearly as practicable on a proportionate basis in integral multiples of \$5,000.

Notice of Redemption. So long as the Bonds are held by DTC, all notices of redemption will be sent only to DTC in accordance with its procedures and will not be delivered to any Beneficial Owner. The Trustee on behalf, and at the expense, of the Authority will mail (by first class mail, postage prepaid, or so long as all Bonds are held in book-entry form in such other manner as is permitted by DTC) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Bond Register, and to the Securities Depositories and to the Information Services, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice sent nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. The notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue after the redemption date.

In addition, further notice will be given by the Trustee by first class mail to any Bondowner whose Bond has been called for redemption but who has failed to submit his Bond for payment by the date which is sixty days after the redemption date, but no defect in said further notice nor any failure to give or receive all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption.

In the case of an optional redemption of Bonds, such notice may state that such redemption is conditional and is subject to receipt by the Trustee, on or before the date fixed for redemption, of moneys sufficient to pay the redemption price of the Bonds to be redeemed. Unless funds for the optional redemption of any Bonds are irrevocably deposited with the Trustee prior to rendering notice of redemption to the Bondowners, such notice shall state that such redemption is conditional and is subject to the deposit of funds by the Authority. Any notice of optional redemption shall be cancelled and annulled if for any reason any condition to such redemption is not satisfied or funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Trust Agreement. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from the cancellation of a redemption. The Trustee shall mail (or deliver to DTC in accordance with its procedures) notice of any cancellation of a redemption in the same manner as the original notice of redemption was sent.

Selection of Bonds of a Maturity for Redemption. Unless otherwise provided in the Trust Agreement, whenever provision is made for the redemption of less than all of the Bonds of a maturity of a Series of the Bonds, the Trustee will select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion deems appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate

\$5,000 authorized denominations, and such separate authorized denominations will be treated as separate Bonds which may be separately redeemed.

Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority will execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Trust Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice.

Payment, Registration, Transfer and Exchange of Bonds

Book-Entry Only System. The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined herein) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “THE BONDS – Book-Entry Only System.” In the event that the book-entry-only system is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Trust Agreement. See “THE BONDS – Book-Entry Only System.”

Transfer of Bonds. Subject to the book-entry only provisions of the Trust Agreement, any Bond may in accordance with its terms, be transferred, upon the Bond Register maintained by the Trustee, 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 in a form approved by the Trustee, duly executed. Whenever any Bond is surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new Bond or Bonds of like Series, tenor, maturity and aggregate principal amount. No Bonds selected for redemption will be subject to transfer, nor shall any Bond be subject to transfer during the fifteen days prior to the selection of Bonds for redemption.

The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any transfer or exchange will be paid by the Authority. However, the Owners of the Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange or registration of transfer and the Owners of the Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the replacement of any mutilated, lost or stolen Bonds.

Exchange of Bonds. Subject to the book-entry only provisions of the Trust Agreement, Bonds may be exchanged at the Trust Office of the Trustee for Bonds of the same Series, tenor and maturity and of other authorized denominations. No Bonds selected for redemption will be subject to exchange, nor shall any Bond be subject to exchange during the fifteen days prior to the selection of Bonds for redemption.

Bond Register. The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which will be the Bond Register and shall at all times during regular business hours be open to inspection by the Authority upon reasonable notice; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, Bonds as hereinbefore provided.

Book-Entry Only System

While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds, as described in Appendix F – “DTC AND THE BOOK-ENTRY-ONLY SYSTEM” herein. So long as Cede & Co. is the registered owner of the Bonds, references herein to the Owners of the Bonds shall mean Cede & Co. and *not* the Beneficial Owners of the Bonds. **The Authority gives no assurance that DTC or the DTC Participants will distribute payments or notices to Beneficial Owners.**

Estimated Debt Service Schedules: Bonds and Local Obligations

Both of the Series 2016 Districts will have Local Obligations outstanding which, assuming no prepayment of Local Obligations, will each provide a portion of the Revenues applied to pay the principal and interest on the Bonds. Table 1 below presents the debt service schedule for the Bonds, assuming there are no redemptions of Bonds prior to their respective maturities (other than as a result of mandatory sinking fund payments).

TABLE 1
DEBT SERVICE SCHEDULE FOR THE BONDS

<i>Year Ending September 1</i>	<i>Bonds Principal</i>	<i>Bonds Interest</i>	<i>Bonds Total Debt Service</i>	<i>Total Bonds Debt Service</i>
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
Total				

Table 2 below summarizes the anticipated debt service payments to be received by the Authority as the result of its ownership of the Local Obligations, assuming there are no redemptions of Local Obligations prior to their respective maturities (other than as a result of mandatory sinking fund payments). The amounts in Table 2 do not include an allowance for delinquencies in the payment of Special Taxes.

TABLE 2
DEBT SERVICE SCHEDULE FOR THE LOCAL OBLIGATIONS

<i>Bond Year</i>	<i>CFD No.</i>	<i>CFD No.</i>	<i>Total</i>
<i>Ending</i>	<i>94-2 Debt Service</i>	<i>03-1 Debt Service</i>	<i>Revenues⁽¹⁾</i>
<i>September 1</i>			

⁽¹⁾ Equals the total anticipated debt service on the Local Obligations in each Bond Year ending September 1.
Source: The Underwriter.

Debt Service Coverage for the Bonds

Table 3 below sets forth the debt service coverage for the Bonds from projected Revenues that will be generated by the anticipated payment of debt service on all of the Local Obligations while the Bonds are outstanding. In the event of delinquencies in the payment of the Local Obligations, these coverage levels will not be realized and, if delinquencies reached a high enough level, amounts would need to be drawn from the Reserve Fund to pay the Bonds.

TABLE 3
DEBT SERVICE COVERAGE FOR THE BONDS

<i>Year Ending September 1</i>	<i>Bonds Debt Service</i>	<i>Total Revenues from Local Obligations</i>	<i>Bonds Debt Service Coverage⁽¹⁾</i>
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⁽¹⁾ Calculated by dividing the Total Revenues from Local Obligations column by the Bonds Debt Service column, expressed as a percentage.
Source: The Underwriter.

Debt Service Coverage on the Local Obligations

Tables 4 and 5 summarize the projected debt service coverage on each of the Local Obligations from Net Special Taxes available to repay each of the Local Obligations. The actual debt service coverage may be less because of the limitation in Section 53321(d) of the Mello-Roos Act as described in footnote 1 to each of the tables or because additional Administrative Expenses are incurred to collect delinquent Special Taxes as described in footnote 2 to each of the tables, but is not expected to be less than 110% of debt service on the Local Obligations.

**TABLE 4
DEBT SERVICE COVERAGE
FOR THE CFD NO. 94-2 LOCAL OBLIGATIONS**

<i>Year Ending September 1</i>	<i>CFD No. 94-2 Projected Special Taxes⁽¹⁾</i>	<i>CFD No. 94-2 Prior JPA Loan Agreement Obligations</i>	<i>Proceeds of CFD No. 94-2 Special Tax Available</i>	<i>CFD No. 94-2 Local Obligations Debt Service</i>	<i>Debt Service Coverage⁽³⁾</i>
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⁽¹⁾ [Pursuant to Section 53321(d) of the Mello-Roos Act, Special Taxes levied against any parcel of property used for private residential purposes may not be increased by more than ten percent (10%) per fiscal year as a consequence of delinquency or default by the owner of any other parcel within a Series 2016 District. Therefore, it is possible that Special Taxes may not be levied up to the Projected Special Taxes in any particular fiscal year as a consequence of Special Tax delinquencies in the Series 2016 District.]

⁽²⁾ Calculated by dividing the CFD No. 94-2 Net Special Taxes column by the CFD No. 94-2 Local Obligations Debt Service column, expressed as a percentage.

Source: Willdan Financial Services. CFD No. 94-2 Local Obligations Debt Service column provided by the Underwriter.

TABLE 5
DEBT SERVICE COVERAGE
FOR THE CFD NO. 03-1 LOCAL OBLIGATIONS

<i>Year Ending September 1</i>	<i>CFD No. 03-1 Projected Special Tax⁽¹⁾</i>	<i>CFD No. 03-1 Prior JPA Loan Agreement Obligations</i>	<i>Proceeds of CFD No. 03-1 Special Tax Available</i>	<i>CFD No. 03-1 Local Obligations Debt Service</i>	<i>Debt Service Coverage⁽³⁾</i>
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⁽¹⁾ Pursuant to Section 53321(d) of the Mello-Roos Act, Special Taxes levied against any parcel of property used for private residential purposes may not be increased by more than ten percent (10%) per fiscal year as a consequence of delinquency or default by the owner of any other parcel within a Series 2016 District. Therefore, it is possible that Special Taxes may not be levied up to the Projected Special Taxes in any particular fiscal year as a consequence of Special Tax delinquencies in the Series 2016 District.

⁽²⁾ Calculated by dividing the CFD No. 03-1 Net Special Taxes column by the CFD No. 03-1 Local Obligations Debt Service column, expressed as a percentage.

Source: Willdan Financial Services. CFD No. 03-1 Local Obligations Debt Service column provided by the Underwriter.

SECURITY FOR THE BONDS

General

As described below, the Bonds are payable primarily from Revenues, consisting primarily of amounts received by the Authority from the debt service payments on the Local Obligations.

The Bonds are special obligations of the Authority payable solely from and secured solely by the Revenues and other amounts pledged therefor in the Trust Agreement. The Bonds are not a debt or liability of the School District, the State of California or any political subdivisions thereof other than the Authority to the limited extent described herein. The faith and credit of the Authority are not pledged to secure the payment of Bonds, nor is any other political subdivision liable therefor, nor in any event shall the Bonds or any interest or redemption premium thereon be payable out of any funds or properties other than those of the Authority as set forth in the Trust Agreement. The Authority has no taxing power.

Revenues; Flow of Funds

Bonds; Revenues. The Bonds are secured by a first lien on and pledge of all of the Revenues. So long as any of the Bonds are Outstanding, the Revenues will not be used for any purpose except as is expressly permitted by the Trust Agreement.

Collection by the Trustee. The Trustee will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and will take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the Series 2016 Districts under the Local Obligations.

Deposit of Revenues. All Revenues derived from the Local Obligations will be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund for application in the order described under the captions “– Application of Revenues” and “– Application of Subordinated Revenues” below; provided, however, that Revenues received in connection with the prepayment of Local Obligations shall be deposited to the Interest Account and the Principal Account in the amounts and on the dates required to effect the required redemption of the Bonds as set forth in the Trust Agreement. See “THE BONDS – Redemption” herein. Any Revenues which represent the payment of delinquent principal of or interest on an issue of Local Obligations (“Local Obligations Delinquency Revenues”) will be applied first to cure any event of default on the Bonds and then will be deposited to the Reserve Fund to the extent necessary to replenish the Reserve Fund for any deficiency that resulted from the delinquency in the payment of scheduled debt service on such Local Obligations. Any amount in excess of that needed to replenish the Reserve Fund to the extent described above will be deposited to the Revenue Fund for transfer as provided in the Trust Agreement.

Receipt and Deposit of Revenues. All Revenues, other than Revenues derived from Property Owner Prepayments received by the Trustee from the Authority will be deposited into the Revenue Fund. Not later than five Business Days prior to each Interest Payment Date and each Principal Payment Date for the Bonds, the Trustee will transfer Revenues from the Revenue Fund, in the amounts required in the order of priority as set forth below, with the requirements of each fund being fully satisfied, leaving no deficiencies therein, prior to any deposit into any fund later in priority:

- First:* To the Interest Fund, an amount of Revenues which together with amounts on deposit therein, is equal to the interest due and payable on the Bonds due on such Interest Payment Date;
- Second:* To the Principal Fund on or before each Principal Payment Date, an amount of Revenues, which together with any amounts then on deposit in the Principal Fund, is sufficient to pay the Principal Installments on the Bonds when due on such Principal Payment Date;
- Third:* To the Reserve Fund before each Interest Payment Date, an amount of Revenues which together with any amounts on deposit therein, is equal to the Reserve Requirement; and
- Fourth:* [To the Expense Fund on or before each Interest Payment Date, an amount specified in a Written Order of the Authority delivered pursuant to the Trust Agreement.

Following such deposits, any remaining Revenues are required to be deposited in the Surplus Fund. For additional information regarding the Flow of Funds, see APPENDIX A – “SUMMARY OF PRINCIPAL DOCUMENTS.”

Revenues Derived from Property Owner Prepayments. All Revenues derived from Property Owner Prepayments (except the portion of such Revenues relating to accrued interest which is required under the

Trust Agreement to be deposited in the Revenue Fund) received by the Trustee will be immediately transferred to the Trustee for deposit into the applicable Redemption Fund to be applied to the extraordinary redemption of Bonds. See “THE BONDS – Redemption Provisions Extraordinary Redemption from Prepayment of Special Taxes.”

Description of Local Obligations

Each issue of Local Obligations is a separate issue of bonds relating to a separate community facilities district and is secured solely by the Special Taxes levied upon real property within the related District and proceeds of foreclosure sales in such Series 2016 District. The Local Obligations, their respective principal amounts and the related District are set forth below:

<u>Local Obligations</u>	<u>Principal Amount</u>	<u>Name of Series 2016 District</u>
San Dieguito Union High School District Community Facilities District No. 94-2 Special Tax Revenue Bonds, Series 2016		San Dieguito Union High School District Community Facilities District No. 94-2
San Dieguito Union High School District Community Facilities District No. 03-1 Special Tax Revenue Bonds, Series 2016		San Dieguito Union High School District Community Facilities District No. 03-1

See “_____” herein for the Revenues anticipated to be derived from each of the Local Obligations.

Payment of the Local Obligations

Each issue of Local Obligations is authorized pursuant to the Mello-Roos Act and is issued under a resolution of the Board of Trustees of the School District and the applicable Indenture. The Mello-Roos Act was enacted by the California Legislature to provide an alternate method of financing certain essential public capital facilities and services, especially in developing areas of the State. Subject to approval by a two-thirds vote of qualified electors and compliance with the provisions of the Mello-Roos Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Each issue of Local Obligations constitutes special tax obligations of the School District payable as to both principal and interest from the annual Special Tax to be levied by the School District on land within such Series 2016 District, including proceeds from the sale of property within such Series 2016 District collected as result of foreclosure of the lien of the Special Taxes and certain funds and accounts held under the applicable Indenture. The School District's sole recourse in the event of a delinquency or failure to pay Special Taxes on a particular parcel is to institute foreclosure proceedings with respect to that parcel. See “ – Covenant for Foreclosure” herein.

Local Obligation Reserve Funds

[The Indenture relating to each issue of Local Obligations establishes a Bond Reserve Fund to be held by the Fiscal Agent and requires that each Bond Reserve Fund be maintained in the amount of the related “Required Bond Reserve” as described therein. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

All money in each Bond Reserve Fund will be used and withdrawn by the related Trustee or the Fiscal Agent, as applicable, solely for the purpose of paying the interest on and principal of the related issue of Local Obligations in the event there is insufficient money derived from the proceeds of the related Special Tax. Amounts on deposit in the Bond Reserve Fund for one issue of Local Obligations are not available to make up

for a shortfall in Special Taxes the other Series 2016 District or available to cure a deficiency generally in Revenues available to pay debt service on the Bonds.

EACH ISSUE OF LOCAL OBLIGATIONS IS A SPECIAL TAX OBLIGATION OF THE SCHOOL DISTRICT, AND THE INTEREST ON, PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON SUCH LOCAL OBLIGATIONS ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE APPLICABLE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE APPLICABLE INDENTURE FOR THE DELINQUENCY OF THE APPLICABLE SPECIAL TAX) AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED IN THE APPLICABLE INDENTURE. NEITHER THE GENERAL FUND NOR THE FULL FAITH AND CREDIT OF THE SCHOOL DISTRICT IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON, PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE LOCAL OBLIGATIONS. THE LOCAL OBLIGATIONS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Although the Special Tax for each Series 2016 District will constitute a lien on property subject to taxation in the related District, it will not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of nonpayment by property owners is more fully described in “SPECIAL RISK FACTORS – Collection of Special Tax.”

Special Tax Authorization

The Special Tax for each Series 2016 District is to be levied and collected against all Taxable Parcels within such Series 2016 District in accordance with the applicable rate and method of apportionment for such Series 2016 District. See APPENDIX B – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.”

The Special Tax for each Series 2016 District is to be collected in the same manner as ordinary *ad valorem* property taxes are collected, and, except as otherwise provided in the covenant for foreclosure and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem property taxes. See “SECURITY FOR THE BONDS – Covenant for Foreclosure” and “SPECIAL RISK FACTORS – Collection of Special Tax.”

Each Rate and Method of Apportionment of Special Tax for each Series 2016 District, subject to the maximum rates set forth therein, apportions the total debt service requirement (principal, interest, and mandatory sinking fund payments), restoration of the applicable Required Bond Reserve, current annual expenses, and other costs each year in each Series 2016 District among the taxable land in such Series 2016 District. See APPENDIX B – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.”

Pursuant to each Indenture, so long as any Local Obligations are outstanding thereunder, the School District is required annually to levy the applicable Special Tax against all taxable parcels in the applicable District and make provision for the collection of such Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and Units contained in the applicable Indenture, and which in any event will be sufficient to pay the interest on and principal of such Local Obligations as they become due and payable, to replenish the related Bond Reserve Fund to the related Required Bond Reserve and to pay all current expenses for such Local Obligations as they become due and payable.

Foreclosure of Special Tax Liens

The School District will annually on or before _____ 1 of each year review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if the School District determines on the basis of such review that the amount so collected for any Series 2016 District is deficient by more than 5% of the total amount of the Special Tax levied in such Fiscal Year, it will within 60 days thereafter institute foreclosure proceedings as authorized by the Mello-Roos Act in order to enforce the lien of the delinquent installments of the Special Tax against each lot or parcel of land in such Series 2016 District, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that irrespective of the foregoing if the School District determines on the basis of such review that property owned by any single property owner in such Series 2016 District is delinquent by more than \$5,000 with respect to the Special Tax due and payable by such property owner by such delinquency date, then the School District will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against such property owner; and provided further, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California.

No Required Advances from Available Surplus Funds

The School District is not obligated to advance available surplus funds from the School District treasury to pay debt service on any issue of Local Obligations or to replenish the related Bond Reserve Fund; provided, that nothing shall affect the right of the School District under the Mello-Roos Act to make advances to cure any deficiencies.

Additional Bonds

In addition to the Bonds, the Authority may at any time, by a Supplemental Trust Agreement, authorize the issuance of additional bonds, payable from Revenues and secured by a pledge and charge and lien upon the Revenues equally and ratably with the Bonds previously issued (the "Additional Parity Bonds"), but only upon compliance by the Authority with the provisions hereof and any additional requirements set forth in a Supplemental Trust Agreement, and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any Additional Parity Bonds:

- (a) No Event of Default under the Trust Agreement shall have occurred and then be continuing;
- (b) The Supplemental Trust Agreement providing for the issuance of the Additional Parity Bonds shall specify the purposes for which the Additional Parity Bonds are being issued, which shall be to acquire Eligible Local Obligations or to refund all or part of the Bonds relating to the Outstanding Local Obligations;
- (c) The Supplemental Trust Agreement providing for the issuance of the Additional Parity Bonds shall provide for a deposit to the Reserve Fund sufficient to raise the amount on deposit therein to the Reserve Requirement upon the issuance of the Additional Parity Bonds;
- (d) The Supplemental Trust Agreement providing for the issuance of the Additional Parity Bonds shall provide the date, the maturity date or dates, the interest payment dates and the mandatory redemption dates, if any, for such Series; provided, that (i) the Additional Parity Bonds shall be payable as to principal on September 1 of each year in which principal of such Additional Parity Bonds falls due, and the Additional Parity Bonds shall be subject to mandatory redemption on September 1 of each year in which mandatory redemption is required; and (ii) the Additional Parity Bonds shall be payable as to interest semiannually on March 1 and September 1 of each year, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than 12 months and the interest shall be payable thereafter semiannually on March 1 and September 1.

(e) The Authority shall have received written confirmation from the rating agency then rating the Bonds that the issuance of the Additional Parity Bonds will not result in a downgrade of the underlying rating on the Bonds;

(f) If the Additional Parity Bonds are issued to refund Outstanding Bonds, the Authority will not issue any Additional Parity Bonds unless the Authority certifies that the following conditions have been satisfied: (i) the final maturity date of the Additional Parity Bonds is no later than the final maturity date of the Bonds being refunded; (ii) the issuance of the Additional Parity Bonds will result in annual debt service savings in every year until maturity; and

(g) If the Additional Parity Bonds are issued other than under the preceding subsection (f), then the Authority shall also certify that the following conditions have been satisfied: (i) all conditions to the issuance of any related Local Obligations required under the applicable Local Obligation Indenture have been satisfied; (ii) the Revenues are estimated to cover 110% of the debt service in each Fiscal Year of all Bonds (including all proposed Additional Parity Bonds), and; (iii) the Revenues derived from Local Obligations of Community Facilities Districts with at least 500 developed residential properties are estimated to cover one hundred percent (100%) of the debt service in each Fiscal Year of all Bonds (including all proposed Additional Parity Bonds).

BOND INSURANCE

The information under this caption has been prepared by _____ for inclusion in this Official Statement. Neither the Authority nor the Underwriter has reviewed this information, nor do the Authority or the Underwriter make any representation with respect to the accuracy or completeness thereof. The following information is not complete and reference is made to Appendix G for a specimen of the Policy.

[To be completed.]

THE COMMUNITY FACILITIES DISTRICTS

The Series 2016 Districts in the Aggregate

Introduction. Set forth under this caption is certain information describing the Series 2016 Districts in the aggregate and separate sections on each of them, as well as certain information regarding the other community facilities districts that are parties to the Prior Loan Agreement (collectively, the “Community Facilities Districts”). Although the Authority believes the information with respect to the Series 2016 Districts in the aggregate is relevant to an informed decision to purchase the Bonds, investors should be aware that the debt service on one Local Obligation may not be used to make up any shortfall in the debt service on another Local Obligation. Moreover, the parcels in each of the Series 2016 Districts are taxed according to that Series 2016 District’s specific Rate and Method, and the Special Taxes may only be applied to pay the debt service on the Local Obligations of the Series 2016 District in which they are levied and not on the debt service of any other Local Obligations.

Potential investors should further be aware that Special Taxes are levied against individual parcels within each Series 2016 District and that any such parcel may have a value-to-lien ratio less than the overall value-to-lien ratio for such Series 2016 District and less than the value-to-lien ratio of the Series 2016 Districts in the aggregate.

Development Status. As of January 1, 2012, all of the dwelling units to be constructed within the Series 2016 Districts had been completed and sold.

Value-To-Lien Ratios. The assessed values of all of the taxable property in the Series 2016 Districts (4,562 parcels in total), as established by the County Assessor for Fiscal Year 2015-16, was \$4,062,211,871.

The direct and overlapping indebtedness payable from taxes and assessments levied on the parcels within the Series 2016 Districts as of _____, 2016 (other than the Prior JPA Bonds), was approximately \$_____. The following table sets forth the aggregate assessed value-to-lien ratio of all the taxable property in the Series 2016 Districts based on the Fiscal Year 2015-16 assessed value of each of the Series 2016 Districts. The assessed value-to-lien ratio of both of the Series 2016 Districts taken together is 136.28 to 1.

TABLE 6
San Dieguito Facilities Financing Authority
The Series 2016 Districts in Aggregate
Assessed Value-to-Lien Ratios

District	Local Obligations ⁽¹⁾	Share of Direct & Overlapping Debt	Total Debt ⁽²⁾	Assessed Value	Assessed Value-to-Lien Ratio
CFD No. 94-2	\$28,418,453		\$28,418,453	\$2,509,047,241	88.29
CFD No. 03-1	<u>25,731,941</u>		<u>25,731,941</u>	<u>1,553,164,630</u>	<u>60.36</u>
Total	\$54,150,394		\$54,150,394	\$4,062,211,871	75.02

⁽¹⁾ Represents for each Series 2016 District the sum of the Series 2016 Local Obligations and such Series 2016 District’s share of the Prior JPA Bonds.

⁽²⁾ Represents the sum of the Series 2016 Local Obligations, each Series 2016 District’s share of the Prior JPA Bonds, and each Series 2016 District’s Share of direct and overlapping debt (other than the Prior JPA Bonds).

Source: Willdan Financial Services.

Table 7 sets forth the assessed value-to-lien ranges for the taxable property in the Series 2016 Districts on an aggregate basis based on the Fiscal Year 2015-16 assessed values and the direct and overlapping debt as of _____, 2016.

Table 7
San Dieguito Facilities Financing Authority
The Series 2016 Districts In Aggregate
Estimated Value-To-Lien Ratios By Range

Estimated Assessed Value-to-Lien Ratio Range	Number of Parcels	Fiscal Year 2016-17 Special Tax	Percentages of Fiscal Year 2016-17 Special Tax	Pro Rata Share of Outstanding Local Obligations ⁽¹⁾	Share of Other Direct and Overlapping Debt	Total Assessed Value ⁽²⁾	Estimated Assessed Value-to-Lien Ratios ⁽³⁾
0.00-24.99	199	\$228,009	5.95%	\$3,414,788		\$26,068,702	7.63
25.00-49.99	489	430,941	11.25	6,193,580		262,108,343	42.32
50.00-74.99	1,579	1,483,799	38.74	21,401,156		1,308,775,504	61.15
75.00-99.99	1,291	1,035,173	27.03	14,155,448		1,213,437,558	85.72
100.00-124.99	517	391,433	10.22	5,372,044		587,374,588	109.34
125.00-149.99	134	93,233	2.43	1,284,019		176,811,811	137.70
150.00 or Greater	<u>353</u>	<u>167,695</u>	<u>4.38</u>	<u>2,329,359</u>		<u>487,635,365</u>	<u>209.34</u>
Grand Total	4,562	\$3,830,283	100.00%	\$54,150,394		\$4,062,211,871	75.02

⁽¹⁾ Represents the sum of the Series 2016 Local Obligations and the Series 2016 Districts’ share of the Prior JPA Bonds, allocated based on Fiscal Year 2016-17 levy.

⁽²⁾ Fiscal Year 2016-17 assessed values provided by the County Assessor.

⁽³⁾ Represents “Total Assessed Value” divided by the sum of “Pro Rata Share of Outstanding Local Obligations” and “Share of Other Direct and Overlapping Debt.”

Source: Willdan Financial Services.

Table 8 sets forth on an aggregate basis for all of the Series 2016 Districts the special tax levies, delinquencies and delinquency rates for Fiscal Years 2006-07 through 2015-16 as of the end of each fiscal year and the remaining delinquencies as of _____, 2016.

Table 8
San Dieguito Facilities Financing Authority
The Series 2016 Districts In Aggregate
Historical Special Tax Levies, Delinquencies And Delinquency Rates

Fiscal Year	Parcels Levied	Amount Levied	Delinquencies at Fiscal Year End ⁽¹⁾			Delinquencies as of May 5, 2016		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
2011-12	3,507	\$2,846,280	117	\$56,354	1.98%	--	--	--
2012-13	3,690	2,991,400	101	50,675	1.69	--	--	--
2013-14	3,887	3,174,239	80	37,647	1.19	1	\$800	0.03%
2014-15	4,014	3,280,197	55	27,394	0.84	3	1,707	0.05%
2015-16 ⁽²⁾	4,474	3,730,206	94	48,156	1.29	94	48,156	1.29%

⁽¹⁾ Delinquencies as of June 30.

⁽²⁾ Delinquencies as of May 5, 2016, per the San Diego County Tax Collector’s Office.

Source: Willdan Financial Services.

Assessed Values. The assessed values, direct and overlapping debt, and total tax burden on individual parcels varies among parcels within the Series 2016 Districts. The value of individual parcels is significant because in the event of a delinquency in the payment of Special Taxes, a District may foreclose only against delinquent parcels. The gross assessed valuation of property within a District may not be representative of the actual market value of property within such District because Article XIII A of the California Constitution limits any increase in assessed value to no more than 2% a year, unless a property is sold or transferred. See “SPECIAL RISK FACTORS – Property Values.”

The following table shows the historical assessed valuation of land and improvements within the Series 2016 Districts, total assessed valuation of taxable parcels within the Series 2016 Districts, and percent increase or decrease in such assessed valuation for Fiscal Years 2011-12 through 2016-17.

Table 9
San Dieguito Facilities Financing Authority
The Series 2016 Districts In Aggregate
Assessed Valuation of Taxable Parcels
Fiscal Years 2011-12 Through 2016-17

Fiscal Year	Assessed Value of Land	Assessed Value of Improvements	Total Assessed Valuation ⁽¹⁾	Percentage Annual Increase (Decrease)
2011-12	\$1,143,233,290	\$1,481,457,009	\$2,624,690,299	N/A
2012-13	1,133,323,563	1,453,939,384	2,587,262,947	-1.43%
2013-14	1,254,497,433	1,537,270,398	2,791,767,831	8.00%
2014-15	1,456,430,825	1,754,499,067	3,210,929,892	15.00%
2015-16	1,664,783,576	1,921,181,428	3,585,965,004	12.00%
2016-17	1,886,538,061	2,175,673,810	4,062,211,871	13.00%

⁽¹⁾ Includes assessed values of parcels upon which Special Taxes were levied.

Source: County of San Diego County Assessor Roll.

CFD No. 94-2

Location and Description. CFD No. 94-2 is located in the City of Carlsbad, in the northern section of the School District. The area encompasses the planning area known as the Villages of La Costa, which includes La Costa Valley and La Costa Oaks.

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 94-2 for fiscal years 2011-12 through 2015-16.

Table 10
CFD No. 94-2
Special Tax Levies, Delinquencies And Delinquency Rates
Fiscal Years 2011-12 To 2015-16

Fiscal Year	Parcels Levied	Amount Levied	Delinquencies at Fiscal Year End ⁽¹⁾			Delinquencies as of May 5, 2016		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
2011-12	2,623	\$1,912,800	95	\$45,200	2.36%	--	--	--
2012-13	2,703	1,976,800	79	38,000	1.92	--	--	--
2013-14	2,762	2,024,000	60	27,000	1.33	1	\$800	0.04%
2014-15	2,802	2,056,000	40	19,600	0.95	2	1,200	0.06
2015-16	2,857	2,100,000	62	30,400	1.45	62	30,400	1.45

⁽¹⁾ Delinquencies as of June 30th.
⁽²⁾ Delinquencies as of May 5, 2016.
Source: Willdan Financial Services.

Direct and Overlapping Debt. The property within CFD No. 94-2 is subject to taxation by a number of taxing agencies, some of which have issued debt secured by taxes and assessments levied on such property. The table below sets forth the direct and overlapping debt for CFD No. 94-2 as of _____, 2016.

Table 11
Detailed Direct And Overlapping Debt
CFD No. 94-2

⁽¹⁾ Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.
Source: [Cal Muni?]

Table 12 below sets forth an estimated property tax bill for a residential unit in CFD No. 94-2. The estimated tax rates and amounts presented herein are based on information for fiscal year 2015-16. The actual amounts charged may vary and may increase in future years. For fiscal year 2015-16, the projected total effective tax was approximately ____% of assessed value.

**Table 12
Sample Tax Bill
CFD No. 94-2
Tax Year 2016-17**

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾
Homeowner's Exemption
Net Assessed Value ⁽²⁾

	Percent of Total AV	Amount
Ad Valorem Property Taxes		
General Purposes		
Ad Valorem Tax Overrides		

Total Ad Valorem Property Taxes

Assessments, Special Taxes and Parcel Charges ⁽³⁾

Total Assessments, Special Taxes and Parcel Charges

Total Property Taxes

Total Effective Tax Rate

⁽¹⁾ Median Fiscal Year 2015-16 assessed valuation within CFD No. 94-2.
⁽²⁾ Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption. Not all residences qualify for the exemption.
⁽³⁾ [All charges and special assessments are based on a lot size of less than one (1) acre].
 Source: Willdan Financial Services.

Value-To-Lien Ratios. The Authority has obtained the assessed values of all of the taxable property in CFD No. 94-2 (____ parcels in total), as established by the County Assessor for Fiscal Year 2015-16, which total \$_____. The direct and overlapping special tax and assessment indebtedness within CFD No. 94-2 as of _____, 2016, was approximately \$_____. The assessed value-to-lien ratio of the property within CFD No. 94-2, based on the fiscal year 2015-16 assessed values, the aggregate principal amount of the CFD No. 94-2 Bonds and the estimated direct and overlapping indebtedness within CFD No. 94-2 equals approximately ____-to-1.

Table 13 below sets forth the estimated value-to-lien ratios for parcels within CFD No. 94-2 by various ranges based upon the direct and overlapping debt information included in Table 14.

Table 13
Estimated Assessed Value-To-Lien Ratios By Ranges
CFD No. 94-2

Estimated Assessed Value-to-Lien Ratio Range	Number of Parcels	Fiscal Year 2016-17 Special Tax	Percentages of Fiscal Year 2016-17 Special Tax	Pro Rata Share of Outstanding Local Obligations ⁽¹⁾	Share of Other Direct and Overlapping Debt	Total Assessed Value ⁽²⁾	Estimated Assessed Value-to-Lien Ratios ⁽³⁾
0.00-24.99	19	\$14,800	0.70%	\$197,945		\$2,907,078	14.69
25.00-49.99	228	180,000	8.47	2,407,437		97,577,181	40.53
50.00-74.99	720	575,600	27.09	7,698,448		490,424,156	63.70
75.00-99.99	1,099	854,000	40.19	11,421,950		984,347,916	86.18
100.00-124.99	424	311,600	14.66	4,167,540		459,106,893	110.16
125.00-149.99	110	71,600	3.37	957,625		130,511,404	136.29
150.00 or Greater	288	117,200	5.52	1,567,509		344,172,613	219.57
Grand Total	2,888	\$2,124,800	100.00%	\$28,418,453		\$2,509,047,241	88.29

⁽¹⁾ Represents the sum of the Series 2016 Local Obligations and the Series 2016 Districts' share of the Prior JPA Bonds, allocated based on Fiscal Year 2016-17 levy.

⁽²⁾ Fiscal Year 2016-17 assessed values provided by the County Assessor.

⁽³⁾ Represents "Assessed Value" divided by the sum of "CFD No. 94-2 Local Obligations" and "Share of Other Direct and Overlapping Debt."

Source: Willdan Financial Services.

Assessed Values. The assessed values, direct and overlapping debt, and total tax burden on individual parcels varies among parcels within CFD No. 94-2. The value of individual parcels is significant because in the event of a delinquency in the payment of Special Taxes, the District may foreclose only against delinquent parcels. The gross assessed valuation of property within the District may not be representative of the actual market value of property within such District because Article XIII A of the California Constitution limits any increase in assessed value to no more than 2% a year, unless a property is sold or transferred. See "SPECIAL RISK FACTORS – Property Values."

The following table shows the historical assessed valuation of land and improvements within CFD No. 94-2, total assessed valuation of taxable parcels within CFD No. 94-2, and percent increase or decrease in such assessed valuation for Fiscal Years 2011-12 through 2016-17.

Table 14
Assessed Valuation Of Taxable Parcels
CFD No. 94-2
Fiscal Years 2011-12 Through 2016-17

Fiscal Year	Assessed Value of Land	Assessed Value of Improvements	Total Assessed Valuation ⁽¹⁾	Percentage Annual Increase (Decrease)
2011-12	\$827,566,355	\$1,083,344,218	\$1,910,910,573	N/A
2012-13	832,116,413	1,083,076,182	1,915,192,595	0.22%
2013-14	878,290,727	1,133,196,478	2,011,487,205	5.00
2014-15	1,005,656,808	1,257,282,018	2,262,938,826	13.00
2015-16	1,074,008,414	1,307,187,976	2,381,196,390	5.00
2016-17	1,135,895,411	1,373,151,830	2,509,047,241	5.00

⁽¹⁾ Includes assessed values of parcels upon which Special Taxes were levied.

Source: County of San Diego County Assessor Roll.

CFD No. 03-1

Location and Description. CFD No. 03-1 is the latest District to be formed by the School District. It consists of a portion of a 3,546-unit master development known as Pacific Highlands Ranch and a 137-unit project known as Shaw Lorenz, both being developed by Pardee Homes.

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 03-1 for fiscal years 2011-12 through 2015-16.

Table 15
CFD No. 03-1
Special Tax Levies, Delinquencies And Delinquency Rates
Fiscal Years 2011-12 To 2015-16

Fiscal Year	Parcels Levied	Amount Levied	Delinquencies at Fiscal Year End ⁽¹⁾			Delinquencies as of May 5, 2016		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
2011-12	884	\$933,480	22	\$11,154	1.19%	--	--	0.00%
2012-13	987	1,014,600	22	12,675	1.25	--	--	0.00
2013-14	1,125	1,150,239	20	10,647	0.93	--	--	0.00
2014-15	1,212	1,224,197	15	7,794	0.64	1	\$507	0.04
2015-16	1,617	1,630,206	32	17,756	1.09	32	17,756	1.09

⁽¹⁾ Delinquencies as of June 30th.
Source: Willdan Financial Services.

Direct and Overlapping Debt. The property within CFD No. 03-1 is subject to taxation by a number of taxing agencies, some of which have issued debt secured by taxes and assessments levied on such property. The table below sets forth the direct and overlapping debt for CFD No. 03-1 as of _____, 2016.

Table 16
Detailed Direct And Overlapping Debt
CFD No. 03-1

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

Source: [Cal Muni?]

Table 17 below sets forth an estimated property tax bill for a residential unit in CFD No. 03-1. The estimated tax rates and amounts presented herein are based on information for fiscal year 2015-16. The actual amounts charged may vary and may increase in future years. For fiscal year 2015-16, the projected total effective tax was approximately _____% of assessed value.

**Table 17
Sample Tax Bill
CFD No. 03-1
Tax Year 2016-17**

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾
Homeowner's Exemption
Net Assessed Value ⁽²⁾

Ad Valorem Property Taxes	Percent of Total AV	Amount
General Purposes		
Ad Valorem Tax Overrides		

Total Ad Valorem Property Taxes

Assessments, Special Taxes and Parcel Charges ⁽³⁾

Total Assessments, Special Taxes and Parcel Charges

Total Property Taxes

Total Effective Tax Rate

⁽¹⁾ Median Fiscal Year 2015-16 assessed valuation within CFD No. 03-1.
⁽²⁾ Net Assessed Value reflects estimated total assessed value for the parcel net of homeowner's exemption. Not all residences qualify for the exemption.
⁽³⁾ [All charges and special assessments are based on a lot size of less than one (1) acre].
 Source: Willdan Financial Services.

Value-To-Lien Ratios. The Authority has obtained the assessed values of all of the taxable property in CFD No. 03-1 (1,674 parcels in total), as established by the County Assessor for Fiscal Year 2015-16, which totals \$1,553,664,630. The direct and overlapping special tax and assessment indebtedness within CFD No. 03-1 as of _____, 2016 (other than the Prior JPA Bonds), was approximately \$_____. The assessed value to lien ratio of the property within CFD No. 03-1, based on the fiscal year 2015-16 assessed values, the aggregate principal amount of the CFD No. 03-1 Bonds and the estimated direct and overlapping indebtedness within CFD No. 03-1 equals approximately [219.84]-to-1.

Table 18 below sets forth the estimated value-to-lien ratios for parcels within the District by various ranges based upon the direct and overlapping debt information included in Table 16.

Table 18
Estimated Assessed Value-To-Lien Ratios By Ranges
CFD No. 03-1

Estimated Assessed Value-to-Lien Ratio Range	Number of Parcels	Fiscal Year 2016-17 Special Tax	Percentages of Fiscal Year 2016-17 Special Tax	Pro Rata Share of Outstanding Local Obligations ⁽¹⁾	Share of Other Direct and Overlapping Debt	Total Assessed Value ⁽²⁾	Estimated Assessed Value-to-Lien Ratios ⁽³⁾
0.00-24.99	180	\$213,209	12.50%	\$3,216,843		\$23,161,624	7.20
25.00-49.99	261	250,941	14.71	3,786,143		164,531,162	43.46
50.00-74.99	859	908,199	53.25	13,702,709		818,351,348	59.72
75.00-99.99	192	181,173	10.62	2,733,499		229,089,642	83.81
100.00-124.99	93	79,833	4.68	1,204,503		128,267,695	106.49
125.00-149.99	24	21,633	1.27	326,394		46,300,407	141.85
150.00 or Greater	65	50,495	2.97	761,850		143,462,752	188.31
Grand Total	1,674	\$1,705,483	100.00%	\$25,731,941		\$1,553,164,630	60.36

⁽¹⁾ Represents the sum of the Series 2016 Local Obligations and the Series 2016 Districts' share of the Prior JPA Bonds, allocated based on Fiscal Year 2016-17 levy.

⁽²⁾ Fiscal Year 2016-17 assessed values provided by the County Assessor.

⁽³⁾ Represents "Assessed Value" divided by the sum of "CFD No. 03-1 Local Obligations" and "Share of Other Direct and Overlapping Debt."

Source: Willdan Financial Services.

Assessed Values. The assessed values, direct and overlapping debt, and total tax burden on individual parcels varies among parcels within CFD No. 03-1. The value of individual parcels is significant because in the event of a delinquency in the payment of Special Taxes, the District may foreclose only against delinquent parcels. The gross assessed valuation of property within the District may not be representative of the actual market value of property within such District because Article XIII A of the California Constitution limits any increase in assessed value to no more than 2% a year, unless a property is sold or transferred. See "SPECIAL RISK FACTORS – Property Values."

The following table shows the historical assessed valuation of land and improvements within CFD No. 03-1, total assessed valuation of taxable parcels within CFD No. 03-1, and percent increase or decrease in such assessed valuation for Fiscal Years 2011-12 through 2016-17.

Table 19
Assessed Valuation Of Taxable Parcels
CFD No. 03-1
Fiscal Years 2011-12 Through 2016-17

Fiscal Year	Assessed Value of Land	Assessed Value of Improvements	Total Assessed Valuation ⁽¹⁾	Percentage Annual Increase (Decrease)
2011-12	\$315,666,935	\$398,112,791	\$713,779,726	N/A
2012-13	301,207,150	370,863,202	672,070,352	-5.84%
2013-14	376,206,706	404,073,920	780,280,626	16.00
2014-15	450,774,017	497,217,049	947,991,066	21.00
2015-16	590,775,162	613,993,452	1,204,768,614	27.00
2016-17	750,642,650	802,521,980	1,553,164,630	29.00

⁽¹⁾ Includes assessed values of parcels upon which Special Taxes were levied.

Source: County of San Diego County Assessor Roll.

Prior JPA Districts

Direct and Overlapping Debt. The property within the Districts is subject to taxation by a number of taxing agencies, some of which have issued debt secured by taxes and assessments levied on such property. The table below sets forth the direct and overlapping debt for all of the Districts as of _____, 2016.

**Table 20
Detailed Direct And Overlapping Debt
Community Facilities Districts 94-1, 94-2, 94-3, 95-1, 95-2, 99-1, 99-2, 99-3, 03-1**

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

Source: [Cal Muni?]

Special Tax Projections. The following table sets forth the actual Special Tax revenue for fiscal years 2014-15 and 2015-16 and Special Tax revenue projections based on current development of the Series 2016 Districts from fiscal year 2016-17 through fiscal year 2022-23 and the various Rates and Methods described herein [describe assumption as to prepayment, if any].

**Table 21
Actual and Special Tax Revenue Projections
Community Facilities Districts 94-1, 94-2, 94-3, 95-1, 95-2, 99-1, 99-2, 99-3, 03-1
Fiscal Year 2014-15 through 2022-23**

<u>CFD</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
No. 94-1	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400
No. 94-2	2,056,000	2,100,000	2,124,800	2,124,800	2,124,800	2,124,800	2,124,800	2,124,800	2,124,800
No. 94-3	536,246	536,246	537,046	537,046	537,046	537,046	537,046	537,046	537,046
No. 95-1	2,398,569	2,413,959	2,418,234	2,418,234	2,418,234	2,418,234	2,418,234	2,418,234	2,418,234
No. 95-2	398,682	431,482	453,882	453,882	453,882	453,882	453,882	453,882	453,882
No. 99-1	349,175	395,345	461,849	461,849	461,849	461,849	461,849	461,849	461,849
No. 99-2	25,650	25,650	25,650	25,650	25,650	25,650	25,650	25,650	25,650
No. 99-3	77,520	78,090	79,230	79,230	79,230	79,230	79,230	79,230	79,230
No. 03-1	<u>1,224,197</u>	<u>1,630,206</u>	<u>1,705,482</u>	<u>1,705,482</u>	<u>1,705,482</u>	<u>1,705,482</u>	<u>1,705,482</u>	<u>1,705,482</u>	<u>1,705,482</u>
Totals	\$7,072,438	\$7,617,378	\$7,812,573	\$7,812,573	\$7,812,573	\$7,812,573	\$7,812,573	\$7,812,573	\$7,812,573

Source: Willdan Financial Services.

CFD No. 94-1

Location and Description. Community Facilities District No. 94-1 (“CFD No. 94-1”), the smallest of the nine Districts, is located in the northern part of the School District, in the City of Carlsbad. CFD No. 94-1 is completely built out as a 102-lot single-family home community. Of the 102 single family residences in CFD No. 94-1, 94 prepaid their Special Taxes pursuant to the Rate and Method; only 8, therefore, pay Special Taxes on an annual basis. There is no Undeveloped Property in CFD No. 94-1.

Value-to-Lien Burden and Debt Service Coverage. The table below sets forth the assessed value-to-lien ranges for the taxable property in CFD No. 94-1 based on Fiscal Year 2015-16 assessed values and the lien of CFD No. 94-1’s current _____% share of the outstanding principal amount of the Prior JPA Bonds.

Table 22
Community Facilities District No. 94-1
Assessed Value-to-Lien Ratios

Estimated Assessed Value-to-Lien Ratio Range	Number of Parcels	Fiscal Year 2016-17 Special Tax	% of Fiscal Year 2016-17 Special Tax	Pro Rata Share of Outstanding Local Obligations ⁽¹⁾	Total Assessed Value ⁽²⁾	Estimated Assessed Value-to-Lien Ratios
0.00-24.99	--	--	--	--	--	N/A
25.00-49.99	2	\$1,600	25.00%	\$20,225	\$910,886	45.04
50.00-74.99	2	1,600	25.00	20,225	1,268,016	62.69
75.00-99.99	4	3,200	50.00	40,450	3,333,809	82.42
100.00-124.99	--	--	--	--	--	N/A
125.00-149.99	--	--	--	--	--	N/A
150.00 or Greater	--	--	--	--	--	N/A
Grand Total	8	\$6,400	100.00%	\$80,901	\$5,512,711	68.14

⁽¹⁾ Based on (i) the aggregate outstanding principal amount of the Prior JPA Bonds (less the principal amount of Super-Subordinate Series 2006C Bonds to be paid from proceeds of the Series 2016 Bonds) and (ii) CFD No. 94-1's ___% share.

⁽²⁾ Represents "Assessed Value" divided by "Pro Rata Debt Burden."

Source: Willdan Financial Services.

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 94-1 for fiscal years 2011-12 through 2015-16. Because the District does not participate in the Teeter Plan, collections of Special Taxes reflect actual delinquencies.

Table 23
Community Facilities District No. 94-1
Special Tax Levies, Collections and Delinquency Rates
Fiscal Years 2011-12 through 2015-16

Fiscal Year	Parcels Levied	Amount Levied	Delinquencies at Fiscal Year End ⁽¹⁾			Delinquencies as of May 5, 2016 ⁽²⁾		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
2011-12	8	\$6,400	--	--	--	--	--	--
2012-13	8	6,400	--	--	--	--	--	--
2013-14	8	6,400	--	--	--	--	--	--
2014-15	8	6,400	--	--	--	--	--	--
2015-16	8	6,400	--	--	--	--	--	--

⁽¹⁾ Delinquencies as of June 30.

⁽²⁾ Delinquencies as of May 5, 2016, per the San Diego County Tax Collector's Office.

Source: Willdan Financial Services.

Major Land Owners. No individual owns more than one parcel in CFD No. 94-1.

CFD No. 94-3

Location and Description. Community Facilities District No. 94-3 ("CFD No. 94-3") is located in the Encinitas Ranch planning area of the City of Encinitas. Encinitas Ranch is a master planned community developed around an 18-hole golf course. Development in CFD No. 94-3 has been substantially completed. There are approximately 4.09 acres of Undeveloped Property remaining in CFD No. 94- 3.

Value-to-Lien Burden and Debt Service Coverage. The table below sets forth the assessed value-to-lien ranges for the taxable property in CFD No. 94-3 based on Fiscal Year 2016-17 assessed values and the lien of CFD No. 94-3's current ___% share of the outstanding principal amount of the Prior JPA Bonds.

Table 24
Community Facilities District No. 94-3
Assessed Value-to-Lien Ratios

<u>AV to Lien Category</u>	<u>Parcel Count</u>	<u>FY 2016-17 Special Tax</u>	<u>% of FY 2016-17 Special Tax</u>	<u>Pro Rata Share of Outstanding Local Obligations⁽¹⁾</u>	<u>Assessed Value</u>	<u>Assessed Value-to-Lien Ratios⁽²⁾</u>
0.00-24.99	5	\$4,000	0.74%	\$50,487	\$561,623	11.12
25.00-49.99	23	17,818	3.32	224,895	9,848,365	43.79
50.00-74.99	54	33,306	6.20	420,380	26,581,355	63.23
75.00-99.99	194	170,084	31.67	2,146,760	188,759,321	87.93
100.00-124.99	171	109,446	20.38	1,381,402	153,370,194	111.03
125.00-149.99	153	99,702	18.56	1,258,415	171,146,176	136.00
150.00 or Greater	<u>278</u>	<u>102,690</u>	<u>19.12</u>	<u>1,296,129</u>	<u>240,256,506</u>	<u>185.36</u>
Grand Total	878	\$537,046	100.00%	\$6,778,467	\$790,523,540	116.62

⁽¹⁾ Based on (i) the aggregate outstanding principal amount of the Prior JPA Bonds (less the principal amount of Super-Subordinate Series 2006C Bonds to be paid from proceeds of the Series 2016 Bonds) and (ii) CFD No. 94-3's ____% share.

⁽²⁾ Represents "Assessed Value" divided by "Pro Rata Debt Burden."

Source: Willdan Financial Services.

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 94-3 for fiscal years 2011-12 through 2015-16. Because the District does not participate in the Teeter Plan, collections of Special Taxes reflect actual delinquencies.

Table 25
Community Facilities District No. 94-3
Special Tax Levies, Collections and Delinquency Rates
Fiscal Years 2011-12 through 2015-16

<u>Fiscal Year</u>	<u>Parcels Levied</u>	<u>Amount Levied</u>	<u>Delinquencies at Fiscal Year End⁽¹⁾</u>			<u>Delinquencies as of May 5, 2016⁽²⁾</u>		
			<u>Parcels Delinquent</u>	<u>Amount Delinquent</u>	<u>Percent Delinquent</u>	<u>Parcels Delinquent</u>	<u>Amount Delinquent</u>	<u>Percent Delinquent</u>
2011-12	877	\$536,246	36	\$18,399	3.43%	1	\$800	0.15%
2012-13	877	536,246	18	7,854	1.46	1	800	0.15
2013-14	877	536,246	24	9,381	1.75	1	800	0.15
2014-15	877	536,246	8	3,509	0.65	1	800	0.15
2015-16	877	536,246	23	8,654	1.61	23	8,654	1.61

⁽¹⁾ Delinquencies as of June 30.

⁽²⁾ Delinquencies as of May 5, 2016, per the San Diego County Tax Collector's Office.

Source: Willdan Financial Services.

Major Land Owners. The following table presents a summary of the top taxpayers in CFD No. 94-3 measured by the percentage of Fiscal Year 2015-16 Special Tax Levy.

Table 26
Community Facilities District No. 94-3
Largest Taxpayers
Fiscal Year 2015-16

<u>Ranking</u>	<u>Property Owner⁽¹⁾</u>	<u>Number of Parcels⁽²⁾</u>	<u>Special Tax Levy⁽²⁾</u>	<u>Percent of Special Tax Levy</u>
1	A S N ENCINITAS L L C	1	\$26,160	4.87%
2	SMITH TIMOTHY J & SUZETTE T	3	2,400	0.45%
3	DANG TRAN FAMILY TRUST 11-27-13	2	1,600	0.30%
4	RADTKE LIVING TRUST 05-25-07	2	1,600	0.30%
5	HODGES LIVING TRUST 06-28-99	2	1,600	0.30%
6	PRATT JONATHON C & JESSICA R	2	1,018	0.19%
	Sub Total	12	\$34,378	6.40%
	Other Properties	866	502,668	93.60%
	Grand Total	878	\$537,046	100.00%

⁽¹⁾ Property ownership as listed on the County of San Diego secured tax roll for Fiscal Year 2016-17.

⁽²⁾ As of August 10, 2016 special tax submittal.

Source: Willdan Financial Services.

[Describe major owners of undeveloped property, if applicable.]

CFD No. 95-1

Location and Description. Community Facilities District No. 95-1 (“CFD No. 95-1”) is located in the southern portion of the School District boundaries and includes developments in Sorrento Hills and the Del Mar Planning Area. [There have been 10 annexations of property into CFD No. 95-1 since its formation.]

Value-to-Lien Burden and Debt Service Coverage. The table below sets forth the assessed value-to-lien ranges for the taxable property in CFD No. 95-1 based on Fiscal Year 2015-16 assessed values and the lien of CFD No. 95-1’s current ____% share of the outstanding principal amount of the Prior JPA Bonds.

Table 27
Community Facilities District No. 95-1
Assessed Value-to-Lien Ratios

<u>AV to Lien Category</u>	<u>Parcel Count</u>	<u>FY 2016-17 Special Tax</u>	<u>% of FY 2016-17 Special Tax</u>	<u>Pro Rata Share of Outstanding Local Obligations⁽¹⁾</u>	<u>Assessed Value</u>	<u>Assessed Value- to-Lien Ratios⁽²⁾</u>
0.00-24.99	6	\$5,130	0.21%	\$56,483	\$1,134,877	20.09
25.00-49.99	86	78,219	3.23	861,220	34,256,911	39.78
50.00-74.99	404	353,343	14.61	3,890,434	247,636,490	63.65
75.00-99.99	546	660,915	27.33	7,276,914	628,467,108	86.36
100.00-124.99	449	450,399	18.63	4,959,056	550,885,165	111.09
125.00-149.99	249	212,895	8.80	2,344,051	320,907,582	136.90
150.00 or Greater	625	657,333	27.18	7,237,474	1,788,173,750	247.07
Grand Total	2,365	\$2,418,234	100.00%	\$26,625,632	\$3,571,461,883	134.14

⁽¹⁾ Based on (i) the aggregate outstanding principal amount of the Prior JPA Bonds (less the principal amount of Super-Subordinate Series 2006C Bonds to be paid from proceeds of the Series 2016 Bonds) and (ii) CFD No. 95-1’s ____% share.

⁽²⁾ Represents “Assessed Value” divided by “Pro Rata Debt Burden.”

Source: Willdan Financial Services.

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 95-1 for fiscal years 2011-12 through 2015-16. Because the District does not participate in the Teeter Plan, collections of Special Taxes reflect actual delinquencies.

**Table 28
Community Facilities District No. 95-1
Special Tax Levies, Collections and Delinquency Rates
Fiscal Years 2011-12 through 2015-16**

Fiscal Year	Parcels Levied	Amount Levied	Delinquencies at Fiscal Year End ⁽¹⁾			Delinquencies as of May 5, 2016 ⁽²⁾		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
2011-12	2,245	\$2,225,205	87	\$47,880	2.15%	1	\$855	0.04%
2012-13	2,285	2,258,550	64	41,895	1.85	--	--	0.00
2013-14	2,333	2,370,339	72	37,193	1.57	--	--	0.00
2014-15	2,342	2,398,569	36	18,383	0.77	2	1,710	0.07
2015-16	2,360	2,413,959	64	37,620	1.56	64	37,620	1.56

⁽¹⁾ Delinquencies as of June 30.

⁽²⁾ Delinquencies as of May 5, 2016, per the San Diego County Tax Collector's Office.

Source: Willdan Financial Services.

Major Land Owners. The following table presents a summary of the top taxpayers in CFD No. 95-1 measured by the percentage of Fiscal Year 2015-16 Special Tax Levy.

**Table 29
Community Facilities District No. 95-1
Largest Taxpayers
Fiscal Year 2016-17**

Ranking	Property Owner ⁽¹⁾	Number of Parcels ⁽²⁾	Special Tax Levy ⁽²⁾	Percent of Special Tax Levy
1	IRVINE CO L L C	9	\$208,593	8.63%
2	TORREY GARDEN HILLS I L L C	2	88,704	3.67
3	TORREY HILLS APARTMENTS S D LLC	4	78,540	3.25
4	T-C OCEAN AIR LLC	3	23,100	0.96
5	M R E C DAVIDSON CROSBY ENCLAVE LLC	12	10,260	0.42
6	LONGACRES AT SEABREEZE FARMS LP	1	8,778	0.36
7	DERBY TERRACE L L C	<u>1</u>	<u>5,544</u>	<u>0.23</u>
	Sub Total	32	\$423,519	17.51%
	Other Properties	2,333	1,994,715	82.49%
	Grand Total	2,365	\$2,418,234	100.00%

⁽¹⁾ Property ownership as listed on the County of San Diego secured tax roll for Fiscal Year 2015-16.

⁽²⁾ As of August __, 2016 special tax submittal.

Source: Willdan Financial Services.

CFD No. 95-2

Location and Description. Community Facilities District No. 95-2 ("CFD No. 95-2") is located both within the City of Carlsbad and the City of Encinitas. CFD No. 95-2 is developed primarily with a continuing care facility for the elderly known as La Costa Glen, which is exempt from the payment of Special Taxes. [There have been 8 annexations of property into CFD No. 95-2 since it was formed.]

Value-to-Lien Burden and Debt Service Coverage. The table below sets forth the assessed value-to-lien ranges for the taxable property in CFD No. 95-2 based on Fiscal Year 2015-16 assessed values and the lien of CFD No. 95-2's current ____% share of the outstanding principal amount of the Prior JPA Bonds.

**Table 30
Community Facilities District No. 95-2
Assessed Value-to-Lien Ratios**

AV to Lien Category	Parcel Count	FY 2016-17 Special Tax	% of FY 2016-17 Special Tax	Pro Rata Share of Outstanding Local Obligations ⁽¹⁾	Assessed Value	Assessed Value- to-Lien Ratios ⁽²⁾
0.00-24.99	4	\$3,200	0.71%	\$25,925	\$536,016	20.68
25.00-49.99	18	14,400	3.17	116,663	4,309,543	36.94
50.00-74.99	12	9,600	2.12	77,775	4,776,265	61.41
75.00-99.99	20	15,418	3.40	124,911	11,509,365	92.14
100.00-124.99	69	55,200	12.16	447,208	50,686,523	113.34
125.00-149.99	48	37,818	8.33	306,386	42,110,513	137.44
150.00 or Greater	<u>432</u>	<u>318,246</u>	<u>70.12</u>	<u>2,578,302</u>	<u>579,002,570</u>	<u>224.57</u>
Grand Total	603	\$453,882	100.00%	\$3,677,171	\$692,930,795	188.44

⁽¹⁾ Based on (i) the aggregate outstanding principal amount of the Prior JPA Bonds (less the principal amount of Super-Subordinate Series 2006C Bonds to be paid from proceeds of the Series 2016 Bonds) and (ii) CFD No. 95-2's ____% share.

⁽²⁾ Represents "Assessed Value" divided by "Pro Rata Debt Burden."

Source: Willdan Financial Services.

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 95-2 for fiscal years 2011-12 through 2015-16. Because the District does not participate in the Teeter Plan, collections of Special Taxes reflect actual delinquencies.

**Table 31
Community Facilities District No. 95-2
Special Tax Levies, Collections and Delinquency Rates
Fiscal Years 2011-12 through 2015-16**

Fiscal Year	Parcels Levied	Amount Levied	Delinquencies at Fiscal Year End ⁽¹⁾			Delinquencies as of May 5, 2016 ⁽²⁾		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
2011-12	429	\$321,082	24	\$13,563	4.22%	--	--	--
2012-13	461	340,282	18	8,800	2.59	--	--	--
2013-14	474	350,682	15	8,000	2.28	--	--	--
2014-15	534	398,682	16	8,218	2.06	--	--	--
2015-16	575	431,482	19	8,109	1.88	19	\$8,109	1.88%

⁽¹⁾ Delinquencies as of June 30.

⁽²⁾ Delinquencies as of May 5, 2016, per the San Diego County Tax Collector's Office.

Source: Willdan Financial Services.

Major Land Owners. The following table presents a summary of the top taxpayers in CFD No. 95-2 measured by the percentage of Fiscal Year 2015-16 Special Tax Levy.

Table 32
Community Facilities District No. 95-2
Largest Taxpayers
Fiscal Year 2015-16

<u>Ranking</u>	<u>Property Owner</u> ⁽¹⁾	<u>Number of Parcels</u> ⁽²⁾	<u>Special Tax Levy</u> ⁽²⁾	<u>Percent of Special Tax Levy</u>
1	SHEA HOMES LTD PARTNERSHIP	44	\$35,200	7.76%
2	SANTIARA L L C	2	1,600	0.35
3	C V ENCINITAS LAKE ST LLC	<u>5</u>	<u>4,000</u>	<u>0.88</u>
	Sub Total	51	\$40,800	8.99%
	Other Properties	<u>552</u>	<u>413,082</u>	<u>91.01</u>
	Grand Total	603	\$453,882	100.00%

(1) Property ownership as listed on the County of San Diego secured tax roll for Fiscal Year 2015-16.

(2) As of August __, 2016 special tax submittal.

Source: Willdan Financial Services.

CFD No. 99-1

Location and Description. Community Facilities District No. 99-1 (“CFD No. 99-1”) contains a portion of a master planned development known as Pacific Highlands Ranch (the remainder is located in CFD No. 03-1). In 2003, a portion of CFD No. 99-1 was split off to form CFD No. 03-1.

Value-to-Lien Burden and Debt Service Coverage. The table below sets forth the assessed value-to-lien ranges for the taxable property in CFD No. 99-1 based on Fiscal Year 2015-16 assessed values and the lien of CFD No. 99-1’s current ____% share of the outstanding principal amount of the Prior JPA Bonds.

Table 33
Community Facilities District No. 99-1
Assessed Value-to-Lien Ratios

<u>AV to Lien Category</u>	<u>Parcel Count</u>	<u>FY 2016-17 Special Tax</u>	<u>% of FY 2016-17 Special Tax</u>	<u>Pro Rata Share of Outstanding Local Obligations</u> ⁽¹⁾	<u>Assessed Value</u>	<u>Assessed Value-to-Lien Ratios</u> ⁽²⁾
0.00-24.99	--	--	--	--	--	N/A
25.00-49.99	106	\$90,630	19.62%	\$837,497	\$24,874,056	29.70
50.00-74.99	77	32,646	7.07	301,676	19,027,783	63.07
75.00-99.99	151	137,004	29.66	1,266,032	111,799,168	88.31
100.00-124.99	36	32,997	7.14	304,920	32,891,991	107.87
125.00-149.99	26	22,230	4.81	205,424	27,650,467	134.60
150.00 or Greater	<u>303</u>	<u>146,342</u>	<u>31.69</u>	<u>1,352,318</u>	<u>346,841,584</u>	<u>256.48</u>
Grand Total	699	\$461,849	100.00%	\$4,267,867	\$563,085,049	131.94

(1) Based on (i) the aggregate outstanding principal amount of the Prior JPA Bonds (less the principal amount of Super-Subordinate Series 2006C Bonds to be paid from proceeds of the Series 2016 Bonds) and (ii) CFD No. 99-1’s ____% share.

(2) Represents “Assessed Value” divided by “Pro Rata Debt Burden.”

Source: Willdan Financial Services.

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 99-1 for fiscal years 2011-12 through 2015-16. Because the District does not participate in the Teeter Plan, collections of Special Taxes reflect actual delinquencies.

Table 34
Community Facilities District No. 99-1
Special Tax Levies, Collections and Delinquency Rates
Fiscal Years 2011-12 through 2015-16

Fiscal Year	Parcels Levied	Amount Levied	Delinquencies at Fiscal Year End ⁽¹⁾			Delinquencies as of May 5, 2016 ⁽²⁾		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
2011-12	560	\$340,625	20	\$6,008	1.76%	1	\$116	0.03%
2012-13	560	340,625	22	7,042	2.07	1	116	0.03
2013-14	570	349,175	14	5,003	1.43	--	--	--
2014-15	570	349,175	6	1,958	0.56	--	--	--
2015-16	571	395,345	13	4,327	1.09	13	4,327	1.09

⁽¹⁾ Delinquencies as of June 30.

⁽²⁾ Delinquencies as of May 5, 2016, per the San Diego County Tax Collector's Office.

Source: Willdan Financial Services.

Major Land Owners. The following table presents a summary of the top taxpayers in CFD No. 99-1 measured by the percentage of Fiscal Year 2015-16 Special Tax Levy.

Table 35
Community Facilities District No. 99-1
Largest Taxpayers
Fiscal Year 2015-16

Ranking	Property Owner ⁽¹⁾	Number of Parcels ⁽²⁾	Special Tax Levy ⁽²⁾	Percent of Special Tax Levy
1	TAYLOR MORRISON OF CALIFORNIA L L C	97	\$85,314	18.47%
2	CIC PHR L P	1	10,626	2.30
3	MEADOWOOD 9 LLC	9	7,695	1.67
4	C I C VILLAS L P	<u>1</u>	<u>3,696</u>	<u>0.80</u>
	Sub Total	108	107,331	23.24%
	Other Properties	<u>591</u>	<u>354,518</u>	<u>76.76</u>
	Grand Total	699	\$461,849	100.00%

⁽¹⁾ Property ownership as listed on the County of San Diego secured tax roll for Fiscal Year 2015-16.

⁽²⁾ As of August __, 2016 special tax submittal.

Source: Willdan Financial Services.

CFD No. 99-2

Location and Description. Community Facilities District No. 99-2 ("CFD No. 99-2") is composed of the master planned community located in Rancho Santa Fe known as The Bridges.

Value-to-Lien Burden and Debt Service Coverage. The table below sets forth the assessed value-to-lien ranges for the taxable property in CFD No. 99-2 based on Fiscal Year 2015-16 assessed values and the lien of CFD No. 99-2’s current ____% share of the outstanding principal amount of the Prior JPA Bonds.

**Table 36
Community Facilities District No. 99-2
Assessed Value-to-Lien Ratios**

AV to Lien Category	Parcel Count	FY 2016-17 Special Tax	% of FY 2016-17 Special Tax	Pro Rata Share of Outstanding Local Obligations ⁽¹⁾	Assessed Value	Assessed Value- to-Lien Ratios ⁽²⁾
0.00-24.99	--	--	--	--	--	N/A
25.00-49.99	--	--	--	--	--	N/A
50.00-74.99	--	--	--	--	--	N/A
75.00-99.99	--	--	--	--	--	N/A
100.00-124.99	--	--	--	--	--	N/A
125.00-149.99	--	--	--	--	--	N/A
150.00 or Greater	45	\$25,650	100.00%	\$237,768	\$175,739,431	739.12
Grand Total	45	\$25,650	100.00%	\$237,768	\$175,739,431	739.12

⁽¹⁾ Based on (i) the aggregate outstanding principal amount of the Prior JPA Bonds (less the principal amount of Super-Subordinate Series 2006C Bonds to be paid from proceeds of the Series 2016 Bonds) and (ii) CFD No. 99-2’s ____% share.

⁽²⁾ Represents “Assessed Value” divided by “Pro Rata Debt Burden.”

Source: Willdan Financial Services.

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 99-2 for fiscal years 2011-12 through 2015-16. Because the District does not participate in the Teeter Plan, collections of Special Taxes reflect actual delinquencies.

**Table 37
Community Facilities District No. 99-2
Special Tax Levies, Collections and Delinquency Rates
Fiscal Years 2011-12 through 2015-16**

Fiscal Year	Parcels Levied	Amount Levied	Delinquencies at Fiscal Year End ⁽¹⁾			Delinquencies as of May 5, 2016 ⁽²⁾		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
2011-12	44	\$25,080	2	\$855	3.41%	--	--	--
2012-13	44	25,080	1	285	1.14	--	--	--
2013-14	45	25,650	--	--	--	--	--	--
2014-15	45	25,650	1	285	1.11	--	--	--
2015-16	45	25,650	--	--	--	--	--	--

⁽¹⁾ Delinquencies as of June 30.

⁽²⁾ Delinquencies as of May 5, 2016, per the San Diego County Tax Collector's Office.

Source: Willdan Financial Services.

Major Land Owners. No individual owns more than one parcel in CFD No. 99-2.

[Describe major owners of undeveloped property, if applicable.]

CFD No. 99-3

Location and Description. Community Facilities District No. 99-3 (“CFD No. 99-3”) consists of a portion of the Rancho Santa Fe planned community known as CIELO – The Hillside Village in Rancho Santa Fe. Approximately one-half of CIELO is located within CFD No. 99-3. The other half of the development is located outside the School District boundary.

Value-to-Lien Burden and Debt Service Coverage. The table below sets forth the assessed value-to-lien ranges for the taxable property in CFD No. 99-3 based on Fiscal Year 2015-16 assessed values and the lien of CFD No. 99-3’s current ____% share of the outstanding principal amount of the Prior JPA Bonds.

**Table 38
Community Facilities District No. 99-3
Assessed Value-to-Lien Ratios**

AV to Lien Category	Parcel Count	FY 2016-17 Special Tax	% of FY 2016-17 Special Tax	Pro Rata Share of Outstanding Local Obligations ⁽¹⁾	Assessed Value	Assessed Value- to-Lien Ratios ⁽²⁾
0.00-24.99	--	--	--	--	--	N/A
25.00-49.99	1	\$570	0.72%	\$6,117	\$299,860	49.02
50.00-74.99	--	--	--	--	--	N/A
75.00-99.99	3	1,710	2.16	18,350	1,735,713	94.59
100.00-124.99	1	570	0.72	6,117	723,854	118.34
125.00-149.99	--	--	--	--	--	N/A
150.00 or Greater	<u>134</u>	<u>76,380</u>	<u>96.40</u>	<u>819,626</u>	<u>270,491,446</u>	<u>330.02</u>
Grand Total	139	\$79,230	100.00%	\$850,209	\$273,250,873	321.39

⁽¹⁾ Based on (i) the aggregate outstanding principal amount of the Prior JPA Bonds (less the principal amount of Super-Subordinate Series 2006C Bonds to be paid from proceeds of the Series 2016 Bonds) and (ii) CFD No. 99-3’s ____% share.

⁽²⁾ Represents “Assessed Value” divided by “Pro Rata Debt Burden.”

Source: Willdan Financial Services.

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 99-3 for fiscal years 2011-12 through 2015-16. Because the District does not participate in the Teeter Plan, collections of Special Taxes reflect actual delinquencies.

**Table 39
Community Facilities District No. 99-3
Special Tax Levies, Collections and Delinquency Rates
Fiscal Years 2011-12 through 2015-16**

Fiscal Year	Parcels Levied	Amount Levied	Delinquencies at Fiscal Year End ⁽¹⁾			Delinquencies as of May 5, 2016 ⁽²⁾		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
2011-12	132	\$75,240	8	\$2,565	3.41%	--	--	--
2012-13	132	75,240	5	2,280	3.03	--	--	--
2013-14	132	75,240	7	2,280	3.03	--	--	--
2014-15	136	77,520	5	2,280	2.94	--	--	--
2015-16	137	78,090	6	2,565	3.28	6	\$2,565	3.28%

⁽¹⁾ Delinquencies as of June 30.

⁽²⁾ Delinquencies as of May 5, 2016, per the San Diego County Tax Collector's Office.

Source: Willdan Financial Services.

Major Land Owners. No individual owns more than one parcel in CFD No. 99-2.

THE SCHOOL DISTRICT

The information in this section concerning the operations of the School District is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund, or any other funds, of the School District. See “SECURITY FOR THE BONDS” herein.

General

The School District consists of approximately 85 square miles of territory in the northern portion of San Diego County (the “County”), California (the “State”). The School District educates students from five feeder elementary school districts: Encinitas, Cardiff, Solana Beach, Del Mar and Rancho Santa Fe. The School District operates five comprehensive middle schools for grades seven through eight, and four comprehensive high schools for grades nine through twelve. The School District also offers a continuation high school with an alternative education program for grade nine through twelve, an alternative high school for independent study program for high school teens seeking individualized attention and flexible scheduling and an adult education program. Enrollment in the School District for grades seven through twelve was 12,726 students for the 2015-16 school year.

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: San Dieguito Union High School District, 710 Encinitas Boulevard, Encinitas, California 92024, Attention: Superintendent. The School District may impose a charge for copying, mailing and handling.

Administration

The governing board of the School District (the “Board”) consists of five elected members. Members are elected to serve staggered four-year terms. Elections for positions to the Board are held every two years, alternating between two and three available positions. A president is elected by members of the Board each year. Current members of the Board, together with their offices and the dates their current terms expire, are listed below.

BOARD OF TRUSTEES **San Dieguito Union High School District**

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Beth Hergesheimer	President	December 2, 2016
Joyce Dalessandro	Vice President	December 2, 2016
Amy Herman	Clerk	December 7, 2018
Maureen “Mo” Muir	Trustee	December 7, 2018
John Salazar	Trustee	December 7, 2018

The School District’s day-to-day operations are managed by a board-appointed Superintendent of Schools (the “Superintendent”). The management and policies of the School District are administered by the Superintendent and a staff which provides business, pupil, personnel, administrative personnel, and instruction support services.

Enrollment Trends

The following table shows the enrollment history for the School District.

ANNUAL ENROLLMENT
Fiscal Years 2006-07 Through 2015-16
San Dieguito Union High School District

Year	Enrollment	Annual Change	Annual % Change
2006-07	12,375	--	--
2007-08	12,482	107	0.9%
2008-09	12,606	124	1.0
2009-10	12,661	55	0.4
2010-11	12,499	-162	-1.3
2011-12	12,485	-14	-0.1
2012-13	12,365	-120	-1.0
2013-14	12,497	132	1.1
2014-15	12,645	148	1.2
2015-16	12,726	81	0.6

Source: The School District.

General Economic and Demographic Information Regarding the School District

See Appendix C – “REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION” hereto for general information regarding the economy in the region of the Districts, including data concerning the City of Fullerton and the County of San Diego.

SPECIAL RISK FACTORS

The purchase of the Bonds, especially the Series B Bonds, involves certain investment risks which are discussed throughout this Official Statement. Each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. Particular attention should be given to the factors described below which, among others, could affect the payment of debt service on the Bonds in general and the Series B Bonds in particular.

Risks of Real Estate Secured Investments Generally

Because the timely payment of debt service on the Bonds will be dependent upon the timely payment of the Local Obligations and the timely payment of the Local Obligations will be dependent upon the timely payment of Special Taxes, which are secured ultimately by the Taxable Property within the Districts, 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 and around the vicinity of the Districts, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates 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 and floods), which may result in uninsured losses.

Risks Related to Housing Market Conditions

The housing market in southern California experienced significant price appreciation and accelerating demand from approximately 2002 to 2006 but subsequently the housing market weakened substantially, with changes from the prior pattern of price appreciation and a slowdown in demand for new housing and declining prices. Beginning in 2007, home developers, appraisers and market absorption consultants have reported weak housing market conditions due to factors including but not limited to the following: (i) lower demand for new homes; (ii) significant increase in cancellation rates for homes under contract; (iii) the exit of speculators from the new home market; (iv) increasing mortgage defaults and foreclosures, (v) a growing supply of new and existing homes available for purchase; (vi) increase in competition for new homes orders; (vii) prospective home buyers having a more difficult time selling their existing homes in the more competitive environment; (viii) reduced sales prices and/or higher incentives required to stimulate new home orders or to induce home buyers not to cancel purchase contracts, (ix) more stringent credit qualification requirements by home loan providers and (x) increased unemployment levels. One or more of these factors may negatively impact home values in the Districts and affect the willingness or ability of taxpayers to pay their Special Tax payment prior to delinquency. Over the last five years, assessed valuations in CFD No. 03-1 have grown by approximately _____%, growing by _____% in the past year alone. Over the last five years, assessed valuations in CFD No. 94-2 have grown by approximately _____%, growing by _____% in the past year alone.

The Bonds are Limited Obligations of the Authority

The Bonds are limited obligations of the Authority payable only from amounts pledged under the Trust Agreement, which consist primarily of payments made to the Trustee on the Local Obligations and amounts in the Reserve Funds. Funds for the payment of the principal of and the interest on the Local Obligations are derived only from payments of Special Taxes. The amount of Special Taxes that are collected could be insufficient to pay principal of and interest on the Local Obligations due to non-payment of the Special Taxes levied or due to insufficient proceeds received from a judicial foreclosure sale of land within the Districts following delinquency. A District's legal obligation with respect to any delinquent Special Taxes is limited to the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes is delinquent. The Bonds cannot be accelerated in the event of any default.

Failure by owners of the parcels within the Districts to pay Special Tax installments when due, delay in foreclosure proceedings, or the inability of the Districts to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Special Taxes levied against such parcels may result in the inability of the Districts to make full or timely payments of debt service on the Local Obligations, which may, in turn, result in the depletion of first the Series B Reserve Fund and then the Series A Reserve Fund and the inability of the Authority to make full or timely payment on the Bonds. The Series A Reserve Fund is not available to pay any interest or principal on the Series B Bonds.

No Obligation of School District

The Local Obligations and the interest thereon, and in turn, the Bonds, are not payable from the general funds of the School District. Except with respect to the Special Taxes, neither the credit nor the taxing power of the Districts or the School District is pledged for the payment of the Local Obligations or the interest thereon, and except to compel a levy of the Special Taxes securing the Local Obligations, no Owner of the Bonds may compel the exercise of any taxing power by the Districts or the School District or force the forfeiture of any property of the School District or the Districts. The Bonds are not a debt of the School District or the Districts or a legal or equitable pledge, charge, lien or encumbrance upon any of the School District's or the Districts' property or upon any of the School District's or the Districts' income, receipts or revenues, except the Revenues and other amounts pledged under the Trust Agreement.

Potential Early Redemption of Bonds from Prepayments

Property owners within the Districts are permitted to prepay their Special Taxes at any time. Such prepayments will result in a redemption of Local Obligations on the first March 1 or September 1 which is more than 30 days following the receipt of the prepayment. The proceeds of the Local Obligations so redeemed will then be used to make a special mandatory redemption of the Bonds. The Bonds of each Series will be called on a proportionate basis (based on outstanding principal amount) from the proceeds of the Local Obligations redeemed from prepayments. See “THE BONDS – Redemption – Special Redemption.”

Property Values

The value of the Taxable Property within the Districts is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of Special Tax installment, a District’s only remedy is to judicially foreclose on that property. Prospective purchasers of the Bonds should not assume that the property within the Districts could be sold for the assessed values described herein at a foreclosure sale for delinquent Special Tax installments or for an amount adequate to pay delinquent Special Tax installments.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, increased or decreased annually by an amount determined by the San Diego County Assessor based on current market conditions, generally not to exceed an increase of more than 2% per fiscal year from the date of purchase (except in the case of new construction subsequent to such acquisition). No assurance can be given that a parcel could actually be sold for its assessed value. See “– Risks Related to Housing Market Conditions” above.

The actual market value of the property is subject to future events such as downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the land in the Districts which is the security for the Local Obligations, which secure the Bonds. As discussed herein, many factors could adversely affect property values within the Districts.

Natural Disasters

The land within the Districts, like all California communities, may be subject to unpredictable seismic activity, fires, floods or other natural disasters. The occurrence of one of these natural disasters in a District could result in substantial damage to properties in such District which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Special Taxes. Any major damage to structures as a result of natural disasters could result in a greater reliance on undeveloped property in the payment of Special Taxes.

Hazardous Substances

The value of a parcel may be reduced as a result of the presence of a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel 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 the “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 has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of

remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels 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 it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a Special Tax delinquency.

[Other than as described above, none of the Authority, the Districts or the School District has knowledge of any hazardous substances being located on the property within the Districts; however, such entities have not conducted any investigation with respect to hazardous substances within the Districts.]

Parity Taxes and Special Assessments

Property within the Districts is subject to taxes and other charges levied by several other public agencies. See the discussion of direct and overlapping indebtedness under the heading “THE COMMUNITY FACILITIES DISTRICTS.”

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with the lien of all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general *ad valorem* property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. See “ – Bankruptcy and Foreclosure” below.

None of the Authority, the Districts or the School District has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the Districts. In addition, the landowners within the Districts may, without the consent or knowledge of the Authority, the Districts or the School District, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for property within the Districts described herein.

Payment of the Special Tax is not a Personal Obligation of the Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the proceeds received from the sale of a taxable parcel following a Special Tax delinquency are not sufficient, taking into account other liens imposed by public agencies, to pay the full amount of the Special Tax delinquency, the District has no recourse against the owner of the parcel.

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The School District has caused a notice of the Special Tax that may be levied against the taxable parcels in each District to be recorded in the Office of the Recorder for the County.

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 property within the Districts or lending of money thereon.

The Mello-Roos Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Special Tax Delinquencies

Special Taxes are the primary source for the repayment of the Local Obligations, which are the only source of Revenues to repay the Bonds. Delinquencies could result in a draw on the Reserve Funds and, if the Reserve Fund for a Series were depleted, in a default in payment on such Series of the Bonds.

Under provisions of the Mello-Roos Act, the Special Taxes, from which funds necessary for the payment of principal of and interest on the Local Obligations and, thus, the Bonds are derived, are customarily billed to the properties within each District on the *ad valorem* property tax bills sent by the County to owners of such properties. The Mello-Roos Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

For so long as the County continues to implement the Teeter Plan with respect to the Districts, the County is obligated to pay each District 100% of the amount of the Special Taxes actually levied in such District, regardless of any delinquencies. However, the County is required to terminate the Teeter Plan if two-thirds of the participants so petition the Board of Supervisors, and it may discontinue the Teeter Plan as to a District if such District's delinquency rate exceeds 3%. See "— Teeter Plan Termination" below.

As set forth in each of the delinquency tables under the heading "THE COMMUNITY FACILITIES DISTRICTS," as of April 19, 2013, the current delinquency rates in each of the Districts is no greater than 0.25 for fiscal year 2011-12 and no greater 0.49% for the first installment for fiscal year 2012-13, with the overall delinquency rate for the Districts on a combined basis being 0.46% for the first installment. See Table 8.

See "SECURITY FOR THE LOCAL OBLIGATIONS – Covenants of the Districts - Commence Foreclosure Proceedings," for a discussion of the provisions which apply, and procedures which each District is obligated to follow under the Local Obligation Indentures, in the event of delinquencies in the payment of Special Taxes. See "– Bankruptcy and Foreclosure" below for a discussion of the policy of the Federal Deposit Insurance Corporation (the "FDIC") regarding the payment of special taxes and assessment and limitations on the District's ability to foreclose on the lien of the Special Taxes in certain circumstances.

Teeter Plan Termination

In 1993, the County implemented the Teeter Plan as an alternative procedure for the distribution of certain property tax and assessment levies on the secured well. Pursuant to the Teeter Plan, the County has elected to provide participating local agencies and taxing areas, including the Districts, with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County's Teeter Plan may help protect Owners from the risk of delinquencies in the payment of Special Taxes. However, the County is entitled, and under certain circumstances could be required, to terminate the Teeter Plan with respect to all or

part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to either District would eliminate such protection from delinquent Special Taxes.

Insufficiency of Special Taxes

Notwithstanding that the maximum Special Taxes that may be levied in the Districts exceeds debt service due on the Local Obligations, the Special Taxes collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation.

The Rate and Method of Apportionment of Special Tax governing the levy of the Special Taxes within each District expressly exempts up to a specified number of acres of property owned by public entities, homeowner associations, churches and other specified owners. If for any reason property within a District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, another public agency or other organization determined to be exempt, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within such District. This could result in certain owners of property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Mello-Roos Act provides that, if any property within a District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Mello-Roos 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 Mello-Roos Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within a District became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Taxes which could be levied upon the remaining taxable property therein might not be sufficient to pay principal of and interest on the related Local Obligations when due and a default could occur with respect to the payment of such principal and interest, and, in turn, a default could occur in the payment of the principal and interest on the Bonds.

FDIC/Federal Government Interests in Properties

The ability of the Districts to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the FDIC, or other federal government entities such as Fannie Mae, Freddie Mac, the Drug Enforcement Agency, the Internal Revenue Service or other federal agency, has or obtains an interest.

In the case of FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the Districts may be constrained. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The Districts are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, 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, anything 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 Districts wish to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. For a discussion of risks associated with taxable parcels within the Districts becoming owned by the federal government, federal government entities or federal government sponsored entities, see “– Insufficiency of Special Taxes.”

The Districts’ remedies may also be limited in the case of delinquent Special Taxes with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

Bankruptcy and Foreclosure

In the event of a delinquency in the payment of the Special Taxes, a District, under certain circumstances, is required to commence enforcement proceedings as described under the heading “SECURITY FOR THE LOCAL OBLIGATIONS – Covenants of the Districts.” However, prosecution of such proceedings could be delayed due to crowded local court calendars, dilatory legal tactics, or bankruptcy. It is also possible that a District will be unable to realize proceeds in an amount sufficient to pay the applicable delinquency. Moreover, the ability of the Districts to commence and prosecute enforcement proceedings may be limited by bankruptcy, insolvency and other laws generally affecting creditors’ rights (such as the Soldiers’ and Sailors’ Relief Act of 1940) and by the laws of the State relating to judicial and non-judicial foreclosure. Although bankruptcy proceedings would not cause the liens of the Special Taxes to become extinguished, bankruptcy of a property owner could result in a delay in the enforcement proceedings because federal bankruptcy laws provide for an automatic stay of foreclosure and tax sale proceedings. Any such delay could increase the likelihood of delay or default in payment of the principal of and interest on the Local Obligations. The various

legal opinions delivered in connection with the issuance of the Bonds, including Bond Counsel's approving legal opinion, are qualified as to the enforceability of the Bonds, the Trust Agreement, the Local Obligations and the Local Obligation Indentures by reference to bankruptcy, reorganization, moratorium, insolvency and other laws affecting the rights of creditors generally or against public corporations such as the Districts.

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 Trust Agreement. Pursuant to the Trust Agreement, an Owner of the Bonds is given the right for the equal benefit and protection of all owners similarly situated to pursue certain remedies described in APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUMMARY OF AUTHORITY TRUST AGREEMENT – EVENTS OF DEFAULT AND REMEDIES."

Limitations on Remedies

Remedies available to the Owners of the Bonds 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 exclusion from gross income for federal income tax purposes of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Trust Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion and by limitations on remedies against public agencies in the State. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Loss of Tax Exemption

As discussed under the caption "LEGAL MATTERS – Tax Matters" herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Authority, the School District or the Districts in violation of covenants in the Trust Agreement or the Local Obligation Indentures, respectively. Legislative changes have been 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. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Bonds. Should such an event of taxability occur, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Trust Agreement.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds, particularly for the Series B Bonds, or, if a secondary market exists, that the Bonds can be sold for any particular price. Although the Authority has committed to provide certain financial information and operating data on an annual basis, there can be no assurance that such information will be available to Beneficial Owners of the Bonds on a timely basis. The failure to provide the required annual information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating, or 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.

Proposition 218

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes available to the Districts to pay the principal of and interest on the Local Obligations as described below.

Among other things, Section 3 of Article XIII 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 Mello-Roos 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 Mello-Roos 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 Mello-Roos 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 August 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 Local Obligations.

It may be possible, however, for voters or the Board of Directors of the School District, acting as the legislative body of each District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Local Obligations, 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 Local Obligations. Nevertheless, to the maximum extent that the law permits it to do so, each District will covenant in each Local Obligation Indenture executed by it that it will not initiate proceedings under the Mello-Roos Act to reduce the maximum Special Tax rates in a District below an amount equal to 110 percent of the debt service for the Local Obligations of such District in each Bond Year. Each District also will covenant in each Local Obligation Indenture executed by it that, in the event an initiative is adopted which purports to alter the Rate and Method of Apportionment of Special Tax for its Districts, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “SPECIAL RISK FACTORS – Limitations on Remedies.”

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D, all of which placed certain limitations on the power of local agencies to tax, collect and expend revenues, were adopted pursuant to measures 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 legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the School District, or the Districts to increase revenues or to increase appropriations or on the ability of the landowners within the Districts to complete proposed future development.

TAX MATTERS

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

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

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the School District have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross

income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

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

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

LEGAL MATTERS

Absence of Litigation

The Authority will certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity of the Bonds or the Local Obligations and that no action, suit or proceeding is known

by the Authority to be pending that would restrain or enjoin the delivery of the Bonds or the Local Obligations, or contest or affect the validity of the Bonds or the Local Obligations or any proceedings of the Authority taken with respect to the Bonds or the Local Obligations. Each of the Districts will also certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity the Local Obligations and that no action, suit or proceeding is known by such District to be pending that would restrain or enjoin the delivery of the Local Obligations, or contest or affect the validity of the Local Obligations or any proceedings of such District taken with respect to the Local Obligations.

Legal Opinion

Certain proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Orrick Herrington & Sutcliffe LLP San Francisco, California, Bond Counsel for the Authority in connection with the issuance of the Bonds. The opinion of Bond Counsel approving the validity of the Bonds substantially in the form attached as Appendix D hereto will be attached to each Bond. Bond Counsel's employment is limited to a review of legal procedures required for the approval of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from income taxation. Bond Counsel expresses no opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to do so.

Payment of the fees of Bond Counsel, the Underwriter and Underwriter's Counsel is contingent upon issuance of the Bonds.

FINANCIAL ADVISOR

The School District has retained Fieldman Rolapp & Associates, Inc., as Financial Advisor (the "Financial Advisor") in connection with the issuance of the Bonds and certain other financial matters. The Financial Advisor is a financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other negotiable instruments. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement, or any other related information available to the School District, with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

MISCELLANEOUS

Ratings

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its municipal bond rating of "___" to the Bonds maturing on September 1 of the years 20__ through 20__, inclusive (the "Insured Bonds"). See "BOND INSURANCE" herein.

In addition, S&P has assigned its municipal bond rating of "___" to the Bonds, without regard to any policy of municipal bond insurance.

Such ratings reflect only the views of Standard & Poor's and an explanation of the significance of such ratings may be obtained from Standard & Poor's. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by such organization, if in its judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) at a purchase price of \$_____ (representing the par amount of the Bonds, plus net original issue premium of \$_____, less underwriter’s discount of \$_____, and less \$_____ for bond insurance).

The purchase contract relating to the Bonds between the Authority and the Underwriter provides that all Bonds will be purchased if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in said purchase contract, including, but not limited to, the approval of certain legal matters by counsel.

Continuing Disclosure

Pursuant to the Continuing Disclosure Agreement, the Authority will agree to provide, or cause to be provided, through the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board (or with such other entity as is designated or authorized under Rule 15c2-12 adopted by the Securities and Exchange Commission) (each, a “Repository”) certain annual financial information and operating data. The Annual Report to be filed by the Authority will include audited financial statements of the Authority and the School District, if any are prepared, and additional financial and operating data concerning the Districts as set forth in Section 4 of the Continuing Disclosure Agreement attached hereto as Appendix E.

The Authority has never before been subject to an undertaking pursuant to the Rule to provide annual reports or notices of certain events. [The School District did not timely file certain budget and financial information and certain enumerated data with respect to Fiscal Years 2010-11 through 2012-13, Fiscal Year 2014-15, and Fiscal Year 2015-16 in accordance with continuing disclosure undertakings related to its then-outstanding general obligation bonds and lease revenue bonds. In response to a continuing disclosure undertaking executed by the San Dieguito Union Public Facilities Authority (the “Prior JPA”) on behalf of itself and certain community facilities districts formed by the School District, the audited financial statements of the School District were not filed in a timely manner for Fiscal Years 2010-11 through 2012-13. In addition, the School District did not, on or before the dates specified in the related continuing disclosure undertakings, submit notices of late filings in accordance with the continuing disclosure undertakings. The School District subsequently filed the budget information and filed notices with respect to the late filings for outstanding issues. The School District has retained Willdan Financial Services, Inc. to serve as dissemination agent with respect to its various continuing disclosure undertakings.]

The Continuing Disclosure Agreement will inure solely to the benefit of any Dissemination Agent, the Underwriter and Owners or Beneficial Owners from time to time of the Bonds. A default under the Continuing Disclosure Agreement is not a default under the Trust Agreement and the sole remedy following a default is an action to compel specific performance by the Authority with the terms of the Continuing Disclosure Agreement.

Additional Information

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority 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.

SAN DIEGUITO SCHOOL FACILITIES FINANCING
AUTHORITY

By: _____
[Name]
[Title]

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Trust Agreement governing the terms of the Bonds and the form of Local Obligation Indenture which is being separately executed by each of the Community Facilities Districts, each governing the terms of the Local Obligations. This summary includes only the provisions of the documents not already summarized in the Official Statement and does not purport to be complete and is qualified in its entirety by reference to said documents.

APPENDIX B
RATES AND METHODS OF APPORTIONMENT
OF SPECIAL TAXES FOR
THE COMMUNITY FACILITIES DISTRICTS

APPENDIX C

REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

The School District's boundaries include all portions of the Cities of Del Mar, Encinitas, and Solana Beach, portions of the Cities of Carlsbad and San Diego, and a portion of the unincorporated areas of the County of San Diego (the "County"). The following economic and demographic information pertains to the Cities of Del Mar, Encinitas, and Solana Beach (collectively, the "Cities), the County and the State. Due to the nature of the School District's jurisdiction, the economic and demographic information set forth below reflect only a portion of the population and economy within the School District's boundaries. Information on the remainder of the School District (i.e., the unincorporated areas) is not available from the sources listed below. The Bonds are not obligations of the Cities, the County or the State. The Authority has not independently verified the information set forth in this Appendix C and while this information is believed to be reliable, it is not guaranteed as to accuracy by the Authority.

Population

The following table summarizes population estimates of the Cities, County and State for years 2006 through 2015.

**POPULATION ESTIMATES
Cities of Del Mar, Encinitas and Solana Beach,
San Diego County and the State of California
2006 through 2015**

<u>Year</u> ⁽¹⁾	<u>City of Del Mar</u>	<u>City of Encinitas</u>	<u>City of Solana Beach</u>	<u>San Diego County</u>	<u>State of California</u>
2006	4,234	59,532	12,797	2,976,492	36,116,202
2007	4,206	59,378	12,790	2,998,477	36,399,676
2008	4,186	59,411	12,780	3,032,689	36,704,375
2009	4,172	59,453	12,805	3,064,436	36,966,713
2010 ⁽²⁾	4,161	59,518	12,867	3,095,313	37,223,900
2011	4,181	59,819	12,925	3,115,810	37,427,946
2012	4,171	60,016	12,927	3,128,387	37,680,593
2013	4,213	60,699	13,031	3,164,818	38,030,609
2014	4,221	61,042	13,059	3,192,457	38,357,121
2015	4,238	61,518	13,104	3,227,496	38,714,725

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: California State Department of Finance, Demographic Research Unit. March 2015 Benchmark.

Personal Income

The following table shows of per capita personal income for the County, the State and the United States from 2005 through 2014.

**PER CAPITAL PERSONAL INCOME⁽¹⁾
2005 through 2014
San Diego County, State of California, and United States**

<u>Year</u>	<u>San Diego County</u>	<u>% Change</u>	<u>State of California</u>	<u>% Change</u>	<u>United States</u>	<u>% Change</u>
2005	\$41,365	--	\$39,046	--	\$35,904	--
2006	43,457	5.1%	41,693	6.8%	38,144	6.2%
2007	44,680	2.8	43,182	3.6	39,821	4.4
2008	45,886	2.7	43,786	1.4	41,082	3.2
2009	43,819	-4.5	41,588	(5.0)	39,376	(4.2)
2010	44,563	1.7	42,411	2.0	40,277	2.3
2011	47,095	5.7	44,852	5.8	42,453	5.4
2012	48,990	4.0	47,614	6.2	44,266	4.3
2013	49,907	1.9	48,125	1.1	44,438	0.4
2014	51,459	3.1	49,985	3.9	46,049	3.6

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Industry

The School District is included in the San Diego-Carlsbad Metropolitan Statistical Area (the “MSA”). The distribution of employment in the MSA is presented in the following table for calendar years 2011 through 2015. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends within the communities served by the School District.

**INDUSTRY EMPLOYMENT & LABOR FORCE
San Diego-Carlsbad Metropolitan Statistical Area
2011 through 2015⁽¹⁾**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Farm	9,800	9,800	9,800	9,400	9,100
Mining, Logging and Construction	55,600	57,400	61,300	64,300	69,900
Manufacturing:	96,000	97,800	99,000	101,600	105,300
Wholesale Trade	41,500	43,500	43,900	43,700	44,000
Retail Trade	133,400	137,200	141,300	144,300	146,800
Transportation, Warehousing & Utilities	26,100	27,300	27,200	27,000	28,200
Information	24,200	24,500	24,300	24,400	23,900
Financial Activities	67,400	69,700	70,800	69,400	71,400
Professional & Business Services	207,700	213,900	221,600	224,900	230,900
Education & Health Services	167,900	174,500	181,000	186,000	193,200
Leisure & Hospitality	155,600	161,700	168,600	177,000	184,000
Other Services	47,700	49,200	49,300	52,000	53,000
Government	229,000	227,800	229,500	231,900	235,900
Total (all industries)	1,261,800	1,294,300	1,327,500	1,355,900	1,395,500

⁽¹⁾ Annual averages, unless otherwise specified.

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2015 Benchmark.

Employment

The following table summarizes Annual Average Labor Force data for the Cities, County and State during years 2011 through 2015.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Del Mar, City of Encinitas, City of Solana Beach,
San Diego County and State of California
2011 through 2015

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2011	City of Del Mar	2,400	2,400	--	1.1%
	City of Encinitas	32,100	9,400	2,700	8.4
	City of Solana Beach	6,800	6,100	700	9.6
	San Diego County	1,524,600	1,367,200	157,300	10.3
	State of California	18,419,500	16,260,100	2,159,400	11.7
2012	City of Del Mar	2,500	2,500	--	0.9%
	City of Encinitas	32,600	30,100	2,400	7.4
	City of Solana Beach	6,800	6,200	600	8.5
	San Diego County	1,542,800	1,402,000	140,800	9.1
	State of California	18,554,800	16,630,100	1,924,700	10.4
2013	City of Del Mar	2,500	2,500	--	0.8%
	City of Encinitas	32,700	30,700	2,100	6.4
	City of Solana Beach	6,800	6,300	500	7.3
	San Diego County	1,547,000	1,425,900	121,100	7.8
	State of California	18,671,600	17,002,900	1,668,700	8.9
2014	City of Del Mar	2,500	2,500	--	0.7%
	City of Encinitas	32,700	31,000	1,400	5.2
	City of Solana Beach	6,800	6,400	400	6.0
	San Diego County	1,549,800	1,450,300	99,500	6.4
	State of California	18,811,400	17,397,100	1,414,300	7.5
2015	City of Del Mar	2,600	2,600	--	0.5%
	City of Encinitas	33,100	31,700	1,700	4.2
	City of Solana Beach	6,900	6,500	300	4.8
	San Diego County	1,563,800	1,482,500	81,300	5.2
	State of California	18,981,800	17,798,600	1,183,200	6.2

Note: Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2015 Benchmark.

Largest Employers

The following tables list the largest employers located in the County as of June 30, 2015.

**LARGEST EMPLOYERS
San Diego County
2015**

<u>Rank</u>	<u>Employer</u>	<u>Number of Local Employees</u>
1.	University of California San Diego	29,287
2.	County of San Diego	17,044
3.	Sharp Healthcare	16,896
4.	Scripps Health	14,644
5.	Qualcomm, Inc.	13,500
6.	Kaiser Permanente	7,535
7.	UC San Diego Health	7,229
8.	YMCA of San Diego County	5,487
9.	Rady Children’s Hospital – San Diego	5,122
10.	General Atomics Aeronautical Systems Inc.	5,088

Source: San Diego County ‘Comprehensive Annual Financial Report’ for the year ending June 30, 2015.

Taxable Sales

The following tables summarize annual taxable sales data in the County and Cities for years 2007 through 2013.

**TAXABLE SALES
San Diego County
2008-2013
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2008	41,695	\$31,715,672	87,050	\$45,329,136
2009	52,808	27,958,518	80,595	39,728,657
2010	55,462	29,475,489	83,194	41,623,636
2011	56,723	31,985,292	83,971	45,090,382
2012	57,143	34,153,236	84,267	47,947,035
2013	58,466	35,948,594	85,143	50,297,331

Note: In 2009, retail permits expanded to include permits for food services.

Source: “Taxable Sales in California (Sales & Use Tax),” California Board of Equalization.

**ANNUAL TAXABLE SALES
City of Del Mar
2008 through 2013
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2008	633	98,944	1,126	125,369
2009	827	94,521	1,080	117,299
2010	908	99,635	1,173	128,720
2011	931	109,310	1,179	139,129
2012	1,014	113,816	1,271	148,366
2013	1,226	127,731	1,517	153,000

Note: In 2009, retail permits expanded to include permits for food services.

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

**ANNUAL TAXABLE SALES
City of Encinitas
2008 through 2013
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2008	1,180	842,141	2,828	955,823
2009	1,827	762,263	2,667	855,562
2010	1,898	793,460	2,756	886,134
2011	1,942	855,019	2,801	956,243
2012	1,875	911,471	2,759	1,020,798
2013	1,928	954,112	2,783	1,066,253

Note: In 2009, retail permits expanded to include permits for food services.

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

**ANNUAL TAXABLE SALES
City of Solana Beach
2008 through 2013
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2008	396	202,124	802	251,717
2009	492	172,324	786	226,458
2010	536	192,660	836	241,650
2011	538	203,420	825	255,481
2012	546	214,518	827	252,494
2013	560	212,097	843	242,756

Note: In 2009, retail permits expanded to include permits for food services.

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Building Activity

The following tables summarize new building permits and valuations in the County and Cities for years 2010 through 2014.

BUILDING PERMITS AND VALUATIONS
County of San Diego
2010-2014
(Dollars in Thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Valuation (\$000s)</u>					
Residential	\$975,270	\$1,304,638	\$1,435,880	\$2,060,249	\$1,818,853
Non-residential	<u>658,867</u>	<u>1,072,380</u>	<u>952,317</u>	<u>1,425,426</u>	<u>1,920,627</u>
Total	\$1,634,137	\$2,377,018	\$2,388,197	\$3,485,675	\$3,739,480
<u>New Housing Units</u>					
Single Units	2,255	2,252	1,865	2,539	2,276
Multiple Units	<u>1,092</u>	<u>2,968</u>	<u>3,687</u>	<u>5,803</u>	<u>4,327</u>
Total	3,347	5,220	5,552	8,342	6,603

Note: Totals may not add due to independent rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Del Mar
2010-2014
(Dollars in Thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Valuation (\$000s)</u>					
Residential	\$4,383	\$11,549	\$8,627	\$7,338	\$14,666
Non-residential	<u>2,952</u>	<u>1,196</u>	<u>562</u>	<u>618</u>	<u>1,071</u>
Total	\$7,335	\$12,745	\$9,189	\$7,956	\$15,737
<u>New Housing Units</u>					
Single Units	2	9	6	4	13
Multiple Units	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total	2	9	6	4	13

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Encinitas
2010-2014
(Dollars in Thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Valuation (\$000s)</u>					
Residential	\$18,204	\$35,741	\$41,738	\$34,761	\$64,087
Non-residential	<u>30,735</u>	<u>22,243</u>	<u>9,298</u>	<u>12,697</u>	<u>10,815</u>
Total	\$48,939	\$57,984	\$51,036	\$47,458	\$74,902
<u>New Housing Units</u>					
Single Units	35	89	78	88	158
Multiple Units	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2</u>
Total	35	89	101	88	160

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Solana Beach
2010-2014
(Dollars in Thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Valuation (\$000s)</u>					
Residential	\$10,191	\$11,381	\$8,330	\$6,861	\$20,355
Non-residential	<u>2,727</u>	<u>4,609</u>	<u>2,934</u>	<u>2,559</u>	<u>5,079</u>
Total	\$12,918	\$16,190	\$11,264	\$9,420	\$25,434
<u>New Housing Units</u>					
Single Units	6	8	6	2	9
Multiple Units	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	6	8	6	2	9

Note: Totals may not add to sums because of rounding.

Source: *Construction Industry Research Board.*

APPENDIX D
FORM OF BOND COUNSEL OPINION

APPENDIX E**FORM OF CONTINUING DISCLOSURE AGREEMENT**

THIS CONTINUING DISCLOSURE AGREEMENT (“Disclosure Agreement”), dated as of October 1, 2016, is executed and delivered by the SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY (the “Issuer”), and Willdan Financial Services, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance of \$_____ aggregate principal amount of the San Dieguito School Facilities Financing Authority Subordinate Special Tax Revenue Bonds, Series 2016 and \$_____ aggregate principal amount of the San Dieguito School Facilities Financing Authority Special Tax Revenue Bonds, Subordinated Series 2016B (together, the “Bonds”). The Bonds are being issued pursuant to a Trust Agreement (the “Trust Agreement”) dated as of October 1, 2016 between the Issuer and U.S. Bank National Association (the “Trustee”). The proceeds of the Bonds will be used to acquire the Local Obligations (as defined below) and refund certain outstanding bonds of the Authority and the Districts (as defined below), to fund the reserve funds securing the Bonds and to pay costs of issuance of the Bonds. The Issuer and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

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

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Section 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income purposes.

“Disclosure Representative” shall mean the Executive Director of the Issuer, or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee and the Issuer a written acceptance of such designation.

“Districts” shall mean San Dieguito Union High School District Community Facilities District No. 94-2 and San Dieguito Union High School District Community Facilities District No. 03-1.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Local Obligations” shall mean, collectively, the San Dieguito Union High School District Community Facilities District No. 94-2 Special Tax Revenue Bonds, Series 2016 and San Dieguito Union High School District Community Facilities District No. 03-1 Special Tax Revenue Bonds, Series 2016.

“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.

“Official Statement” means the Official Statement for the Bonds dated September __, 2016.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated

“Owners” shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Trustee.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“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 the San Dieguito Union High School District.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or upon written direction shall cause the Dissemination Agent to, not later than February 1 after the end of the Issuer’s Fiscal Year (currently June 30) commencing with the report due by February 1, 2017, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer and the School District, if any exist, may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year of the Issuer or the School District changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) Not later than (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to inquire if the Issuer is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository, in the form required by the Repository.

(d) The Dissemination Agent shall:

(i) determine each year prior to date for providing the Annual Report the name and address of the Repository if other than the MSRB; and

(ii) file a report with the Issuer certifying that the Annual Report has been sent to the Repository and the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Agreement, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the Issuer and the School District for the prior fiscal year, if any have been prepared and which, if prepared, shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided, however, that the Issuer and the School District may, from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer or the School District shall modify the basis upon which its financial statements are prepared, the Issuer or the School District, as applicable, shall provide the information referenced in Section 8 below. If the Issuer or the School District are preparing audited financial statements and such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following:

(i) the principal amount of Bonds outstanding as of the September 2 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Trust Agreement and the Reserve Requirement as of the September 2 preceding the filing of the Annual Report;

(iii) any changes to the Rates and Methods of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a description of any parcels for which the Special Taxes have been prepaid in the Fiscal Year for which the Annual Report is being prepared;

(iv) an update of Tables __, __ and __ in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

(v) the status of any foreclosure actions being pursued by the Districts with respect to delinquent Special Taxes; and

(vi) any information not already included under (i) through (v) above that the Districts are required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

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 Issuer or related public entities, which have been submitted to each of the Repository 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 Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: for the purposes of the event identified in subparagraph (9), 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 governmental 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.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. 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;
3. appointment of a successor or additional trustee or the change of the name of a trustee;

4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. notices of redemption; and
7. release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under Section 5(b) above, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with the Repository in a timely manner not more than 10 business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be Willdan Financial Services. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

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

(b) The undertaking hereunder, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement 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.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment related to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the formed accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer 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 Issuer 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 Issuer shall have no obligation under this 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 Issuer to comply with any provision of this Disclosure Agreement, the Trustee at the written direction of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, 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 Issuer to comply with its obligations under this Disclosure Agreement, but only to the extent funds have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorney. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

Issuer:	San Dieguito School Facilities Financing Authority 1401 West Valencia Drive Fullerton, California 92833 Attention: Executive Director
Dissemination Agent:	Willdan Financial Services

Participating Underwriter: Stifel, Nicolaus & Company, Incorporated

Attention:

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notice or communications should be sent.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the 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. 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.

SAN DIEGUITO SCHOOL FACILITIES FINANCING
AUTHORITY

By: _____
Its:

Willdan Financial Services, as Dissemination Agent

By: _____
Its: Authorized Officer

APPENDIX F**DTC AND THE BOOK-ENTRY-ONLY SYSTEM**

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.

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

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

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

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

ITEM 3B

11. 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, Security certificates will be printed and delivered to DTC.

APPENDIX G
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ITEM 3C

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGUITO SCHOOL FACILITIES FINANCING AUTHORITY DECLARING ITS OFFICIAL INTENT TO REIMBURSE PROJECT EXPENDITURES WITH BOND PROCEEDS AND RELATED ACTIONS

WHEREAS, the San Dieguito School Facilities Financing Authority (the “Authority”) intends to issue (or caused to be issued) and sell lease revenue, general obligation or other bonds (the “Bonds”) in order to finance certain capital costs as further described in Exhibit A attached hereto (collectively, the “Project”);

WHEREAS, beginning the 60-day period prior to the date hereof, the Authority has paid or incurred, or expects to pay or incur, costs with respect to the Project prior to the issuance of the Bonds in order to finance the Project;

WHEREAS, the Authority also may have paid or incurred certain ‘preliminary expenditures’ in connection with the Project, which term includes architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project, other than land acquisition, site preparation, and similar costs incident to commencement of construction;

WHEREAS, in order to reimburse itself for the payment, or pay unpaid costs, of the Project, the Authority anticipates it will issue debt obligations in an amount not expected to exceed \$31,000,000 in the first series of obligations of the Bonds for the purpose of financing costs of the Project;

WHEREAS, proceeds of such debt obligations (including the Bonds) will be allocated to reimbursement expenditures no later than 18 months after the later of (i) the date the cost is paid, or (ii) the date the Project (or each component thereof) is placed in service or abandoned (but in no event more than three years after the cost is paid);

WHEREAS, the Authority will serve as the issuer of the Bonds and is the applicable authorized entity to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of indebtedness;

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Authority to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of indebtedness; and

WHEREAS, the Authority wishes to declare its official intent to use proceeds of indebtedness (such as the Bonds) to reimburse Project expenditures paid before its obligations are issued and to finance Project costs on a long-term basis with the proceeds of such indebtedness.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Dieguito School Facilities Financing Authority, as follows:

ITEM 3C

Section 1. All of the recitals herein contained are true and correct and the Board of Directors (the “Board”) so finds.

Section 2. This Resolution is adopted by the Board solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. Unless otherwise defined, terms used herein shall have the meaning set forth in the Internal Revenue Code of 1986 and in Section 1.150-2 of the Treasury Regulations. This Resolution does not bind the Authority to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 3. The officers, employees and agents of the Authority are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the actions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

Section 4. All actions heretofore taken by the officers, employees and agents of the Authority with respect to the actions set forth above are hereby approved, confirmed and ratified.

Section 5. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 15th day of September, 2016.

Chair of the Board of Directors of the
San Dieguito School Facilities
Financing Authority

ATTEST:

Secretary of the Board of Directors of the
San Dieguito School Facilities
Financing Authority

EXHIBIT A**PROJECT DESCRIPTIONS****COMMUNITY FACILITIES DISTRICT NO. 03-1
OF THE SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

The types of Facilities proposed to be financed by Community Facilities District No. 03-1 (the “CFD”) of the San Dieguito Union High School District (the “District”) under the Mello-Roos Community Facilities Act of 1982, as amended (the “Act”) are as follows.

“Facilities” means the acquisition, planning, construction and/or financing of school facilities, including classrooms, multi-purpose, administration and auxiliary space at each school, central support and administrative facilities, interim housing, transportation and special education facilities, together with furniture, equipment and technology, together with all land or interest in land required for the construction of such facilities and all land or interests in land required to be provided by the District as mitigation of environmental impacts associated with the development of such school facilities as well as all related incidental expenses and the costs to the District and Owner (as defined below) related to the negotiation, execution and implementation of the Amendment and Restatement of Funding and Mitigation Agreement, to be entered into in connection with the financing of the CFD by the District, The San Dieguito Union High School District Financing Authority, Community Facilities Districts No. 95-1, 99-1, 99-2 and 99-3, and Pardee Homes (the “Owner”).

The Facilities shall also include the attributable costs of engineering, design, planning, materials testing, coordination, construction staking and construction, together with the expenses related to the issuance and sale of any “debt” as defined in Section 53317(d) of the Act, including underwriters’ discount, appraisals, market studies, reserve fund, capitalized interest, bond counsel, special tax consultant, bond and official statement printing, administrative expenses of the District, the CFD and bond trustee or fiscal agent related to the CFD, the Owner, and any such debt and all other incidental expenses.

The Facilities shall be constructed, whether or not acquired in their completed states, pursuant to plans and specifications approved by the District, or other governmental entity that will own and operate the same.

The Facilities listed in this Exhibit A are representative of the types of improvements to be furnished by the CFD. Detailed scope and limits of specific projects will be determined as appropriate, consistent with the standards of the District. Addition, deletion, or modification of descriptions of Facilities may be made consistent with the requirements of the Board of Education of the District.

**COMMUNITY FACILITIES DISTRICT NO. 94-2
OF THE SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

Purchase, construction, expansion, improvement or rehabilitation of facilities and land with an estimated useful life of five (5) years or longer, and planning and design work directly related thereto, for Oakcrest Junior High School, Diegueno Junior High School, a new junior high school in south Carlsbad, San Dieguito High School, a new high school in south Carlsbad, Sunset High School, Adult Education facilities and Continuation High School facilities.