

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See “LEGAL MATTERS – Tax Matters” herein with respect to tax consequences relating to the Bonds.

FULLERTON SCHOOL DISTRICT FINANCING AUTHORITY

\$15,400,000

SPECIAL TAX REVENUE REFUNDING BONDS 2013 SERIES A (SENIOR LIEN BONDS)

\$1,075,000

SPECIAL TAX REVENUE REFUNDING BONDS 2013 SERIES B (JUNIOR LIEN BONDS)

Due: September 1 as shown on inside cover

Dated: Date of Delivery

The Fullerton School District Financing Authority Special Tax Revenue Refunding Bonds, 2013 Series A (Senior Lien Bonds) (the “Series A Bonds”) and the Fullerton School District Financing Authority Special Tax Revenue Refunding Bonds, 2013 Series B (Junior Lien Bonds) (the “Series B Bonds”) and together with the Series A Bonds, the “Bonds”) are being issued by the Fullerton School District Financing Authority (the “Authority”) to acquire certain special tax obligations (the “Local Obligations”) of community facilities districts (the “Districts”) formed by the Fullerton School District. The Local Obligations are being issued to refund two outstanding series of bonds issued by the Districts. See “FINANCING PLAN.”

The Series A Bonds are payable solely from Revenues (defined herein) pledged by the Authority pursuant to that certain Indenture of Trust, dated as of August 1, 2013 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). Revenues consist primarily of special taxes levied in the Districts and paid to the Authority as debt service on the Local Obligations. The Series B Bonds are payable from Subordinated Revenues (defined herein) pledged by the Authority pursuant to the Indenture. Subordinated Revenues generally consist of Revenues remaining after payment of debt service on the Series A Bonds and replenishment of the Series A Reserve Fund, if necessary. See “SECURITY FOR THE BONDS – Revenues and Subordinated 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, 2014. 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 Series A Bonds maturing on September 1 of the years 2017 through 2031, 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 ASSURED GUARANTY MUNICIPAL CORP. (“AGM” or the “Insurer”). See “BOND INSURANCE” herein.



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. THE SERIES B BONDS ARE NOT RATED BY ANY RATING AGENCY, INVOLVE A HIGH DEGREE OF RISK AND ONLY PERSONS WITH SUBSTANTIAL FINANCIAL RESOURCES WHO UNDERSTAND THE RISKS OF INVESTMENT IN THE SERIES B BONDS SHOULD CONSIDER SUCH AN INVESTMENT. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “SPECIAL RISK FACTORS” AND “RISK FACTORS UNIQUELY RELATING TO SERIES B BONDS” 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 Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority, and the School District by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, and for the Underwriter by Nossaman LLP, Irvine, California. It is anticipated that the Bonds in definitive form will be available for delivery to DTC or its agent on or about August 8, 2013.

PiperJaffray®

MATURITY SCHEDULE
2013 Series A (Senior Lien Bonds)
11,950,000 Series A Serial Bonds

<i>Maturity (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP[†] No.</i>
2014	\$585,000	2.000%	0.680%	35981M AA8
2015	640,000	3.000	1.270	35981M AB6
2016	660,000	3.000	1.740	35981M AC4
2017*	680,000	3.000	2.160	35981M AD2
2018*	700,000	4.000	2.530	35981M AE0
2019*	715,000	4.000	2.900	35981M AF7
2020*	750,000	4.000	3.210	35981M AG5
2021*	785,000	4.000	3.530	35981M AH3
2022*	815,000	3.625	3.830	35981M AJ9
2023*	840,000	4.000	4.000	35981M AK6
2024*	875,000	4.000	4.180	35981M AL4
2025*	910,000	4.125	4.320	35981M AM2
2026*	955,000	4.250	4.510	35981M AN0
2027*	1,000,000	5.000	4.640 [‡]	35981M AP5
2028*	1,040,000	5.000	4.760 [‡]	35981M AQ3

\$3,450,000 5.000% Series A Term Bonds due September 1, 2031*, Priced to yield 5.000% CUSIP[†] No. 35981M AT7

2013 Series B (Junior Lien Bonds)
\$830,000 Series B Serial Bonds

<i>Maturity (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP[†] No.</i>
2014	\$40,000	2.000%	1.080%	35981M AU4
2015	45,000	2.000	1.770	35981M AV2
2016	45,000	2.000	2.370	35981M AW0
2017	45,000	3.000	3.090	35981M AX8
2018	50,000	3.250	3.610	35981M AY6
2019	50,000	3.500	3.900	35981M AZ3
2020	50,000	3.750	4.160	35981M BA7
2021	55,000	4.125	4.410	35981M BB5
2022	55,000	4.375	4.650	35981M BC3
2023	60,000	4.500	4.810	35981M BD1
2024	60,000	4.750	5.000	35981M BE9
2025	65,000	4.875	5.130	35981M BF6
2026	65,000	5.000	5.260	35981M BG4
2027	70,000	5.125	5.390	35981M BH2
2028	75,000	5.250	5.480	35981M BJ8

\$245,000 5.500% Series B Term Bonds due September 1, 2031, Priced to yield 5.670% CUSIP[†] No. 35981M BK5

[†] CUSIP® is a registered trademark of the American Bankers Association. Copyright© 2013 Standard & Poor's, a Division of The McGraw Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the Authority nor the Underwriter takes any responsibility for the accuracy of such numbers.

* Insured Bonds.

[‡] Yield to call at par on September 1, 2023.

FULLERTON SCHOOL DISTRICT FINANCING AUTHORITY

Beverly Berryman, President
Chris Thompson, Clerk
Janny Meyer, Member
Hilda Sugarman, Member
Lynn Thornley, Member

**FULLERTON SCHOOL DISTRICT
COUNTY OF ORANGE, CALIFORNIA**

BOARD OF EDUCATION

Beverly Berryman, President
Janny Meyer, Vice President
Chris Thompson, Clerk
Hilda Sugarman, Member
Lynn Thornley, Member

SCHOOL DISTRICT ADMINISTRATORS

Robert Pletka, Ed.D., Superintendent
Susan Cross Hume, Assistant Superintendent, Business Services

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Irvine, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore PC
Denver, Colorado

Investment in the Bonds, especially the Series B 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 Fullerton School District Financing Authority, Fullerton School District and Community Facilities Districts formed by Fullerton 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 Indenture 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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and Appendix G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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OFFICIAL STATEMENT

FULLERTON SCHOOL DISTRICT FINANCING AUTHORITY
\$15,400,000
SPECIAL TAX REVENUE
REFUNDING BONDS
2013 SERIES A (SENIOR LIEN BONDS)

\$1,075,000
SPECIAL TAX REVENUE
REFUNDING BONDS
2013 SERIES B (JUNIOR LIEN BONDS)

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 following two series of bonds (collectively, the “Bonds”):

Series A Bonds: Fullerton School District Financing Authority Special Tax Revenue Refunding Bonds, 2013 Series A (Senior Lien Bonds) (the “Series A Bonds”); and

Series B Bonds: Fullerton School District Financing Authority Special Tax Revenue Refunding Bonds, 2013 Series B (Junior Lien Bonds) (the “Series B 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 Fullerton School District Financing Authority (the “Authority”) to acquire the “Local Obligations” described below and to fund separate reserve funds for the Series A Bonds and the Series B 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 Fullerton School District (the “School District”) in order to refund existing bonded indebtedness and reduce the annual special taxes (the “Special Taxes”) paid by taxpayers within the community facilities districts as described herein. The net proceeds of the Local Obligations, along with other available funds, will be used as follows (see “FINANCING PLAN” herein):

- (i) to make deposits for the purpose of paying (A) interest on the Prior CFD Bonds (as defined below) through the first optional redemption date for each issue, and (B) the remaining outstanding principal of the Prior CFD Bonds (and applicable redemption premiums) on such redemption date; and
- (ii) to pay the costs of issuing the Bonds.

The Bonds; The Local Obligations

Series A Bonds. The Series A 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 Series A Bonds under the Indenture. The debt service on each series of Local Obligations is paid from the proceeds of special taxes (the “Special Taxes”) levied on the taxable property related to such Local Obligations which remain after the payment of administrative expenses. See “SECURITY FOR THE LOCAL OBLIGATIONS” and Appendix C – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.”

Series B Bonds. The Series B Bonds are payable from “Subordinated Revenues,” as defined more completely below, generally consisting of Revenues remaining after payment of debt service on the Series A Bonds and replenishment of the Series A Reserve Fund, if necessary, and amounts held in the funds and accounts established and held for the benefit of the Series B Bonds under the Indenture.

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. 2000-1 Bonds: \$960,000 Community Facilities District No. 2000-1 of the Fullerton School District 2013 Special Tax Refunding Bonds (the “CFD No. 2000-1 Bonds”) being issued by Community Facilities District No. 2000-1 of the Fullerton School District (“CFD No. 2000-1”) to refund the outstanding Community Facilities District No. 2000-1 of the Fullerton School District 2001 Special Tax Bonds (the “Prior CFD No. 2000-1 Bonds”). The CFD No. 2000-1 Bonds are payable from Special Taxes levied on taxable property in CFD No. 2000-1. See “THE COMMUNITY FACILITIES DISTRICTS – Community Facilities District No. 2000-1” herein.

CFD No. 2001-1 Bonds: \$15,515,000 Community Facilities District No. 2001-1 of the Fullerton School District 2013 Special Tax Refunding Bonds (the “CFD No. 2001-1 Bonds”) being issued by Community Facilities District No. 2001-1 of the Fullerton School District (“CFD No. 2001-1”) to refund the outstanding Community Facilities District No. 2001-1 of the Fullerton School District Series 2001 Special Tax Bonds (the “Prior CFD No. 2001-1 Bonds”). The CFD No. 2001-1 Bonds are payable from Special Taxes levied on taxable property in CFD No. 2001-1. See “THE COMMUNITY FACILITIES DISTRICTS – Community Facilities District No. 2001-1” herein.

CFD No. 2000-1 and CFD No. 2001-1 are collectively referred to in this Official Statement as the “Districts.” The CFD No. 2000-1 Bonds and the CFD No. 2001-1 Bonds are collectively referred to in this Official Statement as the “Local Obligations.” The Prior CFD No. 2000-1 Bonds and the Prior CFD No. 2001-1 Bonds are collectively referred to in this Official Statement as the “Prior CFD Bonds.”

Bond Insurance

The scheduled payment of principal and interest on the Series A Bonds maturing on September 1 of the years 2017 through 2031, 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 Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). 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 an Indenture of Trust dated as of August 1, 2013

(the “Indenture”), 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 Bond Indentures, each dated as of August 1, 2013 (each, a “Local Obligation Bond Indenture”), each by and between the applicable District and U.S. Bank National Association, as fiscal agent.

Sources of Payment for the Bonds and the Local Obligations

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

- (a) all amounts received from the Local Obligations;
- (b) any proceeds of the Series A Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Series A Bonds (other than the Rebate Fund and the Surplus Fund); and
- (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Series A Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

Series B Bonds. The Series B Bonds are secured by a first lien on and pledge of all of the Subordinated Revenues. “Subordinated Revenues” are defined in the Indenture to include:

- (a) any proceeds of the Series B Bonds originally deposited with the Trustee,
- (b) all amounts remaining in the Revenue Fund on each Interest Payment Date after deposits to the Series A Funds and Accounts required pursuant to the Indenture,
- (c) all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Series B Bonds (other than the Rebate Fund and the Surplus Fund); and
- (d) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Series B Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

See “SECURITY FOR THE BONDS – Revenues and Subordinated Revenues; Flow of Funds” herein.

Local Obligations. Each Local Obligation will be payable from Net Special Taxes collected in the applicable District as a result of the levy of Special Taxes. Net Special Taxes are the Special Taxes which remain after the payment of Administrative Expenses up to the amount permitted by the applicable Local Obligation Bond Indenture. See “SECURITY FOR THE LOCAL OBLIGATIONS – Special Taxes; Gross Special Taxes; Net Special Taxes.

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

The Districts are participants in the County's Teeter Plan, which is an alternative method for the distribution of secured property taxes to local agencies. See "SECURITY FOR THE LOCAL OBLIGATIONS — The Teeter Plan" below. So long as the Districts remain participants in the County's Teeter Plan and are paid under that plan for all Special Taxes levied, the proceeds of any foreclosure sale will be paid to the County and not to the Districts. See "SPECIAL RISK FACTORS – Teeter Plan Termination."

Description of the Bonds

Payments. Interest is payable semiannually on each March 1 and September 1, commencing March 1, 2014. 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 was originally formed July 1, 1888, and encompasses an area of approximately 26 square miles in the northwest portion of Orange County (the "County"). The District operates 15 K-6 elementary schools, two K-8 schools and three grades 7-8 junior high schools. The total enrollment in the School District during fiscal year 2012-13 was approximately 13,830 students. 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 Community Facilities District No. 2000-1 of the Fullerton School District.

Professionals Involved in the Offering

All proceedings in connection with the issuance of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Dolinka Group, LLC 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. Piper Jaffray & Co. is acting as underwriter in connection with the issuance and delivery of the Bonds. Nossaman LLP is acting as counsel to the Underwriter. Causey Demgen & Moore PC, Denver, Colorado will provide escrow verification services.

Stradling Yocca Carlson & Rauth, a Professional Corporation, a Professional Corporation, the Underwriter, and Nossaman LLP will receive compensation contingent upon issuance of the Bonds. Stradling

Yocca Carlson & Rauth, a Professional Corporation, represents the Underwriter in connection with financings unrelated to the Authority, the School District and the Districts.

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 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, 2014 with the report for the 2012-13 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").

The Authority has never before been subject to an undertaking pursuant to the Rule to provide annual reports or notices of certain events. During the last five years, the Districts have not failed to comply in all material respects with their respective undertakings to file annual reports and notices of certain events required pursuant to 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 Series A Reserve Fund and the Series B Reserve Fund.

Refunding of the Prior Bonds. Certain proceeds of the Local Obligations, along with other available moneys, will be deposited into the following funds and accounts to refund and defease the Prior CFD Bonds.

Funds deposited with the fiscal agent for the Prior CFD Bonds will be used to pay principal and interest payable on the Prior Bonds through the redemption dates identified below, and to redeem the remaining outstanding principal amount of the Prior Bonds, as follows:

(a) **Prior CFD No. 2000-1 Bonds:** Proceeds of the CFD No. 2000-1 Bonds together with certain other moneys relating to the Prior CFD No. 2000-1 Bonds will be used (i) to pay debt service on the Prior CFD No. 2000-1 Bonds through September 1, 2013 and (ii) on September 1, 2013, to redeem the Prior CFD No. 2000-1 Bonds maturing after September 1, 2013 at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the redemption date.

(b) **Prior CFD No. 2001-1 Bonds:** Proceeds of the CFD No. 2001-1 Bonds together with certain other moneys relating to the Prior CFD No. 2001-1 Bonds will be used (i) to pay debt service on the Prior CFD No. 2001-1 Bonds through September 1, 2013 and (ii) on September 1, 2013, to redeem the Prior CFD No. 2001-1 Bonds maturing after September 1, 2013 at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the redemption date.

Certain moneys in the existing funds and accounts relating to the Prior Bonds also will be applied to the defeasance of the Prior Bonds. See " – Estimated Sources and Uses of Funds" below. See also "MISCELLANEOUS – Verification of Mathematical Accuracy" below.

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:

	<i>Series A Bonds</i>	<i>Series B Bonds</i>	<i>Total</i>
Sources:			
Principal Amount of the Bonds	\$15,400,000.00	\$1,075,000.00	\$16,475,000.00
Net Original Issue Premium/(Discount)	213,218.70	(19,415.65)	193,803.05
Prior Funds of Authority and Districts	<u>2,410,918.01</u>	<u>162,998.24</u>	<u>2,573,916.25</u>
Total Sources	\$18,024,136.71	\$1,218,582.59	\$19,242,719.30
Uses⁽¹⁾:			
Redemption of Prior Bonds	\$16,299,273.83	\$1,101,967.42	\$17,401,241.25
Series A Reserve Fund	1,274,500.00	--	1,274,500.00
Series B Reserve Fund	--	93,475.00	93,475.00
Underwriter's Discount	192,896.11	13,041.39	205,937.50
Cost of Issuance	180,542.76	10,098.78	190,641.54
Bond Insurance	<u>76,924.01</u>	<u>--</u>	<u>76,924.01</u>
Total Uses	\$18,024,136.71	\$1,218,582.59	\$19,242,719.30

⁽¹⁾ The Authority will acquire the Local Obligations for a total purchase price of \$16,385,941.54 and in consideration of the purchase the 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. 2000-1</i>	<i>CFD No. 2001-1</i>	<i>Total</i>
Sources			
Par Amount	\$960,000.00	\$15,515,000.00	\$16,475,000.00
Plus: Original Issue Premium	10,339.60	183,463.45	193,803.05
Prior Bond Funds	<u>147,193.12</u>	<u>2,426,723.13</u>	<u>2,573,916.25</u>
Total Sources	\$1,117,532.72	\$18,125,186.58	\$19,242,719.30
Uses			
Redemption of Prior Bonds	\$1,003,074.38	\$16,398,166.87	\$17,401,241.25
Series A Reserve Fund ⁽¹⁾	74,192.36	1,200,307.64	1,274,500.00
Series B Reserve Fund ⁽¹⁾	5,441.45	88,033.55	93,475.00
Cost of Issuance Fund ⁽²⁾	18,358.34	172,283.20	190,641.54
Underwriter's Discount	11,988.22	193,949.28	205,937.50
Bond Insurance	<u>4,477.97</u>	<u>72,446.04</u>	<u>76,924.01</u>
Total Uses	\$1,117,532.72	\$18,125,186.58	\$19,242,719.30

⁽¹⁾ On the date of issuance of the Bonds and the Local Obligations, each District will deposit a portion of the proceeds of the Local Obligations into the Accounts of the Series A Reserve Fund and the Series B Reserve Fund established for such District.

⁽²⁾ On the date of issuance of the Bonds and the Local Obligations, each District will deposit a portion of the proceeds of the Local Obligations into the Cost of Issuance Fund held under the Indenture. Amounts in the Cost of Issuance Fund will be used to pay Trustee, Fiscal Agent and Escrow Agent fees, Bond 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 the Series A Bonds and the Series B Bonds (each, a “Series”) 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, 2014 (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, at least five Business Days before 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, 2014, 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, 2023 are not subject to optional call and redemption prior to maturity. The Bonds maturing on or after September 1, 2024 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, 2023 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 Indenture 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 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, 2021 and before	103%
September 1, 2021 and March 1, 2022	102
September 1, 2022 and March 1, 2023	101
September 1, 2023 and thereafter	100

Mandatory Sinking Fund Redemption. The Series A Bonds maturing on September 1, 2031 are subject to mandatory sinking fund redemption prior to maturity, in part, on September 1, 2029, and on each September 1 thereafter by lot, from sinking fund payments at a redemption price equal to the principal amount of Series A 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>
2029	\$1,095,000
2030	1,145,000
2031 (maturity)	1,210,000

The Series B Bonds maturing on September 1, 2031 are subject to mandatory sinking fund redemption prior to maturity, in part, on September 1, 2029, and on each September 1 thereafter by lot, from sinking fund payments at a redemption price equal to the principal amount of Series B 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>
2029	\$80,000
2030	80,000
2031 (maturity)	85,000

In the event that Series A Bonds maturing on September 1, 2031 or Series B Bonds maturing on September 1, 2031 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 2013 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 Indenture. 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 Indenture, 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 Indenture 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 Indenture. See “THE BONDS – Book-Entry Only System.”

Transfer of Bonds. Subject to the book-entry only provisions of the Indenture, 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 Indenture, 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: Series A Bonds, Series B Bonds and Local Obligations

Both of the 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 Series A Bonds and the Series B 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>Series A Bonds Principal</i>	<i>Series A Bonds Interest</i>	<i>Series A Bonds Total Debt Service</i>	<i>Series B Bonds Principal</i>	<i>Series B Bonds Interest</i>	<i>Series B Bonds Total Debt Service</i>	<i>Total Bonds Debt Service</i>
2014	\$585,000.00	\$680,749.26	\$1,265,749.26	\$40,000.00	\$49,836.55	\$89,836.55	\$1,355,585.81
2015	640,000.00	628,168.76	1,268,168.74	45,000.00	46,043.76	91,043.76	1,359,212.50
2016	660,000.00	608,968.76	1,268,968.74	45,000.00	45,143.76	90,143.76	1,359,112.50
2017	680,000.00	589,168.76	1,269,168.74	45,000.00	44,243.76	89,243.76	1,358,412.50
2018	700,000.00	568,768.76	1,268,768.74	50,000.00	42,893.76	92,893.76	1,361,662.50
2019	715,000.00	540,768.76	1,255,768.74	50,000.00	41,268.76	91,268.76	1,347,037.50
2020	750,000.00	512,168.76	1,262,168.74	50,000.00	39,518.76	89,518.76	1,351,687.50
2021	785,000.00	482,168.76	1,267,168.74	55,000.00	37,643.76	92,643.76	1,359,812.50
2022	815,000.00	450,768.76	1,265,768.76	55,000.00	35,375.00	90,375.00	1,356,143.76
2023	840,000.00	421,225.00	1,261,225.00	60,000.00	32,968.76	92,968.76	1,354,193.76
2024	875,000.00	387,625.00	1,262,625.00	60,000.00	30,268.76	90,268.76	1,352,893.76
2025	910,000.00	352,625.00	1,262,625.00	65,000.00	27,418.76	92,418.76	1,355,043.76
2026	955,000.00	315,087.50	1,270,087.50	65,000.00	24,250.00	89,250.00	1,359,337.50
2027	1,000,000.00	274,500.00	1,274,500.00	70,000.00	21,000.00	91,000.00	1,365,500.00
2028	1,040,000.00	224,500.00	1,264,500.00	75,000.00	17,412.50	92,412.50	1,356,912.50
2029	1,095,000.00	172,500.00	1,267,500.00	80,000.00	13,475.00	93,475.00	1,360,975.00
2030	1,145,000.00	117,750.00	1,262,750.00	80,000.00	9,075.00	89,075.00	1,351,825.00
2031	<u>1,210,000.00</u>	<u>60,500.00</u>	<u>1,270,500.00</u>	<u>85,000.00</u>	<u>4,675.00</u>	<u>89,675.00</u>	<u>1,360,175.00</u>
Total	\$15,400,000.00	\$7,388,011.84	\$22,788,011.70	\$1,075,000.00	\$562,511.65	\$1,637,511.65	\$24,425,523.35

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 Ending September 1</i>	<i>CFD No. 2000-1 Debt Service</i>	<i>CFD No. 2001-1 Debt Service</i>	<i>Total Revenues⁽¹⁾</i>
2014	\$77,535.61	\$1,278,050.20	\$1,355,585.81
2015	79,281.26	1,279,931.26	1,359,212.52
2016	78,131.26	1,280,981.26	1,359,112.52
2017	81,981.26	1,276,431.26	1,358,412.52
2018	80,631.26	1,281,031.26	1,361,662.52
2019	78,868.76	1,268,168.76	1,347,037.52
2020	77,093.76	1,274,593.76	1,351,687.52
2021	80,306.26	1,279,506.26	1,359,812.52
2022	78,300.00	1,277,843.76	1,356,143.76
2023	81,450.00	1,272,743.76	1,354,193.76
2024	79,225.00	1,273,668.76	1,352,893.76
2025	76,987.50	1,278,056.26	1,355,043.76
2026	79,681.26	1,279,656.26	1,359,337.52
2027	77,093.76	1,288,406.26	1,365,500.02
2028	79,087.50	1,277,825.00	1,356,912.50
2029	80,825.00	1,280,150.00	1,360,975.00
2030	77,300.00	1,274,525.00	1,351,825.00
2031	<u>78,775.00</u>	<u>1,281,400.00</u>	<u>1,360,175.00</u>
Total	\$1,422,554.45	\$23,002,969.08	\$24,425,523.53

⁽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 Series A Bonds only and for all of 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 amounts would need to be drawn from the Series B Reserve Fund to pay the Series B Bonds, and, if delinquencies reached a high enough level, amounts would need to be drawn from the Series A Reserve Fund to pay the Series A Bonds.

TABLE 3
DEBT SERVICE COVERAGE FOR THE BONDS

<i>Year Ending September 1</i>	<i>Series A Bonds Debt Service</i>	<i>Series B Bonds Debt Service</i>	<i>Total Bonds Debt Service</i>	<i>Total Revenues from Local Obligations</i>	<i>Series A Bonds Debt Service Coverage⁽¹⁾</i>	<i>Total Bonds Debt Service Coverage⁽²⁾</i>
2014	\$1,265,749.26	\$89,836.55	\$1,355,585.81	\$1,355,585.81	107.10%	100%
2015	1,268,168.74	91,043.76	1,359,212.50	1,359,212.52	107.18	100
2016	1,268,968.74	90,143.76	1,359,112.50	1,359,112.52	107.10	100
2017	1,269,168.74	89,243.76	1,358,412.50	1,358,412.52	107.03	100
2018	1,268,768.74	92,893.76	1,361,662.50	1,361,662.52	107.32	100
2019	1,255,768.74	91,268.76	1,347,037.50	1,347,037.52	107.27	100
2020	1,262,168.74	89,518.76	1,351,687.50	1,351,687.52	107.09	100
2021	1,267,168.74	92,643.76	1,359,812.50	1,359,812.52	107.31	100
2022	1,265,768.76	90,375.00	1,356,143.76	1,356,143.76	107.14	100
2023	1,261,225.00	92,968.76	1,354,193.76	1,354,193.76	107.37	100
2024	1,262,625.00	90,268.76	1,352,893.76	1,352,893.76	107.15	100
2025	1,262,625.00	92,418.76	1,355,043.76	1,355,043.76	107.32	100
2026	1,270,087.50	89,250.00	1,359,337.50	1,359,337.52	107.03	100
2027	1,274,500.00	91,000.00	1,365,500.00	1,365,500.02	107.14	100
2028	1,264,500.00	92,412.50	1,356,912.50	1,356,912.50	107.31	100
2029	1,267,500.00	93,475.00	1,360,975.00	1,360,975.00	107.37	100
2030	1,262,750.00	89,075.00	1,351,825.00	1,351,825.00	107.05	100
2031	1,270,500.00	89,675.00	1,360,175.00	1,360,175.00	107.06	100

⁽¹⁾ Calculated by dividing the Total Revenues from Local Obligations column by the Series A Bonds Debt Service column, expressed as a percentage.

⁽²⁾ Calculated by dividing the Total Revenues from Local Obligations column by the Total 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. 2000-1 BONDS

<i>Year Ending September 1</i>	<i>CFD No. 2000-1 Projected Special Tax⁽¹⁾</i>	<i>CFD No. 2000-1 Administrative Expense Requirement⁽²⁾</i>	<i>CFD No. 2000-1 Net Special Taxes</i>	<i>CFD No. 2000-1 Bonds Debt Service</i>	<i>Debt Service Coverage⁽³⁾</i>
2014	\$124,320.66	\$20,000.00	\$104,320.66	\$77,535.61	135%
2015	124,320.66	20,000.00	104,320.66	79,281.26	132
2016	124,320.66	20,000.00	104,320.66	78,131.26	134
2017	124,320.66	20,000.00	104,320.66	81,981.26	127
2018	124,320.66	20,000.00	104,320.66	80,631.26	129
2019	124,320.66	20,000.00	104,320.66	78,868.76	132
2020	124,320.66	20,000.00	104,320.66	77,093.76	135
2021	124,320.66	20,000.00	104,320.66	80,306.26	130
2022	124,320.66	20,000.00	104,320.66	78,300.00	133
2023	124,320.66	20,000.00	104,320.66	81,450.00	128
2024	124,320.66	20,000.00	104,320.66	79,225.00	132
2025	124,320.66	20,000.00	104,320.66	76,987.50	136
2026	124,320.66	20,000.00	104,320.66	79,681.26	131
2027	124,320.66	20,000.00	104,320.66	77,093.76	135
2028	124,320.66	20,000.00	104,320.66	79,087.50	132
2029	124,320.66	20,000.00	104,320.66	80,825.00	129
2030	124,320.66	20,000.00	104,320.66	77,300.00	135
2031	124,320.66	20,000.00	104,320.66	78,775.00	132

⁽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 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 District.

⁽²⁾ The Local Obligation Bond Indenture permits amounts in excess of this amount to be applied to collect delinquent Special Taxes prior to the payment of debt service on the Local Obligations.

⁽³⁾ Calculated by dividing the CFD No. 2000-1 Net Special Taxes column by the CFD No. 2000-1 Bonds Debt Service column, expressed as a percentage.

Source: Dolinka Group, LLC. CFD No. 2000-1 Bonds Debt Service column provided by the Underwriter.

TABLE 5
DEBT SERVICE COVERAGE
FOR THE CFD NO. 2001-1 BONDS

<i>Year Ending September 1</i>	<i>CFD No. 2001-1 Projected Special Tax⁽¹⁾</i>	<i>CFD No. 2001-1 Administrative Expense Requirement⁽²⁾</i>	<i>CFD No. 2001-1 Net Special Taxes</i>	<i>CFD No. 2001-1 Bonds Debt Service</i>	<i>Debt Service Coverage⁽³⁾</i>
2014	\$1,690,750.36	\$55,000.00	\$1,635,750.36	\$1,278,050.20	128%
2015	1,690,750.36	55,000.00	1,635,750.36	1,279,931.26	128
2016	1,690,750.36	55,000.00	1,635,750.36	1,280,981.26	128
2017	1,690,750.36	55,000.00	1,635,750.36	1,276,431.26	128
2018	1,690,750.36	55,000.00	1,635,750.36	1,281,031.26	128
2019	1,690,750.36	55,000.00	1,635,750.36	1,268,168.76	129
2020	1,690,750.36	55,000.00	1,635,750.36	1,274,593.76	128
2021	1,690,750.36	55,000.00	1,635,750.36	1,279,506.26	128
2022	1,690,750.36	55,000.00	1,635,750.36	1,277,843.76	128
2023	1,690,750.36	55,000.00	1,635,750.36	1,272,743.76	129
2024	1,690,750.36	55,000.00	1,635,750.36	1,273,668.76	128
2025	1,690,750.36	55,000.00	1,635,750.36	1,278,056.26	128
2026	1,690,750.36	55,000.00	1,635,750.36	1,279,656.26	128
2027	1,690,750.36	55,000.00	1,635,750.36	1,288,406.26	127
2028	1,690,750.36	55,000.00	1,635,750.36	1,277,825.00	128
2029	1,690,750.36	55,000.00	1,635,750.36	1,280,150.00	128
2030	1,690,750.36	55,000.00	1,635,750.36	1,274,525.00	128
2031	1,690,750.36	55,000.00	1,635,750.36	1,281,400.00	128

⁽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 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 District.

⁽²⁾ The Local Obligation Bond Indenture permits amounts in excess of this amount to be applied to collect delinquent Special Taxes prior to the payment of debt service on the Local Obligations.

⁽³⁾ Calculated by dividing the CFD No. 2001-1 Net Special Taxes column by the CFD No. 2001-1 Bonds Debt Service column, expressed as a percentage.

Source: Dolinka Group, LLC. CFD No. 2001-1 Bonds Debt Service column provided by the Underwriter.

SECURITY FOR THE BONDS

General

As described below, the Series A Bonds are payable primarily from Revenues, and the Series B Bonds are payable primarily from Subordinated Revenues, in each case consisting primarily of amounts received by the Authority from the debt service payments on the Local Obligations.

The Series A Bonds are special obligations of the Authority payable solely from and secured solely by the Revenues pledged therefor in the Indenture. The Series B Bonds are special obligations of the Authority payable solely from and secured solely by the Subordinated Revenues pledged therefor in the Indenture. 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 Indenture. The Authority has no taxing power.

Revenues and Subordinated Revenues; Flow of Funds

Series A Bonds; Revenues. The Series A 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 Indenture.

Series B Bonds; Subordinated Revenues. The Series B Bonds are secured by a first lien on and pledge of all of the Subordinated Revenues. So long as any of the Bonds are Outstanding, the Subordinated Revenues will not be used for any purpose except as is expressly permitted by the Indenture.

Collection by the Trustee. The Trustee will collect and receive all of the Revenues and Subordinated Revenues, and any Revenues and Subordinated 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 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 Series A Interest Account, the Series A Principal Account, the Series B Interest Account and the Series B Principal Account in the amounts and on the dates required to effect the required redemption of the Bonds as set forth in the Indenture. 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 Series A Bonds and then will be deposited to the Series A Reserve Fund to the extent necessary to replenish the Series A 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 Series A Reserve Fund to the extent described above will be deposited to the Revenue Fund for transfer as provided in the Indenture.

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

Series A Interest Account. On each Interest Payment Date, the Trustee will deposit in the Series A Interest Account an amount required to cause the aggregate amount on deposit in the Series A Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Series A Bonds on such date. Moneys in the Series A Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series A Bonds as it shall become due and payable (including accrued interest on any Series A Bonds redeemed prior to maturity). In the event that the amounts on deposit in the Series A Interest Account on any Interest Payment Date, after any transfers from the Series A Reserve Fund, are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Series A Bonds, the Trustee will apply such amounts to the payment of interest on each of the Outstanding Series A Bonds on a pro rata basis.

Series A Principal Account. On each March 1, the Trustee will deposit in the Series A Principal Account an amount equal to one-half of the principal amount of the Series A Bonds that will become due and payable on the next succeeding September 1 or required to be redeemed on such date. On each September 1 on which principal of the Series A Bonds will be payable, the Trustee will deposit in the Series A Principal Account an amount required to cause the aggregate amount on deposit in the Series A Principal Account to equal the principal amount of, and premium (if any) on, the Series A Bonds coming due and payable on such date, or required to be redeemed on such date; provided, however, that no amount will be deposited to effect an optional redemption unless the Trustee has first received a certificate of an Independent Accountant certifying that such deposit to effect an optional redemption of the Series A Bonds will not impair the ability of the Authority to make timely payment of the principal of and interest on the Series A Bonds, assuming for such purposes that the Districts continue to make timely payments on all Local Obligations not then in default. All moneys in the Series A Principal Account will be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Series A Bonds at the maturity thereof or (ii) paying the principal of and premium (if any) on any Series A Bonds upon the redemption thereof.

Series A Reserve Fund. On each Interest Payment Date on which the balance in the Series A Reserve Fund is less than the Series A Reserve Requirement, after making deposits required into the Series A Interest Account and the Series A Principal Account, the Trustee shall transfer from the Revenue Fund an amount sufficient to increase the balance in the Series A Reserve Fund to the Series A Reserve Requirement by depositing the amount necessary to make the various accounts therein equal to, together, the Series A Reserve Requirement, provided the value of the moneys deposited therein, as invested, will be valued at market value on such transfer date for purposes of making such determination.

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

Series B Interest Account. On each Interest Payment Date, the Trustee will deposit in the Series B Interest Account Subordinated Revenues in an amount required to cause the aggregate amount on deposit in the Series B Interest Account, to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Series B Bonds. All moneys in the Series B Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series B Bonds as it becomes due and payable (including accrued interest on any Series B Bonds redeemed prior to maturity). In the event that the amounts on deposit in the Series B Interest Account on any Interest Payment Date, after any transfers from the Series B Reserve Fund, are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Series B Bonds, the Trustee will apply such amounts to the payment of interest on each of the Outstanding Series B Bonds on a pro rata basis.

Series B Principal Account. On each September 1 on which principal of the Series B Bonds will be payable, the Trustee will deposit in the Series B Principal Account Subordinated Revenues in the amount required to cause the aggregate amount on deposit in the Series B Principal Account to equal the principal amount of, and premium (if any) on, the Series B Bonds coming due and payable on such date, or required to be redeemed on such date; provided, however, that no amount will be deposited to effect an optional redemption unless the Trustee has first received a certificate of an Independent Accountant certifying that such deposit to effect an optional redemption of the Series B Bonds will not impair the ability of the Authority to make timely payment of the principal of and interest on the Series B Bonds, assuming for such purposes that the School District and the Districts

continue to make timely payments on all Local Obligations not then in default. All moneys in the Series B Principal Account will be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Series B Bonds at the maturity thereof or (ii) paying the principal of and premium (if any) on any Series B Bonds upon the redemption thereof.

Series B Reserve Fund. On each Interest Payment Date on which the balance in the Series B Reserve Fund is less than the Series B Reserve Requirement, after making deposits to the Series B Interest Account and the Series B Principal Account, the Trustee will transfer from the Revenue Fund an amount sufficient to increase the balance in the Series B Reserve Fund to the Series B Reserve Requirement by depositing the amount necessary to make the various accounts therein equal, together, the Series B Reserve Requirement, provided the value of the moneys deposited therein, as invested, will be valued at market value on such transfer date for purposes of making such determination.

Deficiencies. If on any Interest Payment Date or date for redemption the amount on deposit in the Revenue Fund is inadequate to make the transfers described above as a result of a payment default on an issue of Local Obligations, the Trustee will immediately notify the issuer of such Local Obligations of the amount needed to make the required deposits described above under “Application of Revenues” and “Application of Subordinate Revenues.” In the event that following such notice the Trustee receives additional payments from the issuer of such Local Obligation to cure such shortfall, the Trustee shall deposit such amounts to the Revenue Fund for application in accordance with the Indenture. The Trustee shall disburse or transfer all Subordinate Revenues representing Local Obligations Delinquency Revenues first to cure any event of default on the Series B Bonds and then to replenish the amount in the Series B Reserve Fund to the Series B Reserve Requirement.

Deposit into Rebate Fund. On each Interest Payment Date after making the transfers described above, upon receipt of a Request of the Authority to do so, the Trustee will transfer from the Revenue Fund to the Rebate Fund for deposit in the accounts therein the amounts specified in such Request.

Surplus Fund. On September 1 of each year, after making the deposits described above, the Trustee will transfer all amounts remaining on deposit in the Revenue Fund to the Surplus Fund.

Reserve Funds

Series A Reserve Fund. An account for each issue of Local Obligations will be established in the Series A Reserve Fund (each, an “Account”). The Series A Reserve Requirement will initially be deposited into the following Accounts in an amount equal to the portion of the Series A Reserve Requirement initially allocable to each such Account:

- \$74,192.36 in the CFD No. 2000-1 Account
- \$1,200,307.64 in the CFD No. 2001-1 Account

In the event that the amount of the Series A Reserve Requirement is changed, the Trustee will, upon receipt of a Request of the Authority, adjust the shares of each Account to reflect the new Series A Reserve Requirement.

Subject to the limitations set forth in the following paragraph, moneys in the Series A Reserve Fund will be used to pay the principal of and interest on the Series A Bonds when the moneys in the Series A Interest Account and the Series A Principal Account of the Revenue Fund are insufficient therefor. In addition, amounts in the Series A Reserve Fund may be applied (i) in connection with an optional redemption of Series A Bonds or a defeasance thereof, (ii) when the balance therein equals the principal and interest due on the Series A Bonds to and including maturity, or (iii) when amounts in certain accounts of the Series A Reserve Fund are transferred to the Series A Interest Account and the Series A Principal Account as a credit against the final payments due on the Local Obligations as specified below.

If the amounts in the Series A Interest Account or the Series A Principal Account of the Revenue Fund are insufficient to pay the principal of or interest on the Series A Bonds when due or mandatory sinking fund payments on the Series A Bonds when due, the Trustee shall withdraw from the applicable Series A Reserve Account or Series A Reserve Accounts an amount equal to the deficiency resulting from the delinquency in the payment of scheduled debt service on the applicable series of Local Obligations and transfer such amount to the Series A Interest Account, the Series A Principal Account of the Revenue Fund or both, as applicable. If there are insufficient funds on deposit in a Series A Reserve Account to cover a deficiency resulting from the delinquency in the payment of scheduled debt service on the applicable series of Local Obligations, the Trustee shall withdraw from each of the other Series A Reserve Accounts a share of such insufficiency based upon the proportion of the amount in a Series A Reserve Account to the total amount on deposit in the Series A Reserve Fund and transfer such amounts to the Series A Interest Account, the Series A Principal Account of the Revenue Fund or both, as applicable.

Upon the transfer by the Trustee to the Series A Reserve Fund of Local Obligations Delinquency Revenues, such Revenues shall be allocated to the Series A Reserve Accounts as follows:

First, to the Series A Reserve Account for any series of Local Obligations, other than the Series A Reserve Account to which such Local Obligations Delinquency Revenues relate, that amount necessary to increase the amount on deposit in such account to the applicable Proportionate Share of the Series A Reserve Requirement if the deficiency in the amount on deposit in such account resulted from draws on such account due to delinquencies in the payment of scheduled debt service on that series of Local Obligations from which the Local Obligations Delinquency Revenues were received. In the event that such Local Obligations Delinquency Revenues are not sufficient to increase the amount on deposit in each of applicable Series A Reserve Accounts to the applicable Proportionate Share of the Series A Reserve Requirement, a Proportionate Share of such Local Obligations Delinquency Revenues shall be deposited in each such Series A Reserve Account.

Second, after increasing the amount on deposit in each applicable Series A Reserve Account to the applicable Proportionate Share of the Series A Reserve Requirement pursuant to the first step, to the Series A Reserve Account for the series of Local Obligations from which the delinquent Revenues were received that amount necessary to replenish the amount on deposit in such Series A Reserve Account to the applicable Proportionate Share of the Series A Reserve Requirement.

Third, after making all deposits pursuant to the first and second steps, the remaining Local Obligations Delinquency Revenues, if any, shall be transferred to the Revenue Fund.

When amounts in an Account of the Series A Reserve Fund are sufficient to repay the remaining principal and interest due on the related Series of Local Obligations that will be applied to the Series A Bonds, such amounts will be transferred to the Series A Interest Account and the Series A Principal Account as a credit against the payments due on such Local Obligations, with the amount transferred from an Account being deposited first to the Series A Interest Account as a credit on the interest due on such Local Obligations on such date and the balance being deposited to the Series A Principal Account as a credit on the principal due on such Local Obligations on such date.

Series B Reserve Fund. An account for each issue of Local Obligations will be established in the Series B Reserve Fund (each, an “Account”). The Series B Reserve Requirement will initially be deposited into the following Accounts in an amount equal to the portion of the Series B Reserve Requirement initially allocable to each such Account:

- \$5,441.45 in the CFD No. 2000-1 Account
- \$88,033.55 in the CFD No. 2001-1 Account

In the event that the amount of the Series B Reserve Requirement is changed, the Trustee will, upon receipt of a Request of the Authority, adjust the shares of each Account to reflect the new Series B Reserve Requirement.

Subject to the limitations set forth in the following paragraph, moneys in the Series B Reserve Fund will be used to pay the principal of and interest on the Series B Bonds when due in the event that when the moneys in the Series B Interest Account and the Series B Principal Account of the Revenue Fund are insufficient therefor. In addition, amounts in the Series B Reserve Fund may be applied (i) in connection with an optional redemption of Series B Bonds or a defeasance thereof, (ii) when the balance therein equals the principal and interest due on the Series B Bonds to and including maturity, or (iv) when amounts in certain Accounts of the Series B Reserve Fund are transferred to the Series B Interest Account and the Series B Principal Account as a credit against the final payments due on the Local Obligations as specified below.

If the amounts in the Series B Interest Account or the Series B Principal Account of the Revenue Fund are insufficient to pay the principal of or interest on the Series B Bonds when due or mandatory sinking fund payments on the Series B Bonds when due, the Trustee shall withdraw from the applicable Series B Reserve Account or Series B Reserve Accounts an amount equal to the deficiency resulting from the delinquency in the payment of scheduled debt service on the applicable series of Local Obligations and transfer such amount to the Series B Interest Account, the Series B Principal Account of the Revenue Fund or both, as applicable. If there are insufficient funds on deposit in a Series B Reserve Account to cover a deficiency resulting from the delinquency in the payment of scheduled debt service on the applicable series of Local Obligations, the Trustee shall withdraw from each of the other Series B Reserve Accounts an amount based upon the proportion of the amount in a Series B Reserve Account to the total amount on deposit in the Series B Reserve Fund and transfer such amounts to the Series B Interest Account, the Series B Principal Account of the Revenue Fund or both, as applicable.

Upon the transfer by the Trustee to the Series B Reserve Fund of Local Obligations Delinquency Revenues, such Revenues shall be allocated to the Series B Reserve Accounts as follows:

First, to the Series B Reserve Account for any series of Local Obligations, other than the Series B Reserve Account to which such Local Obligations Delinquency Revenues relate, that amount necessary to increase the amount on deposit in such account to the applicable Proportionate Share of the Series B Reserve Requirement if the deficiency in the amount on deposit in such account resulted from draws on such account due to delinquencies in the payment of scheduled debt service on that series of Local Obligations from which the Local Obligations Delinquency Revenues were received. In the event that such Local Obligations Delinquency Revenues are not sufficient to increase the amount on deposit in each of applicable Series B Reserve Accounts to the applicable Proportionate Share of the Series B Reserve Requirement, a Proportionate Share of such Local Obligations Delinquency Revenues shall be deposited in each such Series B Reserve Account.

Second, after increasing the amount on deposit in each applicable Series B Reserve Account to the applicable Proportionate Share of the Series B Reserve Requirement pursuant to the first step, to the Series B Reserve Account for the series of Local Obligations from which the Local Obligations Delinquency Revenues were received that amount necessary to replenish the amount on deposit in such Series B Reserve Account to the applicable Proportionate Share of the Series B Reserve Requirement.

Third, after making all deposits pursuant to the first and second steps, the remaining Local Obligations Delinquency Revenues, if any, shall be transferred to the Revenue Fund.

When amounts in an Account of the Series B Reserve Fund are sufficient to repay the remaining principal and interest due on the related Local Obligations that will be applied to the Series B Bonds, such amounts will be transferred to the Series B Interest Account and the Series B Principal Account as a credit against the payments due on such Local Obligations, with the amount transferred from an Account being

deposited first to the Series B Interest Account as a credit on the interest due on such Local Obligations on such date and the balance being deposited to the Series B Principal Account as a credit on the principal due on such Local Obligations on such date.

Surplus Fund

Any amounts transferred to the Surplus Fund will no longer be considered Revenues or Subordinated Revenues and will not be pledged to repay the Bonds. So long as Local Obligations are outstanding, on September 1 of each year after setting aside any amount specified in a Request of the Authority as necessary to pay Administrative Expenses, all of the remaining balance, if any, in the Surplus Fund will be transferred by the Trustee to the School District Treasurer for credit to the special tax fund of the Districts, and each District shall be credited a percentage of the total amount available on each September 1 that is equal to the percentage that its outstanding Local Obligations represent of all outstanding Local Obligations held by the Trustee as of the date of disbursement.

In the event that the Local Obligations have been prepaid or defeased in whole, then any amounts in the Surplus Fund may be used by the Authority for any lawful purpose, including, but not limited to, the payment of expenses of the School District relating to the Bonds, the Local Obligations, the Districts, or any other purpose as specified in a Request of the Authority delivered to the Trustee.

On September 1 of the year preceding the year of the final maturity of the Bonds, the remaining balance in the Surplus Fund shall be credited by the Trustee on a proportionate basis, to each special tax fund established with respect to Local Obligations of the Community Facilities Districts. Such amounts shall be applied to reduce debt service payments on Local Obligations.

Additional Bonds

The Authority may issue Additional Bonds secured on a parity with Series A Bonds ("Additional Series A Bonds"), and may issue Additional Bonds secured on a parity with Series B Bonds ("Additional Series B Bonds"), in each case in such principal amount as shall be determined by the Authority, pursuant to a Supplemental Indenture adopted or entered into by the Authority but only for the purpose of refunding Bonds or Additional Bonds.

Additional Bonds may only be issued subject to the following conditions precedent established by the Indenture:

(a) The Authority shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures.

(b) The proceeds of such Additional Series A Bonds will be applied to accomplish a refunding of all or a portion of the Series A Bonds or any Additional Series A Bonds Outstanding and the proceeds of such Additional Series B Bonds will be applied to accomplish a refunding of all or a portion of the Series B Bonds or any Additional Series B Bonds Outstanding.

(c) The Supplemental Indenture providing for the issuance of such Additional Bonds must provide that interest thereon will be payable on September 1 and March 1, and principal thereof will be payable on September 1 in any year in which principal is payable.

(d) Prior to the delivery of any Additional Bonds, a written certificate must be provided to the Authority and the Trustee by an Independent Financial Consultant or Independent Accountant which certifies that the Annual Debt Service in each Bond Year on the Additional Bonds does not exceed the Annual Debt Service in each Bond Year on the Bonds defeased or redeemed with the proceeds of such Additional Bonds.

(e) The Supplemental Indenture providing for the issuance of Additional Bonds may provide for the establishment of separate funds and accounts.

(f) No Event of Default has occurred and be continuing with respect to the Bonds or any of the Local Obligations.

(g) The Authority will deliver to the Trustee a written Certificate of the Authority certifying that the conditions precedent to the issuance of such Additional Bonds set forth in subsections (a), (b), (c), (d) and (f) above have been satisfied and that, upon the issuance of such Additional Bonds an amount equal to the Series A Reserve Requirement, as adjusted (if necessary) to reflect the issuance of such Additional Bonds will be on deposit in the Series A Reserve Fund and an amount equal to the Series B Reserve Requirement as adjusted (if necessary) to reflect the issuance of such Additional Bonds will be on deposit in the Series B Reserve Fund.

SECURITY FOR THE LOCAL OBLIGATIONS

General

Each Local Obligation is a limited obligation of the applicable District payable solely from Net Special Taxes (defined below) collected in the applicable District and amounts deposited by the District in the Special Tax Fund (exclusive of the Administrative Expense Account). Each District's limited obligation to pay the principal of, premium, if any, and interest on the applicable Local Obligations from Net Special Taxes collected in the applicable District and amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) is absolute and unconditional.

No Local Obligation (and no Parity Bonds issued under the Local Obligation Bond Indenture relating to the Local Obligations, each a "Local Obligation Parity Bond") is a legal or equitable pledge, charge, lien or encumbrance upon any of the District's property, or upon any of its income, receipts or revenues, except the Net Special Taxes collected in the applicable District and other amounts in the Special Tax Fund (except the Administrative Expense Account).

None of the Special Taxes levied in one District may be used to pay debt service on the Local Obligations of another District. Except for the Net 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 related interest, and no Owner of the Bonds may compel the exercise of taxing power by the School District or a District or the forfeiture of any of its property. The principal of and interest on the Local Obligations and premiums upon the redemption thereof, if any, are not a debt of any District or the School District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction.

The Districts are participants in the County's Teeter Plan, which is an alternative method for the distribution of secured property taxes to local agencies. See "— The Teeter Plan" below.

Special Taxes; Gross Special Taxes; Net Special Taxes

The "Special Taxes" for each District are levied and collected according to the rate and method of apportionment (each, a "Rate and Method") established for such District. See "THE COMMUNITY FACILITIES DISTRICTS" and Appendix C – "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS."

The "Net Special Taxes" pledged by each District to the related the Local Obligations (and any related Local Obligation Parity Bonds) is defined in the Local Obligation Bond Indentures as "Gross Special Taxes" minus amounts set aside to pay Administrative Expenses.

“Gross Special Taxes” is defined as the amount of all Special Taxes received by the District, together with the proceeds collected from the sale of property pursuant to the foreclosure provisions of the related Local Obligation Bond Indenture for the delinquency of such Special Taxes remaining after the payment of all costs related to such foreclosure actions.

Each District covenants in each Local Obligation Bond Indenture relating to its Local Obligations that it will receive all Special Taxes in trust for the Owners of the related Local Obligations, and will instruct the Treasurer to deposit all Special Taxes with the Fiscal Agent immediately upon their apportionment to the District, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by the Local Obligation Bond Indenture.

Except for the portion of any prepayment of Special Taxes to be deposited into the Redemption Account established under the applicable Local Obligation Bond Indenture, the Fiscal Agent under the Local Obligation Bond Indenture will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Authority as the owner of the related Local Obligations. The Fiscal Agent will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Local Obligation Bond Indenture, in the following order of priority, to:

- (1) The Administrative Expense Account of the Special Tax Fund up to the Administrative Expense Requirement;
- (2) The Interest Account of the Special Tax Fund;
- (3) The Principal Account of the Special Tax Fund;
- (4) The Redemption Account of the Special Tax Fund;
- (5) The Administrative Expense Account of the Special Tax Fund for Administrative Expenses in excess of the Administrative Expense Requirement; and
- (6) The Surplus Fund.

The Special Tax is collected in the manner and at the same time as ad valorem property taxes are collected and is subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

Local Obligation Parity Bonds

Each Local Obligation Bond Indenture authorizes the applicable District to issue additional bonds secured by Net Special Taxes on a parity with the related Local Obligations for a District but only for the purpose of refunding all or a portion of the Local Obligations or Local Obligation Parity Bonds of such District. Local Obligations shall only be refunded if a corresponding amount of Bonds are refunded. For a description of the conditions established in each Local Obligation Bond Indenture for the issuance of Local Obligation Parity Bonds, see Appendix A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Priority of Lien

Each installment of the Special Taxes and any interest and penalties thereon, constitutes a lien on the parcel of land on which it was imposed until the same is paid. Such lien is co-equal to and independent of the lien for general taxes, any other community facilities district special taxes. See “THE COMMUNITY FACILITIES DISTRICTS – The Districts in the Aggregate” herein.

Covenants of the Districts

In each Local Obligation Bond Indenture, the applicable District covenants as follows, among other things:

Punctual Payment. It will duly and punctually pay or cause to be paid the principal of and interest on each Local Obligation (and any related Local Obligation Parity Bond) issued under its Local Obligation Bond Indenture, together with the premium, if any to the extent that Net Special Taxes and other amounts pledged under the Local Obligation Bond Indenture are available therefor.

Against Encumbrance. It will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Special Taxes except as provided in the related Local Obligation Bond Indenture, and will not issue any obligation or security having a lien or charge upon the Net Special Taxes superior to or on a parity with the related Local Obligations (other than related Local Obligation Parity Bonds). Nothing in the Local Obligation Bond Indenture prevents the District from issuing or incurring indebtedness which is payable from a pledge of Net Special Taxes which is subordinate in all respects to the pledge of Net Special Taxes to repay the related Local Obligations and the related Local Obligation Parity Bonds.

Levy of Special Tax. So long as any Local Obligations or Local Obligation Parity Bonds are Outstanding, the legislative body of the District will levy the related Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay (1) the principal of and interest on such Local Obligations and any such Local Obligation Parity Bonds when due, (2) the Administrative Expenses, (3) any amounts required to replenish the Series A Reserve Fund resulting from the delinquency in the payment of the scheduled debt service on the Local Obligations Outstanding, and (4) any amounts required to replenish the Series B Reserve Fund resulting from the delinquency in the payment of the scheduled debt service on the Local Obligations Outstanding (collectively, the “Special Tax Requirement”). Each District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District’s authority to levy the Special Tax for so long as the related Local Obligations and any related Local Obligation Parity Bonds are Outstanding.

Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Local Obligations (which is the Authority) and any Local Obligation Parity Bonds that it:

- (i) will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due, and
- (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied and the amount on deposit in the applicable Account of the Reserve Fund established for the District under the Indenture is at less than the Proportionate Share of the Reserve Requirement, and
- (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in each Reserve Account of the Reserve Funds established for the District under the Indenture is at least equal to the Proportionate Share of the Reserve Requirement.

Each District may, but is not obligated to, advance funds from any source of legally available funds in order to maintain the applicable Accounts of the Reserve Funds.

Each District covenants that it will deposit the net proceeds of any foreclosure and any other Delinquency Proceeds in the related Special Tax Fund and will apply such proceeds remaining after the payment of the Administrative Expense Requirement to pay any delinquent installments of principal and interest on the Local Obligations of the District and any Local Obligation Parity Bonds of the District and to make current payments of principal and interest on the Local Obligations of the District and any Local Obligation Parity Bonds of the District.

However, the Districts are participants in the County's Teeter Plan, which is an alternative method for the distribution of secured property taxes to local agencies. See "— The Teeter Plan" below. So long as the Districts remain participants in the County's Teeter Plan and are paid under that plan for all Special Taxes levied, the proceeds of any foreclosure sale will be paid to the County and not to the Districts. If the County's Teeter Plan is terminated (or if the County fails to make payments to a District when due under the Teeter Plan) and foreclosure is necessary at a time when other funds (including amounts in the applicable Reserve Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds.

Reduction of Maximum Special Taxes. Each District covenants that it will not initiate proceedings to reduce the maximum Special Tax rates for a District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the Rate and Method then in effect in the District) in each Bond Year for any related Local Obligations and Local Obligation Parity Bonds Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and gross debt service in each Bond Year on all related Local Obligations and any related Local Obligation Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the related Local Obligations and any related Local Obligation Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the related Local Obligations and any related Local Obligation Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants shall compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year.

The Teeter Plan

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is now set forth in Sections 4701 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of the Teeter Plan by a county board of supervisors, local agencies for which the county acts as "bank" and certain other public agencies and taxing areas located in the county annually receive the full amount of their share of property taxes on the secured role, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with a stable cash flow and the elimination of collection risk.

To implement the Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. The Board of Supervisors of the County adopted the Teeter Plan on June 29, 1993 and has elected to include in its Teeter Plan special taxes levied in certain community facilities districts, including the Districts, on the secured role.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July

15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured role by that agency. See “SPECIAL RISK FACTORS — Teeter Plan Termination.” The County has never discontinued the Teeter Plan with respect to any levying agency.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of special taxes and assessments (if a county has elected to include assessments), 100% of the special tax and assessment delinquencies (excluding penalties) are to be apportioned to the applicable participating local agency. After the initial distribution each participating agency receives 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest free offset against future advances of tax levies under the Teeter Plan.

To the extent that the County's Teeter Plan continues in existence and is carried out as adopted, it may help protect the Owners of the Bonds from the risk of delinquencies in special taxes.

BOND INSURANCE

The information under this caption has been prepared by AGM 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.

Insurance Policy

Concurrently with the issuance of the Bonds maturing on September 1 of the years 2017 through 2031, inclusive (the “Insured Bonds”), AGM will issue the Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of the shareholders of AGL or AGM is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA-” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In

addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings.

On June 12, 2013, S&P published a report in which it affirmed AGM's "AA-" (stable outlook) financial strength rating. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the report, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On January 17, 2013, Moody's issued a press release stating that it had downgraded AGM's insurance financial strength rating to "A2" (stable outlook) from "Aa3". AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013.

Capitalization of AGM.

At March 31, 2013, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,468,362,848 and its total net unearned premium reserve was approximately \$1,990,661,506, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference.

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (filed by AGL with the SEC on March 1, 2013); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 (filed by AGL with the SEC on May 10, 2013).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100).

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters.

AGM or one of its affiliates may purchase a portion of the Insured Bonds offered under this Official Statement and such purchases may constitute a significant portion of the Insured Bonds offered. AGM or such affiliate may hold such the Insured Bonds for investment or may sell or otherwise dispose of such the Insured Bonds at any time or from time to time.

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

THE COMMUNITY FACILITIES DISTRICTS

The Districts in the Aggregate

Introduction. Set forth under this caption is certain information describing the Districts in the aggregate and separate sections on each of them. Although the Authority believes the information with respect to the 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 Districts are taxed according to that 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 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 District and that any such parcel may have a value-to-lien ratio less than the overall value-to-lien ratio for such District and less than the value-to-lien ratio of the Districts in the aggregate.

Development Status. As of January 1, 2012, all of the dwelling units to be constructed within the Districts had been completed and sold.

Value-To-Lien Ratios. The assessed values of all of the taxable property in the Districts (1,220 parcels in total), as established by the County Assessor for Fiscal Year 2012-13, was \$711,172,960. The direct and overlapping indebtedness payable from taxes and assessments levied on the parcels within the Districts as of April 9, 2013 (other than the Prior Bonds), was approximately \$23,580,500.00. The following table sets forth the aggregate assessed value-to-lien ratio of all the taxable property in the Districts based on the Fiscal Year 2012-13 assessed value of each of the Districts. The assessed value-to-lien ratio of all of the Districts taken together is 17.75 to 1.

TABLE 6
FULLERTON SCHOOL DISTRICT FINANCING AUTHORITY
THE DISTRICTS IN AGGREGATE
ASSESSED VALUE-TO-LIEN RATIOS

<i>District</i>	<i>Local Obligations</i>	<i>Share of Direct & Overlapping Debt</i>	<i>Total Debt⁽¹⁾</i>	<i>Assessed Value</i>	<i>Assessed Value-to-Lien Ratio</i>
CFD No. 2000-1	\$960,000.00	\$489,060.00	\$1,449,060.00	\$72,964,443.00	50.35:1
CFD No. 2001-1	<u>15,515,000.00</u>	<u>23,091,440.00</u>	<u>38,606,440.00</u>	<u>638,208,517.00</u>	<u>16.53:1</u>
Total	<u>\$16,475,000.00</u>	<u>\$23,580,500.00</u>	<u>\$40,055,500.00</u>	<u>\$711,172,960.00</u>	<u>17.75:1</u>

⁽¹⁾ Represents sum of Local Obligations and each District's Share of direct and overlapping debt (other than the Prior Bonds).
Source: Dolinka Group, LLC.

Table 7 sets forth the assessed value-to-lien ranges for the taxable property in the Districts on an aggregate basis based on the Fiscal Year 2012-13 assessed values and the direct and overlapping debt as of April 9, 2013.

TABLE 7
FULLERTON SCHOOL DISTRICT FINANCING AUTHORITY
THE DISTRICTS IN AGGREGATE
ESTIMATED VALUE-TO-LIEN RATIOS BY RANGE

<i>Estimated Assessed Value-to-Lien Ratio Range</i>	<i>Number of Parcels</i>	<i>Fiscal Year 2012-13 Special Tax</i>	<i>Percentages of Fiscal Year 2012-13 Special Tax</i>	<i>Pro Rata Share of Outstanding Local Obligations⁽¹⁾</i>	<i>Share of Other Direct and Overlapping Debt</i>	<i>Total Assessed Value⁽²⁾</i>	<i>Estimated Assessed Value-to-Lien Ratios⁽³⁾</i>
0 – 2.99	--	--	--	--	--	--	N/A
3.00 – 4.99	--	--	--	--	--	--	N/A
5.00 – 10.99	8	\$11,712.84	0.57%	\$94,550.54	\$46,378.91	\$1,364,619.00	9.68:1
11.00 - 24.99	1,122	1,897,238.12	92.96	15,315,233.87	23,045,742.13	636,945,505.00	16.60:1
<u>25.00 or more</u>	<u>90</u>	<u>131,958.00</u>	<u>6.47</u>	<u>1,065,215.59</u>	<u>488,378.96</u>	<u>72,862,836.00</u>	<u>46.90:1</u>
Total	<u>1,220</u>	<u>\$2,040,908.96</u>	<u>100.00%</u>	<u>\$16,475,000.00</u>	<u>\$23,580,500.00</u>	<u>\$711,172,960.00</u>	<u>17.75:1</u>

⁽¹⁾ Allocated based on Fiscal Year 2012-13 levy.

⁽²⁾ Fiscal Year 2012-13 assessed values as of January 1, 2013 provided by the Orange 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: Dolinka Group, LLC.

Table 8 sets forth on an aggregate basis for all of the Districts the special tax levies, delinquencies and delinquency rates for Fiscal Years 2006-07 through 2012-13 as of the end of each fiscal year and the remaining delinquencies as of May 23, 2013.

TABLE 8
FULLERTON SCHOOL DISTRICT FINANCING AUTHORITY
THE DISTRICTS IN AGGREGATE
HISTORICAL SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End⁽¹⁾</i>			<i>Delinquencies as of May 23, 2013</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2006-07	\$2,040,908.96	1,220	144	\$51,881.94	2.54%	--	--	--
2007-08	2,040,908.96	1,220	65	74,676.24	3.66	--	--	--
2008-09	2,040,908.96	1,220	79	100,911.12	4.94	--	--	--
2009-10	2,040,908.96	1,220	96	123,864.37	6.07	--	--	--
2010-11	2,040,908.96	1,220	53	65,238.33	3.20	--	--	--
2011-12	2,040,908.96	1,220	15	17,615.74	0.86	2	\$4,769.98	0.23%
2012-13	2,040,908.96	1,220	44 ⁽²⁾	46,562.54 ⁽²⁾	2.28 ⁽²⁾	35	38,965.90	1.91

⁽¹⁾ Delinquencies as of June 30th.

⁽²⁾ Delinquencies as of April 10, 2013.

Source: Dolinka Group, LLC.

The County has adopted the Teeter Plan for the collection and payment of taxes pursuant to which it pays 100% of the amount levied to participating agencies without regard to the actual amount of collections, and the Districts have been participants in the County's Teeter Plan since their respective formations. As a result, the Districts receive 100% of the Special Taxes levied rather than the Special Taxes actually collected, but penalties and interest received upon the collection of delinquent Special Taxes are paid to the County, not the Districts. See "SECURITY FOR THE LOCAL OBLIGATIONS — The Teeter Plan" and "SPECIAL RISK FACTORS – Teeter Plan Termination."

Assessed Values. The assessed values, direct and overlapping debt, and total tax burden on individual parcels varies among parcels within the 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 Districts, total assessed valuation of taxable parcels within the Districts, and percent increase or decrease in such assessed valuation for Fiscal Years 2008-09 through 2012-13.

TABLE 9
FULLERTON SCHOOL DISTRICT FINANCING AUTHORITY
THE DISTRICTS IN AGGREGATE
ASSESSED VALUATION OF TAXABLE PARCELS
FISCAL YEARS 2008-09 THROUGH 2012-13

<i>Fiscal Year</i>	<i>Assessed Value of Land</i>	<i>Assessed Value of Improvements</i>	<i>Total Assessed Valuation⁽¹⁾</i>	<i>Percentage Annual Increase (Decrease)</i>
2008-09	\$384,311,147	\$382,146,677	\$766,457,824	N/A
2009-10	332,877,588	389,103,196	721,980,784	-5.80%
2010-11	334,078,711	390,170,565	724,249,276	0.31%
2011-12	325,011,540	391,072,428	716,083,968	-1.13%
2012-13	317,590,622	393,582,338	711,172,960	-0.69%

⁽¹⁾ Includes assessed values of parcels upon which Special Taxes were levied.
Source: County of Orange County Assessor Roll.

Community Facilities District No. 2000-1

Location and Description. CFD No. 2000-1 consists of 91 single-family residences on approximately 17.94 gross acres located within the boundaries of both the City of Fullerton and the School District. Minimum lot sizes are 2,241 square feet with an average lot size of 3,674 square feet.

Assigned Special Taxes. Table 10 below sets forth the current Assigned Special Taxes that may be levied on the property within CFD No. 2000-1 in fiscal year 2012-13 based on the development status within CFD No. 2000-1 as of May 1, 2012. The Special Taxes in CFD No. 2000-1 may not be levied after the 2040-41 fiscal year. The final maturity of the CFD No. 2000-1 Bonds is September 1, 2031.

TABLE 10
ASSIGNED SPECIAL TAXES
CFD NO. 2000-1

<i>Land Use</i>	<i>Tax Class</i>	<i>Residential Floor Area</i>	<i>No. of Units</i>	<i>Assigned Special Tax Per Unit</i>	<i>Fiscal Year 2012-13 Actual Special Tax Per Unit</i>	<i>Aggregate Fiscal Year 2012-13 Tax</i>	<i>Percent of Total</i>
Residential	1	N/A	<u>91</u>	<u>\$1,466.20</u>	<u>\$1,466.20</u>	<u>\$133,424.00</u>	100.00%
Totals	N/A	N/A	<u>91</u>	<u>\$1,466.20</u>	<u>\$1,466.20</u>	<u>\$133,424.00</u>	<u>100.00%</u>

Source: Dolinka Group, LLC.

For the complete text of the CFD No. 2000-1 Rate and Method, see Appendix C – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.”

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 2000-1 for fiscal years 2006-07 through 2012-13.

TABLE 11
CFD NO. 2000-1
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2006-07 TO 2012-13

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End⁽¹⁾</i>			<i>Delinquencies as of May 23, 2013</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2006-07	\$133,424.20	91	24	\$5,131.70	3.85%	--	--	--
2007-08	133,424.20	91	5	5,864.80	4.40	--	--	--
2008-09	133,424.20	91	5	5,864.80	4.40	--	--	--
2009-10	133,424.20	91	7	7,331.00	5.49	--	--	--
2010-11	133,424.20	91	1	733.10	0.55	--	--	--
2011-12	133,424.20	91	1	733.10	0.55	--	--	--
2012-13 ⁽²⁾	133,424.20	91	--	--	--	--	--	--

⁽¹⁾ Delinquencies as of June 30th.

⁽²⁾ Delinquencies as of April 10, 2013.

Source: Dolinka Group, LLC.

The County has adopted the Teeter Plan for the collection and payment of taxes pursuant to which it pays 100% of the amount levied to participating agencies without regard to the actual amount of collections, and the Districts have been participants in the County's Teeter Plan since their respective formations. As a result, the Districts receive 100% of the Special Taxes levied rather than the Special Taxes actually collected, but penalties and interest received upon the collection of delinquent Special Taxes are paid to the County, not the Districts. See "SECURITY FOR THE LOCAL OBLIGATIONS — The Teeter Plan" and "SPECIAL RISK FACTORS – Teeter Plan Termination."

Direct and Overlapping Debt. The property within CFD No. 2000-1 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. 2000-1 as of April 9, 2013.

TABLE 12
DETAILED DIRECT AND OVERLAPPING DEBT
CFD NO. 2000-1

Report Date: 04/09/2013

Report Time: 12:00:00 PM

I. Assessed Value

2012-2013 Secured Roll Assessed Value

\$72,964,443

II. Secured Property Taxes

<u>Description on Tax Bill</u>	<u>Type</u>	<u>Total Parcels</u>	<u>Total Levy</u>	<u>% Applicable</u>	<u>Parcels</u>	<u>Levy</u>
Basic 1% Levy	PROP13	838,698	\$4,054,226,212.54	0.01788%	91	\$724,744.27
Fullerton Joint Union High School District GOB 2002, 2010 Refunding	GOB	56,032	\$1,962,106.81	0.31914%	91	\$6,261.78
Fullerton Joint Union High School District GOB 2002, Series B	GOB	56,032	\$1,623,746.59	0.31913%	91	\$5,181.93
Fullerton School District CFD No. 2000-1	CFD	110	\$133,424.20	100.00000%	91	\$133,424.20
Fullerton School District GOB 2002, 2010 Refunding	GOB	29,673	\$2,574,734.50	0.59363%	91	\$15,284.29
Fullerton School District GOB 2002, Series B	GOB	29,673	\$672,724.91	0.59360%	91	\$3,993.30
Metropolitan Water District of Southern California Debt Service	GOB	32,807	\$491,163.00	0.51644%	91	\$2,536.58
Metropolitan Water District of Southern California Water Standby	WSTANDBY	32,002	\$369,479.02	0.26353%	91	\$973.70
North OC Community College District GOB 2002, 2005 Refunding	GOB	205,505	\$13,082,904.83	0.07938%	91	\$10,385.41
North OC Community College District GOB 2002, Series 2002B	GOB	205,505	\$4,281,850.63	0.07938%	91	\$3,399.08
Orange County Sanitation District Sewer User Fee	SEWER	146,560	\$89,448,735.42	0.02991%	91	\$26,754.00
Orange County Vector Control Assessment	VECTOR	774,979	\$1,523,250.78	0.01147%	91	\$174.72
Orange County Vector Control Mosquito & Fire Ant Assessment	VECTOR	770,586	\$4,136,909.71	0.01104%	91	\$456.82
2012-2013 TOTAL PROPERTY TAX LIABILITY						\$933,570.08
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2012-2013 ASSESSED VALUATION						1.28%

III. Land Secured Bond Indebtedness

<u>Outstanding Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Parcels</u>	<u>Amount</u>
Fullerton School District CFD No. 2000-1	CFD	\$1,195,000	\$975,000	100.00000%	91	\$975,000
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$975,000
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$975,000

IV. General Obligation Bond Indebtedness

<u>Outstanding Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Parcels</u>	<u>Amount</u>
Fullerton Joint Union High School District GOB 2002	GOB	\$67,937,910	\$53,552,910	0.31780%	91	\$170,193
Fullerton School District GOB 2002	GOB	\$49,700,000	\$33,260,000	0.59107%	91	\$196,589
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$196,545,000	0.00348%	91	\$6,838
North OC Community College District Debt 2002	GOB	\$238,999,002	\$145,910,000	0.07912%	91	\$115,441
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$489,060
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$489,060

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT

\$1,464,060.39

VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT

49.84:1

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

Source: National Tax Data, Inc.

Table 13 below sets forth an estimated property tax bill for a residential unit in CFD No. 2000-1. The estimated tax rates and amounts presented herein are based on information for fiscal year 2012-13. The actual amounts charged may vary and may increase in future years. For fiscal year 2012-13, the projected total effective tax was approximately 1.29% of assessed value.

TABLE 13
SAMPLE TAX BILL
CFD No. 2000-1
TAX YEAR 2012-13

Assessed Valuations and Property Taxes

Assessed Value ⁽¹⁾	\$787,824
Homeowner's Exemption	\$0
Net Assessed Value ⁽²⁾	\$787,824

Ad Valorem Property Taxes	Percent of Total AV	Amount
General Purposes	1.00000%	\$7,878.24
Ad Valorem Tax Overrides		
Fullerton City School District	0.02660%	\$209.56
North Orange County Community College	0.01902%	\$149.84
Fullerton Union High School	0.01579%	\$124.40
Metro Water District - Fullerton	0.00350%	\$27.57
Total Ad Valorem Property Taxes	1.06491%	\$8,389.62

Assessments, Special Taxes and Parcel Charges ⁽³⁾

Orange County Vector Control Mosquito & Fire Ant Assessment	\$5.02
Orange County Vector Control Assessment	\$1.92
Metropolitan Water District of Southern California Water Standby	\$10.70
Fullerton SD CFD No. 2000-1	\$1,466.20
OCSD Sewer User Fee	\$294.00
Total Assessments, Special Taxes and Parcel Charges	\$1,777.84

Total Property Taxes	\$10,167.46
Total Effective Tax Rate	1.29%

⁽¹⁾ Median Fiscal Year 2012/2013 assessed valuation for Special Tax Class 1 within CFD No. 2000-1.

⁽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: Dolinka Group, LLC.

Value-To-Lien Ratios. The Authority has obtained the assessed values of all of the taxable property in CFD No. 2000-1 (91 parcels in total), as established by the County Assessor for Fiscal Year 2012-13, which total \$72,964,443.00. The direct and overlapping special tax and assessment indebtedness within CFD No. 2000-1 as of April 9, 2013 (other than the Prior Bonds), was approximately \$489,060. The assessed value-to-lien ratio of the property within CFD No. 2000-1, based on the fiscal year 2012-13 assessed values, the aggregate principal amount of the CFD No. 2000-1 Bonds and the estimated direct and overlapping indebtedness within CFD No. 2000-1 equals approximately 50.35-to-1.

Table 14 below sets forth the estimated value-to-lien ratios for parcels within CFD No. 2000-1 by various ranges based upon the direct and overlapping debt information included in Table 12.

TABLE 14
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES
CFD NO. 2000-1

<i>Estimated Assessed Value-to-Lien Ratio Range</i>	<i>Number of Parcels</i>	<i>Fiscal Year 2012-13 Special Tax</i>	<i>Percentages of Fiscal Year 2012-13 Special Tax</i>	<i>CFD No. 2000-1 Bonds⁽¹⁾</i>	<i>Share of Other Direct and Overlapping Debt</i>	<i>Assessed Value⁽²⁾</i>	<i>Estimated Assessed Value-to-Lien Ratios⁽³⁾</i>
0 – 2.99	--	--	--	--	--	--	N/A
3.00 – 4.99	--	--	--	--	--	--	N/A
5.00 – 10.99	1	1,466.20	1.10%	\$10,549.45	\$681.04	\$101,607.00	9.05:1
11.00 - 24.99	--	0.00	--	--	--	--	N/A
<u>25.00 or more</u>	<u>90</u>	<u>131,958.00</u>	<u>98.90</u>	<u>949,450.55</u>	<u>488,378.96</u>	<u>72,862,836.00</u>	<u>50.68:1</u>
Total	<u>91</u>	<u>\$133,424.20</u>	<u>100.00%</u>	<u>\$960,000.00</u>	<u>\$489,060.00</u>	<u>\$72,964,443.00</u>	<u>50.35:1</u>

⁽¹⁾ Allocated based on Fiscal Year 2012-13 levy.

⁽²⁾ Fiscal Year 2012-13 assessed values as of January 1, 2013 provided by the Orange County Assessor.

⁽³⁾ Represents “Assessed Value” divided by the sum of “CFD No. 2000-1 Bonds” and “Share of Other Direct and Overlapping Debt.”

Source: *Dolinka Group, LLC.*

Assessed Values. The assessed values, direct and overlapping debt, and total tax burden on individual parcels varies among parcels within CFD No. 2000-1. 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. 2000-1, total assessed valuation of taxable parcels within CFD No. 2000-1, and percent increase or decrease in such assessed valuation for Fiscal Years 2008-09 through 2012-13.

TABLE 15
ASSESSED VALUATION OF TAXABLE PARCELS
CFD NO. 2000-1
FISCAL YEARS 2008-09 THROUGH 2012-13

<i>Fiscal Year</i>	<i>Assessed Value of Land</i>	<i>Assessed Value of Improvements</i>	<i>Total Assessed Valuation⁽¹⁾</i>	<i>Percentage Annual Increase (Decrease)</i>
2008-09	\$30,974,650	\$38,879,265	\$69,853,915	N/A
2009-10	29,622,315	39,762,819	69,385,134	-0.67%
2010-11	29,537,415	39,955,525	69,492,940	0.16
2011-12	30,287,124	40,408,157	70,695,281	1.73
2012-13	31,633,331	41,331,112	72,964,443	3.21

⁽¹⁾ Includes assessed values of parcels upon which Special Taxes were levied.

Source: *County of Orange County Assessor Roll.*

Community Facilities District No. 2001-1

Location and Description. CFD No. 2001-1 was formed by the School District in 2001 to finance various public improvements needed to develop property located within CFD No. 2001-1. CFD No. 2001-1 is a residential development located in the City of Fullerton and is built out with 1,129 completed single family residential dwellings.

Assigned Special Taxes. Table 16 below sets forth the current Assigned Special Taxes that may be levied on the property within CFD No. 2001-1 in fiscal year 2012-13 based on the development status within CFD No. 2001-1 as of May 1, 2012. The Special Taxes in CFD No. 2001-1 may not be levied after the 2040-41 fiscal year. The final maturity of the CFD No. 2001-1 Bonds is September 1, 2031.

TABLE 16
ASSIGNED SPECIAL TAXES
CFD NO. 2001-1

<i>Land Use</i>	<i>Tax Class</i>	<i>Residential Floor Area</i>	<i>No. of Units</i>	<i>Assigned Special Tax Per Unit</i>	<i>Fiscal Year 2012-13 Actual Special Tax Per Unit</i>	<i>Aggregate Fiscal Year 2012-13 Tax</i>	<i>Percent of Total</i>
Attached Unit	1	N/A	450	\$1,060.00	\$1,060.00	\$477,000.00	25.01%
Detached Unit	2	<=1,750	22	1,192.50	1,192.50	26,235.00	1.38
Detached Unit	3	1,751 – 2,250	93	1,612.08	1,612.08	149,923.44	7.86
Detached Unit	4	2,251 – 2,750	200	1,943.32	1,943.32	388,664.00	20.38
Detached Unit	5	2,751 – 3,250	203	2,208.32	2,208.32	448,288.96	23.50
Detached Unit	6	3,251 – 3,750	76	2,429.16	2,429.16	184,616.16	9.68
Detached Unit	7	>3,750	<u>85</u>	2,738.32	2,738.32	<u>232,757.20</u>	<u>12.20</u>
Totals			1,129			\$1,907,484.76	100.00%

Source: Dolinka Group, LLC.

For the complete text of the CFD No. 2001-1 Rate and Method, see Appendix C – “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.”

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 2001-1 for fiscal years 2006-07 through 2012-13.

TABLE 17
CFD NO. 2001-1
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2006-07 TO 2012-13

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End⁽¹⁾</i>			<i>Delinquencies as of May 23, 2013</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2006-07	\$1,907,484.76	1129	120	\$46,750.24	2.52%	--	--	--
2007-08	1,907,484.76	1129	60	68,811.44	3.61	--	--	--
2008-09	1,907,484.76	1129	74	95,046.32	4.98	--	--	--
2009-10	1,907,484.76	1129	89	116,533.37	6.11	--	--	--
2010-11	1,907,484.76	1129	52	64,505.23	3.38	--	--	--
2011-12	1,907,484.76	1129	14	16,882.64	0.89	2	\$4,769.98	0.25%
2012-13	1,907,484.76	1129	44 ⁽²⁾	46,452.54 ⁽²⁾	2.44 ⁽²⁾	35	38,965.90	2.04

⁽¹⁾ Delinquencies as of June 30th.

⁽²⁾ Delinquencies as of April 10, 2013.

Source: *Dolinka Group, LLC.*

The County has adopted the Teeter Plan for the collection and payment of taxes pursuant to which it pays 100% of the amount levied to participating agencies without regard to the actual amount of collections, and the Districts have been participants in the County's Teeter Plan since their respective formations. As a result, the Districts receive 100% of the Special Taxes levied rather than the Special Taxes actually collected, but penalties and interest received upon the collection of delinquent Special Taxes are paid to the County, not the Districts. See "SECURITY FOR THE LOCAL OBLIGATIONS — The Teeter Plan" and "SPECIAL RISK FACTORS – Teeter Plan Termination."

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Direct and Overlapping Debt. The property within CFD No. 2001-1 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. 2001-1 as of April 9, 2013.

TABLE 18
DETAILED DIRECT AND OVERLAPPING DEBT
CFD NO. 2001-1

Report Date: 04/09/2013

Report Time: 12:00:00 PM

I. Assessed Value

2012-2013 Secured Roll Assessed Value **\$659,569,198**

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Basic 1% Levy	PROP13	838,698	\$4,054,226,212.54	0.15640%	1,129	\$6,340,838.24
City of Fullerton CFD No. 1	CFD	1,138	\$1,545,998.68	98.05951%	1,129	\$1,515,998.68
Fullerton Joint Union High School District GOB 2002, 2010 Refunding	GOB	56,032	\$1,962,106.81	2.79212%	1,129	\$54,784.38
Fullerton Joint Union High School District GOB 2002, Series B	GOB	56,032	\$1,623,746.59	2.79211%	1,129	\$45,336.87
Fullerton School District CFD No. 2001-1	CFD	1,213	\$1,907,484.76	100.00000%	1,129	\$1,907,484.76
Fullerton School District GOB 2002, 2010 Refunding	GOB	29,673	\$2,574,734.50	5.19361%	1,129	\$133,721.62
Fullerton School District GOB 2002, Series B	GOB	29,673	\$672,724.91	5.19349%	1,129	\$34,937.90
Metropolitan Water District of Southern California Debt Service	GOB	32,807	\$491,163.00	4.51849%	1,129	\$22,193.15
Metropolitan Water District of Southern California Water Standby	WSTANDBY	32,002	\$369,479.02	2.62085%	905	\$9,683.50
North OC Community College District GOB 2002, 2005 Refunding	GOB	205,505	\$13,082,904.83	0.69452%	1,129	\$90,863.83
North OC Community College District GOB 2002, Series 2002B	GOB	205,505	\$4,281,850.63	0.69452%	1,129	\$29,738.14
Orange County Sanitation District Sewer User Fee	SEWER	176,557	\$90,491,364.80	0.36713%	1,130	\$332,220.00
Orange County Vector Control Assessment	VECTOR	774,979	\$1,523,250.78	0.10522%	1,129	\$1,602.79
Orange County Vector Control Mosquito & Fire Ant Assessment	VECTOR	770,586	\$4,136,909.71	0.11503%	1,129	\$4,758.58
2012-2013 TOTAL PROPERTY TAX LIABILITY						\$10,524,162.44
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2012-2013 ASSESSED VALUATION						1.60%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
City of Fullerton CFD No. 1	CFD	\$21,375,000	\$19,040,000	98.05951%	1,129	\$18,670,531
Fullerton School District CFD No. 2001-1	CFD	\$19,450,000	\$15,900,000	100.00000%	1,129	\$15,900,000
TOTAL LAND SECURED BOND INDEBTEDNESS (1)						\$34,570,531
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS (1)						\$34,570,531

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount
Fullerton Joint Union High School District GOB 2002	GOB	\$67,937,910	\$53,552,910	2.87282%	1,129	\$1,538,476
Fullerton School District GOB 2002	GOB	\$49,700,000	\$33,260,000	5.34300%	1,129	\$1,777,082
Metropolitan Water District of Southern California GOB 1966	GOB	\$850,000,000	\$196,545,000	0.03145%	1,129	\$61,808
North OC Community College District Debt 2002	GOB	\$238,999,002	\$145,910,000	0.71520%	1,129	\$1,043,542
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$4,420,909
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS (1)						\$4,420,909

TOTAL OF ALL OUTSTANDING AND OVERLAPPING BONDED DEBT **\$38,991,439.78**
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT **16.92:1**

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

Source: National Tax Data, Inc.

Table 19 below sets forth estimated property tax bills for a residential units in various tax rate classes in CFD No. 2001-1. The estimated tax rates and amounts presented herein are based on information for fiscal year 2012-13. The actual amounts charged may vary and may increase in future years. For fiscal year 2012-13, the projected total effective tax ranges from 1.56% to 1.70% of assessed value.

TABLE 19
SAMPLE TAX BILL
CFD No. 2001-1
TAX YEAR 2012-13

Assessed Valuations and Property Taxes		Special Tax Class 1 (1,457 BSF)	Special Tax Class 2 (1,651 BSF)	Special Tax Class 3 (1,835 BSF)	Special Tax Class 4 (2,728 BSF)	Special Tax Class 5 (2,763 BSF)	Special Tax Class 6 (3,395 BSF)	Special Tax Class 7 (4,181 BSF)
Assessed Value ⁽¹⁾		\$402,960	\$510,000	\$550,690	\$605,964	\$704,000	\$809,780	\$836,801
Homeowner's Exemption		\$0	\$0	\$0	\$0	(\$7,000)	(\$7,000)	(\$7,000)
Net Assessed Value ⁽²⁾		\$402,960	\$510,000	\$550,690	\$605,964	\$697,000	\$802,780	\$829,801
Ad Valorem Property Taxes		Percent of Total AV						
General Purposes	1.00000%	\$5,100.00	\$5,100.00	\$5,506.90	\$6,059.64	\$6,970.00	\$8,027.80	\$8,298.01
Ad Valorem Tax Overrides								
Fullerton City School District	0.02660%	\$107.19	\$146.48	\$161.19	\$185.40	\$213.54	\$220.73	\$220.73
North Orange County Community College	0.01902%	\$76.64	\$104.74	\$115.25	\$132.57	\$152.69	\$157.83	\$157.83
Fullerton Union High School	0.01579%	\$63.63	\$86.95	\$95.68	\$110.06	\$126.76	\$131.03	\$131.03
Metro Water District - Fullerton	0.00350%	\$14.10	\$19.27	\$21.21	\$24.40	\$28.10	\$29.04	\$29.04
Total Ad Valorem Property Taxes	1.06491%	\$4,291.16	\$5,431.04	\$5,864.35	\$6,452.97	\$7,422.42	\$8,548.88	\$8,836.63
Assessments, Special Taxes and Parcel Charges ⁽³⁾								
Orange County Vector Control Mosquito & Fire Ant Assessment		\$3.00	\$5.02	\$5.02	\$5.02	\$5.02	\$5.02	\$5.02
Orange County Vector Control Assessment		\$0.66	\$1.92	\$1.92	\$1.92	\$1.92	\$1.92	\$1.92
Metropolitan Water District of Southern California Water Standby		\$10.70	\$0.00	\$10.70	\$0.00	\$10.70	\$10.70	\$10.70
City of Fullerton CFD No. 2001-1		\$982.66	\$1,035.42	\$1,572.74	\$1,572.74	\$2,196.52	\$2,321.92	\$2,321.92
Fullerton School District CFD No. 2001-1		\$1,060.00	\$1,612.08	\$1,943.32	\$2,208.32	\$2,429.16	\$2,738.32	\$2,738.32
OCSA Sewer User Fee		\$294.00	\$294.00	\$294.00	\$294.00	\$294.00	\$294.00	\$294.00
Total Assessments, Special Taxes and Parcel Charges		\$2,351.02	\$2,528.86	\$2,948.44	\$3,827.70	\$4,082.00	\$4,937.32	\$5,371.88
Total Property Taxes		\$6,642.18	\$7,959.90	\$8,812.79	\$10,280.67	\$11,504.42	\$13,486.20	\$14,208.51
Total Effective Tax Rate		1.65%	1.56%	1.60%	1.70%	1.63%	1.67%	1.70%

⁽¹⁾ Median Fiscal Year 2012/2013 assessed valuation for each Special Tax Class within CFD No. 2001-1.

⁽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: Dolinka Group, LLC.

Value-To-Lien Ratios. The Authority has obtained the assessed values of all of the taxable property in CFD No. 2001-1 (1,129 parcels in total), as established by the County Assessor for Fiscal Year 2012-13, which totals \$638,208,517. The direct and overlapping special tax and assessment indebtedness within CFD No. 2001-1 as of April 9, 2013 (other than the Prior Bonds), was approximately \$23,091,440.00. The assessed value to lien ratio of the property within CFD No. 2001-1, based on the fiscal year 2012-13 assessed values, the aggregate principal amount of the CFD No. 2001-1 Bonds and the estimated direct and overlapping indebtedness within CFD No. 2001-1 equals approximately 16.53-to-1.

Table 20 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 18.

TABLE 20
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES
CFD NO. 2001-1

<i>Estimated Assessed Value-to-Lien Ratio Range</i>	<i>Number of Parcels</i>	<i>Fiscal Year 2012-13 Special Tax</i>	<i>Percentages of Fiscal Year 2012-13 Special Tax</i>	<i>CFD No. 2001- 1 Bonds⁽¹⁾</i>	<i>Share of Other Direct and Overlapping Debt</i>	<i>Assessed Value⁽²⁾</i>	<i>Estimated Assessed Value-to-Lien Ratios⁽³⁾</i>
0 – 2.99	--	--	--	--	--	--	N/A
3.00 – 4.99	--	--	--	--	--	--	N/A
5.00 – 10.99	--	--	--	--	--	--	N/A
11.00 - 24.99	1,129	\$1,907,484.76	100.00%	\$15,515,000.00	\$23,091,440.00	\$638,208,517.00	16.53:1
<u>25.00 or more</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>N/A</u>
Total	<u>1,129</u>	<u>\$1,907,484.76</u>	<u>100.00%</u>	<u>\$15,515,000.00</u>	<u>\$23,091,440.00</u>	<u>\$638,208,517.00</u>	<u>16.53:1</u>

(1) Allocated based on Fiscal Year 2012-13 levy.

(2) Fiscal Year 2012-13 assessed values as of January 1, 2013 provided by the Orange County Assessor.

(3) Represents “Assessed Value” divided by the sum of “CFD No. 2001-1 Bonds” and “Share of Other Direct and Overlapping Debt.”

Source: *Dolinka Group, LLC.*

Assessed Values. The assessed values, direct and overlapping debt, and total tax burden on individual parcels varies among parcels within CFD No. 2001-1. 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. 2001-1, total assessed valuation of taxable parcels within CFD No. 2001-1, and percent increase or decrease in such assessed valuation for Fiscal Years 2008-09 through 2012-13.

TABLE 21
ASSESSED VALUATION OF TAXABLE PARCELS
CFD NO. 2001-1
FISCAL YEARS 2008-09 THROUGH 2012-13

<i>Fiscal Year</i>	<i>Assessed Value of Land</i>	<i>Assessed Value of Improvements</i>	<i>Total Assessed Valuation⁽¹⁾</i>	<i>Percentage Annual Increase (Decrease)</i>
2008-09	\$353,336,497	\$343,267,412	\$696,603,909	N/A
2009-10	303,255,273	349,340,377	652,595,650	-6.32%
2010-11	304,541,296	350,215,040	654,756,336	0.33
2011-12	294,724,416	350,664,271	645,388,687	-1.43
2012-13	285,957,291	352,251,226	638,208,517	-1.11

(1) Includes assessed values of parcels upon which Special Taxes were levied.

Source: *County of Orange County Assessor Roll.*

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.

Introduction

The School District was originally formed July 1, 1888, and encompasses an area of approximately 26 square miles in the northwest portion of the County. The School District operates 15 K-6 elementary schools, two K-8 schools and three grades 7-8 junior high schools. The total enrollment in the School District during fiscal year 2012-13 was approximately 13,830 students.

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: Fullerton School District, 1401 West Valencia Drive, Fullerton, California 92833, telephone (714) 447-7400, Attention: Assistant Superintendent, Business Services.

Administration

The School District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their office and the date their current term expires, are listed below:

BOARD OF TRUSTEES Fullerton School District

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Beverly Berryman	President	December 2014
Janny Meyer	Vice President	December 2014
Chris Thompson	Clerk	December 2014
Hilda Sugarman	Member	December 2016
Lynn Thornley	Member	December 2016

The Superintendent of the School District is responsible for administering the affairs of the School District in accordance with the policies of the Board. Robert Pletka, Ed.D., is the Superintendent of the District and Susan Cross Hume is the Assistant Superintendent, Business Services of the District.

Recent Enrollment Trends

The following table shows the enrollment history for the School District.

ANNUAL ENROLLMENT
Fiscal Years 1997-98 Through 2012-13
Fullerton School District

Year	Enrollment ⁽¹⁾
1997-98	12,289
1998-99	12,567
1999-00	12,765
2000-01	13,136
2001-02	13,355
2002-03	13,554
2003-04	13,812
2004-05	13,874
2005-06	13,890
2006-07	13,613
2007-08	13,597
2008-09	13,458
2009-10	13,616
2010-11	13,661
2011-12	13,656
2012-13	13,830

⁽¹⁾ Enrollment as of October CBEDS in each school year.

Source: The School District.

General Economic and Demographic Information Regarding the School District

See Appendix B – “DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF ORANGE AND THE SCHOOL DISTRICT’S SERVICE AREA” hereto for general information regarding the economy in the region of the Districts, including data concerning the City of Fullerton and the County of Orange.

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. 2001-1 have declined by approximately 8.38%, although assessed valuations have remained relatively stable in the past year, falling less than 1.11%. Over the last five years, assessed valuations in CFD No. 2000-1 have grown by approximately 4.45%, growing by 3.21% 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 Indenture, 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 Indenture.

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 Orange 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.

CFD No. 2000-1. Property within CFD No. 2000-1 was previously used by UNOCAL/Texaco as an oilfield and the site of gas operations. The developer of CFD No. 2000-1 represented that all discretionary permits and approvals required in connection with the remediation of the site and development for residential use were obtained from applicable City, State and federal agencies. Such developer received a letter dated October 4, 2001, from the County of Orange Health Care Agency (the "Agency") confirming completion of remedial action at the site. With the provision that the information provided to the Agency was accurate and representative of existing conditions, it was the position of the Agency that no further action was required as of October 4, 2001.

CFD No. 2001-1. Property within CFD No. 2001-1 was previously used by Hughes Aircraft Company (later acquired by Raytheon Corporation) as a manufacturing site and offices. Hughes Aircraft Company acquired the site in 1957 and conducted manufacturing from 1959 until 1995. The facility historically was used for the manufacture of radar systems and associated components. During occupancy at the site, Hughes Aircraft Company installed and operated underground storage tanks. By the end of 1995, all of the tanks were either closed and removed, closed in-place or inactive. A program was implemented to reduce the mass of halogenated volatile organic compounds ("HVOC") found in the soil and a perched groundwater zone underlying portions of the site. In addition, there were other chemical storage and handling areas at the site that were investigated. The facility also operated under a Radioactive Material Use Permit (License No. 0039-30) from the California Department of Health Services.

The City engaged TRC, Irvine, California ("TRC") which prepared a Final Report dated September 12, 2000 to provide third-party environmental engineering technical analysis and evaluations of the ongoing remediation of the former Hughes Aircraft Company/Raytheon Corporation property, as part of the development of the District. The report, based on evaluation of available data and mitigation measures undertaken, concurred with previous reports that concluded that the chemicals of potential concern present in the soil at the site did not present a significant risk to the health of nearby residents and/or future residents, there was minimal impact to the regional aquifer beneath the site and the site did not have a radioactivity level above background levels or other evidence of residual radioisotopes.

All discretionary permits and approvals required in connection with the remediation of the site and development for residential and commercial use were obtained from applicable City, State and federal agencies.

In 1996, Raytheon Corporation ("Raytheon") began a Resource Conservation and Recovery Act Facility Investigation (RFI) and Corrective Measures Study ("CMS") pertaining to groundwater and soil contamination that originated at the site. As part of its ongoing investigation Raytheon is working to determine the extent of the contamination and testing treatment technologies that might be used as a final remediation remedy. Raytheon prepares regular progress reports regarding its activities and submits a copy to the Department of Toxic Substances Control (lead agency) and the City to review.

Beginning in 2005, construction of a pilot test groundwater extraction well and bench testing of groundwater treatment technologies was initiated as part of the CMS process. A pilot test groundwater treatment system was constructed and began operation in July 2008. The initial pilot test system extracted and treated deeper groundwater from two extraction wells south of the perched zone. Based on the results of ongoing deeper groundwater investigations conducted in 2008, an additional extraction well was constructed to extract and treat groundwater near the southwest portion of the District. This extraction well was connected to the pilot test treatment system and began operating in March 2010. The treatment system processes extracted groundwater prior to disposal to the sewer system. Additional groundwater investigations and pilot testing of treatment technologies are currently being implemented in support of the CMS. The CMS is subject to public comment before the proposed final remedy is approved. In addition, it is currently anticipated that the pilot groundwater extraction and treatment system will continue operations until the final groundwater remedy is selected. Updates and reports on the status of the CMS are regularly available on the City's website.

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 Bond 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 Indenture, the Local Obligations and the Local Obligation Bond 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 Indenture. Pursuant to the Indenture, 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 INDENTURE – 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 Indenture 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 Indenture or the Local Obligation Bond 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 Indenture.

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 Bond 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 Bond 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.

RISK FACTORS UNIQUELY RELATING TO SERIES B BONDS

In addition to the risks described under the heading "SPECIAL RISK FACTORS," there are several additional risks that are relevant to an investment in the Series B Bonds. The Series B Bonds are subordinate in right of payment to the Series A Bonds. The Series B Bonds are not rated. For this reason, investments in the Series B Bonds involve a high degree of risk and are not appropriate for all investors.

Subordination of Series B Bonds

The Series B Bonds are subordinate to the Series A Bonds in right of payment. Subordinate Revenues will be available to pay obligations on the Series B Bonds only after all payments and deposits in respect of the Series A Bonds have been made as set forth herein and in the Indenture. In the event of delinquencies in the payment of Special Taxes, there may not be sufficient Subordinate Revenues available to pay interest or principal due on any or all of the Series B Bonds then Outstanding.

No Rating of Series B Bonds

The Series B Bonds are not rated by any rating agency, and the Authority does not presently intend to seek any rating of the Series B Bonds nor does the Authority anticipate that the Series B Bonds would qualify for an investment grade rating due to the structure and size of the Series A Bonds.

Remedies Controlled by Owners of the Series A Bonds

The Indenture provides that, upon the occurrence of a default with respect to the Series B Bonds, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the Series B Bonds; provided, however, that the Trustee is not permitted to take any action that would impair the receipt of Revenues necessary to pay the Series A Bonds and any Additional Series A Bonds unless the Owners of a majority in aggregate principal amount of the Outstanding Series A Bonds and Additional Series A Bonds shall have consented to such action. Given this provision, so long as the Series A Bonds and any Additional Series A Bonds are outstanding, the exercise of remedies for any default under the Indenture will be controlled by the Series A Bond Owners and not by the Owners of the Series B Bonds.

LEGAL MATTERS

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California

personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

In the opinion of Bond Counsel, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of a Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

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

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of other similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. 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. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE BONDS, SUCH CHANGES (OR

OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the Local Obligation Bond Indentures and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the Authority, the School District and the Districts continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Should interest on the Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

See Appendix D – "FORM OF BOND COUNSEL OPINION" for a form of the opinion to be provided by Bond Counsel on the date of issuance of the Bonds.

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 Stradling Yocca Carlson & Rauth, a Professional Corporation, 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.

MISCELLANEOUS

Ratings

Series A Bonds. Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's") is expected to assign its municipal bond rating of "AA-" to the Series A Bonds maturing on September 1 of the years 2017 through 2031, inclusive (the "Insured Bonds"). See "BOND INSURANCE" herein.

In addition, Standard & Poor's" has assigned its municipal bond rating of "A" to the Series A Bonds, without regard to the Policy.

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 Series A Bonds.

Series B Bonds. The Series B Bonds are not rated.

Verification of Mathematical Accuracy

Causey Demgen & Moore PC, independent accountants, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them which were prepared by the Underwriter, relating to the sufficiency of moneys and securities deposited with U.S. Bank National Association to pay, when due, the principal, whether at maturity or upon prior prepayment, interest and prepayment premium requirements of Prior CFD No. 2000-1 Bonds and the Prior CFD No. 2001-1 Bonds.

The report of Causey Demgen & Moore PC will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

Underwriting

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter") at the following purchase prices:

Series A Bonds: a purchase price of \$15,343,398.58 (representing the par amount of the Series A Bonds, plus net original issue premium of \$213,218.70, less underwriter's discount of \$192,896.11 and less \$76,924.01 for bond insurance).

Series B Bonds: a purchase price of \$1,042,542.96 (representing the par amount of the Series B Bonds, less net original issue discount of \$19,415.65, and less underwriter's discount of \$13,041.39).

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.

The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to the Underwriter, including the Bonds. Under the Agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission paid to Underwriter.

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. During the last five years, the Districts have not failed to comply in all material respects with their respective undertakings to file annual reports and notices of certain events required pursuant to the Rule.

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 Indenture 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.

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

FULLERTON SCHOOL DISTRICT FINANCING
AUTHORITY

By: /s/ Robert Pletka, Ed.D.
Executive Director

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APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Indenture governing the terms of the Bonds and the form of Local Obligation Bond 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.

SUMMARY OF THE INDENTURE

Definitions. Unless the context otherwise requires, the terms defined below shall for all purposes of the Indenture and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, request or other documents mentioned in the Indenture have the meanings specified in the Indenture.

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as it may be amended from time to time.

“Additional Bonds” means Additional Series A Bonds and/or Additional Series B Bonds, as the case may be.

“Additional Series A Bonds” means additional bonds issued pursuant to the Indenture and secured on a parity with Series A Bonds.

“Additional Series B Bonds” means additional bonds issued pursuant to the Indenture and secured on a parity with Series B Bonds.

“Alternative Penalty Account” means the account by that name established pursuant to the Indenture.

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

“Authority Administrative Expenses” means the fees and expenses of the Trustee, including legal fees and expenses (including fees and expenses of outside counsel and the allocated costs of internal attorneys) and the out of pocket expenses incurred by the Trustee, the District and the Authority in carrying out their duties under the Indenture including payment of amounts payable to the United States pursuant to the Indenture.

“Authorized Officer” means the Chairman, Executive Director or Treasurer of the Authority or any other Person authorized by the Authority to perform an act or sign a document on behalf of the Authority for purposes of the Indenture.

“Authority” means the Fullerton School District Financing Authority, a joint exercise of powers agency established pursuant to the laws of the State, whose members as of the date of the Indenture are the District and Community Facilities District No. 2000-1 of the Fullerton School District, until a successor organization shall have become such, and thereafter “Authority” shall mean such successor organization.

“Beneficial Owners” means the actual purchasers of the Bonds whose ownership interests are recorded on the books of the DTC Participants.

“Bond Counsel” means any attorney at law or firm of attorneys selected by the Authority, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Law” means the Marks Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as it may be amended from time to time.

“Bond Register” means the registration books for the Bonds maintained by the Trustee in accordance with the Indenture.

“Bonds” means collectively, the Series A Bonds and the Series B Bonds and any Additional Bonds authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“Bond Year” means each twelve month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Closing Date of the Series A Bonds and the Series B Bonds to September 1, 2013, both dates inclusive.

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

“Certificate of the Authority” means a certificate in writing signed by the Executive Director or Treasurer of the Authority, or by any other officer of the Authority duly authorized in writing by the Board for that purpose.

“CFD Act” means the Mello-Roos Community Facilities Act of 1982, constituting Chapter 2.5 (commencing with Section 53311), Article 1 of Division 2 of Title 5 of the Government Code of that State of California, as amended from time to time.

“Closing Date” means for each Series the date on which the Bonds of such Series were executed and delivered to the Original Purchaser thereof.

“Code” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations proposed or in effect with respect thereto.

“Community Facilities District” or “CFD” means any one of the Community Facilities Districts.

“Community Facilities Districts” means, collectively, CFD No. 2000-1 and CFD No. 2001-1.

“Community Facilities District No. 2000-1” or “CFD No. 2000-1” means Community Facilities District No. 2000-1 of the Fullerton School District, a community facilities district formed pursuant to the CFD Act.

“Community Facilities District No. 2001-1” or “CFD No. 2001-1” means Community Facilities District No. 2001-1 of the Fullerton School District, a community facilities district formed pursuant to the CFD Act.

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds, the Local Obligations, and the acquisition of the Local Obligations by the Authority, including the acceptance and initial annual fees and expenses (including legal fees and expenses) of the Trustee, legal fees and expenses, costs of printing the Bonds and the preliminary and final Official Statements, fees of financial

consultants, the premium and other amounts payable as a condition to the release of the Insurance Policy, the Underwriter's Discount and other fees and expenses set forth in a Request of the Authority.

"Costs of Issuance Fund" means the fund by that name established in the Indenture.

"Dated Date" means the date on which the Bonds are issued and authenticated by the Trustee.

"Defeasance Securities" means non-callable, non-prepayable obligations of the type set forth in clause (A)(1) and (A)(2) of the definition of Permitted Investments.

"District" means Fullerton School District, a school district duly organized and existing under and by virtue of the laws of the State of California.

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

"DTC Participants" means securities brokers and dealers, banks, trust companies, clearing corporations and other organizations maintaining accounts with DTC.

"Event of Default" means any Series A Event of Default or Series B Event of Default.

"Fiscal Year" means any twelve month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve month period selected and designated by the Authority as its official fiscal year period.

"Indenture" means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions of the Indenture.

"Independent Accountant" means any accountant or firm of such accountants appointed and paid by the Authority, and who, or each of whom –

- (a) is in fact independent and not under domination of the Authority or the District;
- (b) does not have any substantial interest, direct or indirect, in the Authority or the District; and
- (c) is not an officer or employee of the Authority, or the District, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.

"Independent Financial Consultant" means any financial consultant or firm of such consultants appointed and paid by the Authority, and who, or each of whom –

- (a) is in fact independent and not under domination of the Authority or the District;
- (b) does not have any substantial interest, direct or indirect, in the Authority or the District; and
- (c) is not an officer or employee of the Authority or the District, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.

"Information Services" means such services providing information with respect to called bonds in accordance with then current guidelines of the Securities and Exchange Commission, such as the Trustee may select in its sole discretion.

“Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Series A Bonds when due.

“Insurer” means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

“Insured Bonds” means the Series A Bonds maturing September 1 of the years 2017 through 2031, inclusive.

“Interest Payment Date” means March 1 and September 1 in each year, beginning September 1, 2013, and continuing thereafter so long as any Bonds remain Outstanding.

“Local Obligations” means collectively, the following:

(a) \$960,000 Community Facilities District No. 2000-1 of the Fullerton School District 2013 Special Tax Refunding Bonds; and

(b) \$15,515,000 Community Facilities District No. 2001-1 of the Fullerton School District 2013 Special Tax Refunding Bonds.

“Local Obligations Delinquency Revenues” means Revenues received by the Trustee from the Fiscal Agent for a Series of the Local Obligations representing the payment of delinquent debt service on such Local Obligations.

“Local Obligation Indentures” means the bond indentures executed in connection with the issuance of the Local Obligations.

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

“Original Purchaser” means, with respect to the Series A Bonds and the Series B Bonds, Piper Jaffray & Co. and, with respect to the Bonds of any other Series, the entity or entities that purchase such Bonds from the Authority on the date of issuance thereof.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed and issued by the Authority and authenticated and delivered by the Trustee under the Indenture except –

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation pursuant to the Indenture;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture or Bonds called for redemption for which funds have been provided as described in the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

“Owner” or “Bond Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Bond Register.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

A. The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts:

(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 United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America 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 following obligations may 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).

- 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

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P, and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAm" or "AAm-G" or better by S&P;

(6) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph 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 or firm of such accountants, 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; and

(7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.

C. The value of the above investments shall be determined as follows:

(1) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The 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, Bank of America Merrill Lynch or Citigroup Global Markets Inc.

(2) As to certificates of deposit and bankers' acceptances, the face amount thereof, plus. accrued interest thereon; and

(3) As to any investment not specified above, the value thereof established by prior agreement between the Issuer and the Trustee.

“Proportionate Share” means, as of the date of calculation for any issue of the Local Obligations, the ratio derived by dividing the outstanding principal amount of such Local Obligations by the principal amount of the Outstanding Bonds.

“Purchase Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

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

“Rebate Regulations” means the Treasury Regulations issued under Section 148(f) of the Code.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs, whether or not such day is a Business Day.

“Request of the Authority” means a written certificate or request executed by an Authorized Officer.

“Request of the District” means a written certificate or request executed by the President of the Board of Directors of the District, the Superintendent, the Assistant Superintendent, Business Services or the Assistant Superintendent, Facilities of the School District, or any other officer of the District duly authorized by the Board of Education of the District to sign documents on its behalf with respect to the matters referred to therein.

“Representation Letter” means the representation letter dated as of the Closing Date for a Series among the Authority, the Trustee and DTC.

“Reserve Funds” means, collectively, the Series A Reserve Fund and the Series B Reserve Fund.

“Responsible Officer” means any officer of the Trustee assigned to administer the Trustee’s duties under the Indenture.

“Revenue Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Revenues” means: (a) all amounts received from the Local Obligations; (b) any proceeds of the Series A Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Series A Bonds (other than the Rebate Fund and the Surplus Fund); and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Series A Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“Series” means each of the Series A Bonds, the Series B Bonds and any other bonds issued pursuant to the Indenture which share some common term or characteristic, which are issued at the same time and which are designated as a separate series of Bonds.

“Series A Bonds” means the Authority’s Special Tax Revenue Refunding Bonds, 2013 Series A (Senior Lien Bonds) and, where required by or appropriate to the context, any Additional Series A Bonds, authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“Series A Event of Default” means any of the events described in the Indenture.

“Series A Interest Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Series A Principal Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Series A Reserve Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture in which there shall be established a separate account for each series of Local Obligations.

“Series A Reserve Requirement” means an amount equal to the lowest of (i) 10% of the initial principal amount of the Series A Bonds, (ii) Maximum Annual Debt Service on the Outstanding Series A Bonds, or (iii) 125% of average Annual Debt Service on the Outstanding Series A Bonds. As applied to individual accounts of the Series A Reserve Fund, the Series A Reserve Requirement shall initially be allocated as set forth in the Indenture.

“Series B Bonds” means the Authority’s Special Tax Revenue Refunding Bonds, 2013 Series B (Junior Lien Bonds) and, where required by or appropriate to the context, any Additional Series B Bonds, authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“Series B Event of Default” means any of the events described in the Indenture.

“Series B Interest Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Series B Principal Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Series B Reserve Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture in which there shall be established a separate account for each series of Local Obligations.

“Series B Reserve Requirement” means an amount equal to the lowest of (i) 10% of the initial principal amount of the Series B Bonds, (ii) Maximum Annual Debt Service on the Outstanding Series B Bonds, or (iii) 125% of average Annual Debt Service on the Outstanding Series B Bonds. As applied to individual accounts of the Series B Reserve Fund, the Series B Reserve Requirement shall initially be allocated as set forth in the Indenture.

“Series of Local Obligations” means each of the Local Obligations issued pursuant to the Local Obligation Indentures.

“Six Month Period” shall mean the period of time beginning on the Closing Date for a Series of the Bonds and ending six months thereafter, and each six month period thereafter until the latest maturity date of such Series (and any obligations that refund such Series).

“Special Taxes” means the taxes authorized to be levied by the CFDs on parcels within the CFDs which have been pledged to repay the Local Obligations pursuant to the CFD Act.

“Standard & Poor’s” and “S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

“State” means the State of California.

“Subordinated Revenues” means (a) any proceeds of the Series B Bonds originally deposited with the Trustee, (b) all amounts remaining in the Revenue Fund on each Interest Payment Date after the deposits required to be made to the Series A Reserve Fund as required by the Indenture have been made, (c) all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Series B Bonds (other than the Rebate Fund and the Surplus Fund); and (d) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Series B Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

“Supplemental Indenture” means any indenture, agreement or other instrument duly executed by the Authority in accordance with the provisions of the Indenture.

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

“Tax Certificate” means the certificate by that name to be executed by the Authority on the Closing Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Trust Office” means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date of the Indenture is located in Los Angeles, California, or such other place as designated by the Trustee except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, at its corporate trust office in Los Angeles, California, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

“Underwriter” means Piper Jaffray & Co., the initial purchaser of the Bonds.

“Yield” has the meaning given to such term in the Code.

DEPOSIT AND APPLICATION OF PROCEEDS

Issuance of Bonds. Upon the execution and delivery of the Indenture, the Authority shall execute and deliver the Bonds of each Series in the principal amounts set forth in the Indenture to the Trustee for authentication and delivery to the Original Purchaser thereof upon the Request of the Authority.

Revenue Fund. The Trustee shall establish and maintain a separate fund to be known as the “Revenue Fund” and the following separate accounts therein: Series A Interest Account, Series A Principal Account, Series B Interest Account and Series B Principal Account. Except as otherwise provided in the Indenture, the Trustee shall deposit all Revenues received after the Closing Date to the Revenue Fund and shall apply amounts in the Revenue Fund as described in the Indenture.

Costs of Issuance Fund. The Trustee shall establish and maintain a fund known as the “Costs of Issuance Fund” into which shall be deposited the amounts set forth in the Indenture. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt by the Trustee of a Request of the Authority. Each such Request of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the date which is one hundred twenty (120) days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Revenue Fund. Upon such transfer, the Costs of

Issuance Fund shall be closed and the Trustee shall no longer be obligated to make payments for Costs of Issuance. The Authority may at any time file a Request of the Authority requesting that the Trustee retain a specified amount in the Costs of Issuance Fund and transfer to the Revenue Fund all remaining amounts, and upon receipt of such request by the Trustee, the Trustee shall comply with such request.

Purchase Fund. The Trustee shall establish and maintain a separate fund to be known as the “Purchase Fund” into which shall be deposited the proceeds of sale of the Bonds of each Series received from the Underwriter as described in the Indenture. The Trustee shall use the proceeds of the Bonds to purchase Local Obligations on the Closing Date; provided, however, that such Local Obligations may be purchased only if the Trustee has received a certificate of the Original Purchaser of the Bonds or an Independent Financial Consultant or Independent Accountant stating that the Revenues and Subordinated Revenues to be available to the Trustee, assuming timely payment of the Local Obligations, will be sufficient to permit the timely payment of the principal of and interest on all Outstanding Bonds.

Reserve Funds. The Trustee shall establish and maintain a separate fund to be known as the “Series A Reserve Fund” and within such fund, accounts to be known as the “CFD No. 2000-1 Reserve Account” and the “CFD No. 2001-1 Reserve Account,” respectively, which shall be administered as provided in the Indenture.

The Trustee shall also establish and maintain a separate fund to be known as the “Series B Reserve Fund” and within such fund, accounts to be known as the “CFD No. 2000-1 Reserve Account” and the “CFD No. 2001-1 Reserve Account,” respectively, which shall be administered as provided in the Indenture.

Rebate Fund. The Trustee shall establish and maintain a separate fund to be known as the “Rebate Fund” and a separate Rebate Account and Alternative Penalty Account therein for the Bonds. The Rebate Fund shall be administered as described in the Indenture.

Surplus Fund. The Trustee shall establish and maintain a separate fund to be known as the “Surplus Fund” which shall be administered as described in the Indenture.

Administrative Expense Fund. The Trustee shall establish and maintain a separate fund to be held by the Trustee and known as the “Administrative Expense Fund” into which shall be deposited the amounts specified in the Indenture. The moneys in the Administrative Expense Fund shall be used to pay Authority Administrative Expenses or shall be transferred to the Surplus Fund, in either case, upon receipt of a Requisition of the Authority.

REVENUES; FLOW OF FUNDS

Revenue Fund. Amounts in the Revenue Fund will be applied as set forth in the Official Statement under the caption “SECURITY FOR THE BONDS—Revenues and Subordinated Revenues; Flow of Funds.”

Reserve Funds. Amounts in the Reserve Funds will be applied as set forth in the Official Statement under the caption “SECURITY FOR THE BONDS—Reserve Funds.”

Surplus Fund. Amounts in the Surplus Fund will be applied as set forth in the Official Statement under the caption “SECURITY FOR THE BONDS—Surplus Fund.”

Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed pursuant to the Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments; provided, however, that amounts in the Series A Reserve Fund shall be invested by the Trustee only in Permitted Investments with maturities of not longer than 5 years. The Trustee shall be entitled to conclusively rely on any such Request of the Authority and shall be fully protected in relying thereon. In the

absence of any such Request of the Authority the Trustee shall invest any such moneys in Permitted Investments described in clause (B)(5) of the definition thereof. Permitted Investments purchased as an investment of moneys in any fund or account established pursuant to the Indenture shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the fund or account from which such investment was made; provided, however, that all interest or gain derived from the investment of amounts in the Reserve Funds shall, to the extent the balance in any account thereof exceeds, on September 1 of each year, its respective share of the Series A Reserve Requirement as set forth in the Indenture, be withdrawn by the Trustee on such September 1, commencing September 1, 2013, and deposited in the corresponding account of the Series B Reserve Fund, with any amounts in excess of such account's proportionate share of the Series B Reserve Requirement to be deposited on such September 1 to the special tax fund of the corresponding Community Facilities District to be applied to the payment of debt service on the applicable Local Obligations on the next Interest Payment Date.

For purposes of acquiring any investments, the Trustee may commingle moneys held by it in any of the funds and accounts held by it under the Indenture. The Trustee and its affiliates may act as advisor, sponsor, principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee and its affiliates may make any and all investments permitted in the Indenture through its own investment department. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

COVENANTS OF THE AUTHORITY

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal and interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues, Subordinated Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the applicable Series of Bonds then Outstanding and of all claims for interest thereon which shall have been so extended. Nothing in this paragraph shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues, Subordinated Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Subordinated Revenues, the Local Obligations and other assets purported to be pledged and assigned, respectively, under the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding limited, special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of the Revenues, the Subordinated Revenues, the Local Obligations and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards in which complete and accurate entries shall be made of transactions made by it relating to the proceeds of Bonds, the Revenues, the Subordinated Revenues, the Local Obligations and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the Districts upon reasonable prior notice during regular business hours and under reasonable circumstances, in each case as agreed to by the Trustee.

Not later than 45 days following each Interest Payment Date, the Trustee shall prepare and file with the Authority a report setting forth: (i) amounts withdrawn from and deposited into each fund and account maintained by the Trustee under the Indenture; (ii) the balance on deposit in each fund and account as of the date for which such report is prepared; and (iii) a brief description of all obligations held as investments in each fund and account. Copies of such reports may be mailed to any Owner upon the Owner's written request to the Trustee at the expense of such Owner at a cost not to exceed the Trustee's actual costs of duplication and mailing.

Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, the Authority covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Authority will not take or omit to take any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

(b) Arbitrage. The Authority will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The Authority will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The Authority will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(e) Miscellaneous. The Authority will take no action inconsistent with its expectations stated in any Tax Certificate executed with respect to the Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture, subject to the limitations as to the Trustee in the Indenture.

The foregoing covenants shall not be applicable to, and nothing contained in the Indenture shall be deemed to prevent the Authority from issuing Bonds the interest on which has been determined by the Board to be subject to federal income taxation.

Local Obligations. Subject to the provisions of the Indenture, the Authority and the Trustee shall use reasonable efforts to collect all amounts due from the Community Facilities Districts pursuant to the Local Obligations and shall enforce, and take all steps, actions and proceedings which the Authority and Trustee determine to be reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations and covenants of the District and the Community Facilities Districts thereunder. The Authority shall instruct the Community Facilities Districts to authenticate and deliver to the Trustee the Local Obligations registered in the name of the Trustee.

The Authority, the Trustee and a Community Facilities District may, with prior written notice to Standard & Poor's, at any time consent to, amend or modify any of the Local Obligations of such Community Facilities District pursuant to the terms thereof, (a) with the prior consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, or (b) without the consent of any of the Owners, if such amendment or modification is for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Community Facilities Districts contained in such Local Obligations, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the Community Facilities District; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in such Local Obligations, or in any other respect whatsoever as the Community Facilities District, may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds in the opinion of Bond Counsel filed with the Trustee; or

(c) to amend any provision thereof to the extent necessary to comply with the Code, but only if and to the extent such amendment will not, in and of itself, adversely affect the exclusion from gross income of the interest on any of the Bonds under the Code, in the opinion of Bond Counsel filed with the Trustee.

Sale of Local Obligations. Notwithstanding anything in the Indenture to the contrary, following prior written notice to Standard & Poor's, the Authority may cause the Trustee to sell, from time to time, all or a portion of a Series of Local Obligations, provided that the Authority shall deliver to the Trustee:

(a) a certificate of an Independent Accountant certifying that, following the sale of such Local Obligations, the Revenues and Subordinated Revenues to be paid to the Authority (assuming the timely payment of amounts due thereon with respect to any Local Obligations not then in default), together with interest and principal due on any Defeasance Securities pledged to the repayment of the Bonds and the Revenues and Subordinated Revenues then on deposit in the funds and accounts established under the Indenture (valuing any Permitted Investments held thereunder at the then fair market value thereof), will be sufficient to pay the principal of and interest on the Bonds when due;

(b) if any Bonds are then rated by Standard & Poor's, a notification from Standard & Poor's to the effect that such rating will not be withdrawn or reduced as a result of such sale of Local Obligations; and

(c) an opinion of Bond Counsel that such sale of Local Obligations is authorized under the provisions of the Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Upon compliance with the foregoing conditions by the Authority, the Trustee shall sell such Local Obligations in accordance with the Request of the Authority and disburse the proceeds of the sale of such Local Obligations to the Authority or upon the receipt of a Request of the Authority shall deposit such proceeds in the Revenue Fund.

Continuing Disclosure Agreement. The Authority covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement to be executed and delivered by the Authority and Dolinka Group, LLC, as dissemination agent, in connection with the issuance of the Bonds. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its continuing disclosure obligations under the Indenture. For purposes of this paragraph, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories and other intermediaries).

THE TRUSTEE

Appointment of Trustee. U.S. Bank National Association, with a corporate trust office presently located in Los Angeles, California, a national banking association organized and existing under and by virtue of the laws of the United States of America, is appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Authority agrees that it will maintain a Trustee which is a trust company, association or bank of good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers, with a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or state authority, so long as any Bonds are Outstanding.

Acceptance of Trusts. The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by the Indenture, and shall use the same degree of care and skill and diligence in their exercise, as a reasonable person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers and perform the duties required of it under the Indenture by or through attorneys, agents, or receivers, but shall not be responsible for the acts of any agents, attorneys or receivers appointed by it with the consent of the Authority unless such appointment was the result of negligence or willful misconduct. The Trustee may consult with and act upon the advice of counsel (which may be counsel to the Authority) concerning all matters of trust and its duty under the Indenture and shall be wholly protected in reliance upon the advice or opinion of such counsel in respect of any action taken or omitted by it in good faith and in accordance with the Indenture.

(c) The Trustee shall not be responsible for any recital in the Indenture, or in the Tax Certificate or the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the validity, effectiveness or the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured by the Indenture and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority under the Indenture or under the Tax Certificate. The Trustee shall have no responsibility, opinion, or liability with respect to any information, statement, or recital in any offering memorandum, official statement, or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(d) Except as provided in the Indenture, the Trustee shall not be accountable for the use of any proceeds of sale of the Bonds delivered under the Indenture. The Trustee may become the Owner of Bonds secured by the Indenture with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(e) The Trustee shall be protected and shall incur no liability in acting, or refraining from acting in good faith and without negligence, in reliance upon any notice, request, consent, certificate, order, affidavit, letter, telegram, facsimile or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at such person's request unless the ownership of such Bond by such person shall be reflected on the Bond Register.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been given notice or is deemed to have notice, as provided in the Indenture, shall also be at liberty to accept a Certificate of the Authority to the effect that any particular dealing, transaction or action is necessary or expedient, and shall be fully protected in relying thereon, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and notwithstanding any other provision of the Indenture, the Trustee shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default except where a Responsible Officer has actual knowledge of such Event of Default and except for the failure by the Authority to make any of the payments to the Trustee required to be made by the Authority pursuant to the Indenture, including payments on the Local Obligations, or failure by the Authority to file with the Trustee any document required by the Indenture to be so filed subsequent to the issuance of the Bonds, unless a Responsible Officer shall be specifically notified in writing of such default by the Authority or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds of the Series to which such Event of Default relates and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered to a Responsible Officer at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid. Delivery of a notice to the officer and address for the Trustee set forth in the Indenture, as updated by the Trustee from time to time, shall be deemed notice to a Responsible Officer.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right (but not any duty) to fully inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records such as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the performance of its duties under the Indenture.

(k) Notwithstanding anything elsewhere in the Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable by the Trustee in its sole discretion for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking any action referred to in the Indenture, the Trustee may require that an indemnity bond satisfactory to it be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds.

(n) Whether or not expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of the Indenture.

(o) The Trustee shall not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of supplies or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(p) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Indenture provided, however, that: (a) subsequent to such facsimile transmission of written instruction and/or direction the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

(q) The Trustee shall not be liable in connection with the performance of its duties under the Indenture except for its own negligence or willful misconduct.

Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement by the Authority for reasonable fees for its services rendered and all advances (including any interest on advances), counsel fees and expenses (including fees and expenses of outside counsel and the allocated costs of internal attorneys) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default, but only upon an Event of Default with respect to a Series, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held in Funds and accounts for such Series under the Indenture for the foregoing

fees, charges and expenses incurred by it respectively. The Trustee's right to payment of its fees and expenses shall survive the discharge and payment or defeasance of the Bonds and termination of the Indenture, and the resignation or removal of the Trustee.

Notice to Bond Owners of Default. If an Event of Default occurs with respect to any Bonds of which the Trustee has been given, or is deemed to have notice, as provided in the Indenture, then the Trustee shall promptly give written notice thereof by first class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice.

Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to the Indenture, shall do so if requested in writing by the Owners of at least twenty-five percent (25%) in aggregate principal amount of such Bonds then Outstanding.

Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Bonds may, upon 30 days' prior written notice to the Trustee, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee. The Authority may at any time at its sole discretion remove the Trustee for any reason by delivering to the Trustee a written notice of its decision to remove the Trustee. Upon any such removal, the Authority shall appoint a successor or successors thereto; provided that any such successor shall be a bank, association or trust company meeting the requirements set forth in the Indenture.

Notwithstanding any other provision of the Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor Trustee shall be appointed.

Resignation by Trustee. The Trustee and any successor Trustee may at any time give prior written notice of its intention to resign as Trustee, such notice to be given to the Authority, the Community Facilities Districts and the District by registered or certified mail. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Bond Register.

Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to the Indenture, the Authority shall promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within thirty (30) days following the delivery to the Trustee of the instrument described in the Indenture or within thirty (30) days following the receipt of notice by the Authority, the Community Facilities Districts and the District pursuant to the Indenture, the Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the Indenture. Any such successor Trustee appointed by such court shall become the successor Trustee under the Indenture notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such thirty day period.

Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, officials, directors, agents and employees, harmless against any loss, expense, including legal fees and expenses, and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability thereunder unless indemnity reasonably satisfactory to it against such liability or risk is provided to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance

with the direction of a majority (or any lesser amount that may direct the Trustee in accordance with the provisions of the Indenture) of the Owners of the principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under the Indenture. The rights of the Trustee and the obligations of the Authority under the Indenture shall survive termination of the Indenture, discharge of the Bonds and resignation or removal of the Trustee.

MODIFICATION AND AMENDMENT OF THE INDENTURE

Amendment of the Indenture. The Indenture and the rights and obligations of the Authority and of the Owners of a Series of the Bonds may, with at least fifteen (15) days' prior written notice to Standard & Poor's, be modified or amended at any time by a Supplemental Indenture which shall become binding when the prior written consent of the Owners of a majority in aggregate principal amount of the affected Series of Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without written consent of the Trustee, modify any of the rights or obligations of the Trustee.

The Indenture and the rights and obligations of the Authority and of the Owners of either Series of the Bonds may, with at least fifteen (15) days' prior written notice to Standard & Poor's, also be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers therein reserved to or conferred upon the Authority so long as such addition, limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) to amend any provision relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds, including, but not limited to, amending the procedures set forth in the Indenture with respect to the calculation of Rebutable Arbitrage; or

(d) to amend any provision of the Indenture to place any Additional Bonds on a parity with the Bonds for all purposes of the Indenture, including, but not limited to, for the purpose of exercising all rights and remedies under the Indenture; or

(e) to amend the provisions of the Indenture regarding the Surplus Fund.

EVENTS OF DEFAULT AND REMEDIES OF SERIES A BOND OWNERS

Series A Events of Default. The following events shall be Series A Events of Default under the Indenture.

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

(b) Default in the due and punctual payment of any installment of interest on any Series A Bond when and as such interest installment shall become due and payable;

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

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

(e) A Series B Event of Default.

Remedies; Rights of Series A Bond Owners. Upon the occurrence of a Series A Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Series A Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture. Subject to the provisions of the Indenture summarized below under the caption "*—Application of Revenues and Other Funds After Series A Event of Default,*" in the event of a Series A Event of Default arising out of a nonpayment of Trustee's fees and expenses, the Trustee may sue the Authority to seek recovery of its fees and expenses; provided, however, that such recovery may be made only from Subordinate Revenues or the funds of the Authority and not from Revenues.

If a Series A Event of Default shall have occurred and be continuing and if requested to do so by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Series A Bonds, and, in each case, if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture and, as applicable, under the Local Obligations, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Series A Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Series A Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Series A Bond Owners under the Indenture or now or after the Indenture existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Series A Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Series A Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

In no event shall the principal of the Series A Bonds be accelerated.

Application of Revenues and Other Funds After Series A Event of Default. All amounts received by the Trustee with respect to the Series A Bonds pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Series A Bonds shall be applied by the Trustee in the following order upon presentation of the several Series A Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid –

First, to the payment of the costs and expenses of the Trustee in declaring such Series A Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel (including outside counsel and the allocated costs of internal attorneys), and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Series A Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Series A Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority.

- (a) first to the payment of all installments of interest on the Series A Bonds then due and unpaid,
- (b) second, to the payment of all installments of principal of the Series A Bonds then due and unpaid,
- (c) third, to the payment of interest on overdue installments of principal and interest on Series A Bonds, and
- (d) fourth, to the payment of any amounts due and owing to the Bond Insurer.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of a Series A Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties thereunder, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Series A Bonds then Outstanding, it may exercise its discretion for the best interests of the Owners of the Series A Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues a Series A Event of Default, discontinue, withdraw, compromise or settle or otherwise dispose of any litigation pending at law or in equity if there has been filed with it a written request of a majority in aggregate principal amount of the Outstanding Series A Bonds opposing such continuance, withdrawal, compromise, settlement or other litigation, and provided, further, that the Trustee shall have the right to decline to comply with such written request of the Owners unless indemnification satisfactory to it has been provided. Any suit, action or proceeding which any Owner of Series A Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Series A Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Series A Bonds issued, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Series A Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Series A Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact.

Appointment of Receivers. Upon the occurrence of a Series A Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Series A Bond Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged thereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Non Waiver. Nothing in the Indenture, or in the Series A Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Series A Bonds to the respective Owners of the Series A Bonds at the respective dates of maturity, as therein provided, out of the Revenues and other moneys pledged for such payment.

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

Rights and Remedies of Series A Bond Owners. No Owner of any Series A Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of a Series A Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Series A Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Series A Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Series A Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Owners of the Outstanding Series A Bonds.

The right of any Owner of any Series A Bond to receive payment of the principal of and interest and premium (if any) on such Series A Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions above or any other provision of the Indenture.

Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Series A Bond Owners shall be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

EVENTS OF DEFAULT AND REMEDIES OF SERIES B BOND OWNERS

Series B Events of Default. The following events shall be Series B Events of Default under the Indenture.

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

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

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Series B Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Series B Bonds at the time Outstanding; provided that such default (other than a default in payment of the Trustee's fees and expenses, which must be cured within such 30-day period unless waived by the Trustee) shall not constitute a Series B Event of Default under the Indenture if the Authority shall commence to cure such default within said 30-day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or

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

Remedies; Rights of Series B Bond Owners. Upon the occurrence of a Series B Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Series B Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture; provided, however, that the Trustee shall take no action under the Indenture that would impair the receipt of Revenues necessary to pay the Series A Bonds when due unless a majority in aggregate principal amount of the Outstanding Series A Bonds shall have consented to such action.

If a Series B Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Series B Bonds and indemnified as provided in the Indenture, and subject to the limitations set forth in the paragraph immediately above the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Series B Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Series B Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Series B Bond Owners under the Indenture or now or after the date of the Indenture existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Series B Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Series B Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

In no event shall the principal of the Series B Bonds be accelerated.

Application of Subordinated Revenues and Other Funds After Default. All Subordinated Revenues received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Series B Bonds shall be applied by the Trustee in the following order upon presentation of the several Series B Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid –

First, to the payment of the costs and expenses of the Trustee in declaring such Series B Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel (including outside counsel and the allocated costs of internal attorneys), and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Series B Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Series B Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

- (a) first, to the payment of all installments of interest on the Series B Bonds then due and unpaid,
- (b) second, to the payment of principal of all installments of the Series B Bonds then due and unpaid, and
- (c) third, to the payment of interest on overdue installments of principal and interest on Series B Bonds.

Power of Trustee to Control Proceedings. Subject to the limitations set forth in the Indenture regarding not impairing the receipt of Revenues without the consent of a majority in aggregate principal amount of the Outstanding Series A Bonds, in the event that the Trustee, upon the happening of a Series B Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties thereunder, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Series B Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Series B Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues a Series B Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Series B Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation and provided further that the Trustee shall have the right to decline to comply with such written request unless indemnification satisfactory to the Trustee shall have been provided to it. Any suit, action or proceeding which any Owner of Series B Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Series B Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Series B Bonds issued, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Series B Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Series B Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact.

Appointment of Receivers. Upon the occurrence of a Series B Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Series B Bond Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Subordinated Revenues and other amounts pledged thereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Non Waiver. Nothing in the Indenture, or in the Series B Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Series B Bonds to the respective Owners of the Series B Bonds at the respective dates of maturity, as provided in the Indenture, out of the Subordinated Revenues and other moneys pledged for such payment.

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

Rights and Remedies of Series B Bond Owners. No Owner of any Series B Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of a Series B Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Series B Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Series B Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Series B Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Owners of the Outstanding Series B Bonds.

The right of any Owner of any Series B Bond to receive payment of the principal of and interest and premium (if any) on such Series B Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions above or any other provision of the Indenture.

Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Series B Bond Owners shall be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

MISCELLANEOUS

Limited Liability of Authority. Notwithstanding anything in the Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues or Subordinated Revenues, as the case may be, for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants contained in the Indenture (except to the extent any such covenants are expressly payable thereunder from the Revenues or Subordinated Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues or Subordinated Revenues, as the case may be, and other funds as provided in the Indenture. The general fund of the Authority is not

liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Series A Bonds and Series B Bonds, respectively, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues (with respect to the Series A Bonds) and Subordinated Revenues (with respect to the Series B Bonds) and other funds pledged to the payment thereof as provided in the Indenture.

Discharge of Indenture. The Authority may pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and available for such purpose, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Trustee, in trust, Defeasance Securities in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and available for such purpose, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Any Outstanding Bond or Bonds shall be deemed to have been paid and discharged under (c) above if (i) in the case of Bonds to be redeemed prior to the maturity thereof, notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, (ii) a verification report of an Independent Accountant shall be delivered to the Trustee, and (iii) an opinion of Bond Counsel shall be delivered to the Trustee to the effect that the requirements of the Indenture have been satisfied with respect to such discharge of Bonds. Upon a discharge of one or more Bonds as described above, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues, Subordinated Revenues, and other funds provided for in the Indenture with respect to such Bonds, as applicable, and all other pecuniary obligations of the Authority under the Indenture with respect to such Bonds, shall cease and terminate, except only the obligation of the Authority to comply with the covenants contained in the Indenture, to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose, to pay all expenses and costs of the Trustee and to comply with the tax covenants in the Indenture. Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the Authority or upon a Request of the Authority to the District or the Community Facilities Districts, as applicable.

Defeasance shall be accomplished only with an irrevocable deposit in escrow of Defeasance Securities. The deposit in the escrow must be sufficient, without reinvestment, to pay all principal and interest as schedule on the Bonds to and including the date of redemption.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the Authority, the District or the Community Facilities Districts (but excluding Bonds held in any employees' or retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded. Upon request,

the Authority shall specify to the Trustee those Bonds disqualified pursuant to this paragraph and the Trustee may conclusively rely upon such certificate.

Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for one (1) year after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make such payment to the Authority, the Trustee shall, at the expense of Authority, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Bond Register, a notice that said moneys remain unclaimed and that, after a date in said notice, which date shall not be less than thirty (30) days after the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the Authority.

SUMMARY OF THE LOCAL OBLIGATION INDENTURES

The Local Obligations to be issued by the Community Facilities Districts will be issued pursuant to separate Local Obligation Indentures each substantially in the form summarized below.

Definitions. Unless the context otherwise requires, the following terms shall have the following meanings:

“Account” means any account created pursuant to the Indenture.

“Act” means the Mello Roos Community Facilities Act of 1982, as amended, Sections 53311 et seq. of the California Government Code.

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Fiscal Agent, any fees and related costs for credit enhancement for Bonds or which are not otherwise paid as Costs of Issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds, the District, and any other costs otherwise incurred by the School District on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District under the Indenture. Administrative Expenses shall also include the administrative costs with respect to the collection of Delinquency Proceeds.

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

“Administrative Expense Requirement” means the amount set forth in the Local Obligation Bond Indenture for a District (and in Tables 4 through 15 in the Official Statement) as the Administrative Expense Requirement.

“Annual Debt Service” means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

“Authority” means the Fullerton School District Financing Authority.

“Authority Bonds” means any bonds outstanding under the Authority Indenture, which are secured by payments made on the Bonds.

“Authority Indenture” means that certain Indenture of Trust, dated as of June 1, 2013, by and between the Authority and the Authority Trustee, pursuant to which the Authority Bonds are issued.

“Authority Trustee” means U.S. Bank National Association or any successor thereto appointed pursuant to the Authority Indenture.

“Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

A. The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts:

- (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 United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America 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 following obligations may 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).
- 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

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P, and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAm" or "AAm-G" or better by S&P;

(6) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph 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 or firm of such accountants, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.

C. The value of the above investments shall be determined as follows:

(1) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Fiscal Agent shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Bank of America Merrill Lynch or Citigroup Global Markets Inc.; and

(2) As to certificates of deposit and bankers' acceptances, the face amount thereof, plus accrued interest thereon.

"Authorized Representative of the School District" means the Superintendent of the School District, or his or her designee, the Assistant Superintendent, Business Services of the School District, or his or her designee, the Assistant Superintendent, Facilities of the School District, or his or her designee, or any other person or persons designated by the Board of Education of the School District and authorized to act on behalf of the School District by a written certificate signed on behalf of the School District by the Superintendent of the School District and containing the specimen signature of each such person.

"Board of Education" means the Board of Education of the School District acting as the legislative body of the District.

“Bond Counsel” means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Register” means the books which the Fiscal Agent shall keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds shall be recorded.

“Bondowner” or “Owner” means the person or persons in whose name or names any Bond or Parity Bond is registered.

“Bonds” means the 2013 Special Tax Refunding Bonds of the applicable District.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds or an issue of Parity Bonds shall begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Fiscal Agent is located, are not required or authorized to remain closed.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the School District.

“CFD Reserve Accounts” means the accounts by that name established for each District by the Authority Indenture.

“Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Costs of Issuance” shall have the meaning set forth in the Authority Indenture.

“Defeasance Securities” means non-callable, non-prepayable obligations of the type set forth in clause (A)(1) and (A)(2) of the definition of Authorized Investments.

“Delinquency Proceeds” means the amounts collected from the redemption of delinquent Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Tax resulting from the delinquency in the payment of Special Taxes due and payable on such property.

“Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“District” means, under the applicable CFD Bond Indenture, the Community Facilities District (as defined in the Authority Indenture) established pursuant to the Act and the Resolution of Formation.

“Escrow Agent” means U.S. Bank National Association, acting as escrow agent pursuant to any Escrow Agreement.

“Escrow Agreement” means an Escrow Agreement, dated as of June 1, 2013, between the District and the Escrow Agent relating to the defeasance and refunding of the Prior Bonds.

“Fiscal Agent” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, at its principal corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank, association or trust company which may at any time be substituted in its place as provided in the Indenture and any successor thereto.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

“Gross Special Taxes” means the amount of all Special Taxes received by the District, together with the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture for the delinquency of such Special Taxes remaining after the payment of all costs related to such foreclosure actions.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom:

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

“Indenture” means each Bond Indenture, dated as of June 1, 2013, between the District and the Fiscal Agent.

“Interest Payment Date” means each March 1 and September 1, commencing September 1, 2013, and the final maturity date of the Bonds; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date, and in the case of the final Interest Payment Date to and including such date, will be paid on the Business Day next preceding such date.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year:

- (1) the principal amount of all Outstanding Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and
- (2) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds Outstanding in such Bond Year if the Bonds and Parity Bonds are retired as scheduled.

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

“Net Special Taxes” means Gross Special Taxes minus amounts set aside to pay Administrative Expenses.

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

“Ordinance” means the applicable Ordinance adopted by the legislative body of the applicable District providing for the levy of the Special Tax.

“Outstanding” or “Outstanding Bonds and Parity Bonds” means all Bonds and Parity Bonds theretofore issued by the District, except:

(1) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture;

(2) Bonds and Parity Bonds for payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and

(3) Bonds and Parity Bonds which have been surrendered to the Fiscal Agent for transfer or exchange pursuant to the Indenture or for which a replacement has been issued pursuant to the Indenture.

“Parity Bonds” means any bonds issued under the Indenture and secured on a parity with the 2013 Special Tax Refunding Bonds and other Parity Bonds of a District.

“Participants” shall mean those broker dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

“Prepayments” means any amounts paid by the District to the Fiscal Agent and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the Rate and Method of Apportionment.

“Principal Office of the Fiscal Agent” means the corporate trust office of the Fiscal Agent located in Los Angeles, California, provided that for purposes of redemption payment, exchange, transfer or surrender of Bonds shall mean the corporate trust office of the Fiscal Agent located in St. Paul, Minnesota, or such other office or offices as the Fiscal Agent may designate from time to time, or the office of any successor Fiscal Agent where it principally conducts its corporate trust and agency business.

“Prior Bonds” means, for each Indenture, the applicable District’s Special Tax Bonds issued pursuant to the Prior Indenture identified therein, and to be refinanced with proceeds of the Bonds.

“Prior Fiscal Agent” means U.S. Bank National Association, as fiscal agent under the Prior Indenture.

“Prior Indenture” means the Bond Indenture identified in each Indenture, each by and between the District and U.S. Bank National Association, as Fiscal Agent, pursuant to which the applicable Prior Bonds were issued.

“Project” means those public facilities described in the Resolution of Formation which have been acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

“Proportionate Share of the Reserve Requirement” means, as of the date of calculation, as applicable, (i) the portion of the Series A Reserve Requirement required under the Authority Indenture to be on deposit in the applicable CFD Reserve Account of the Series A Reserve Fund, or (ii) the portion of the Series B Reserve Requirement required under the Authority Indenture to be on deposit in the applicable CFD Reserve Account of the Series B Reserve Fund.

“Rate and Method of Apportionment” means that certain Rate and Method of Apportionment of Special Tax approved pursuant to the Resolution of Formation, as amended in accordance with the Act and the Indenture.

“Rating Agency” means Moody’s and Standard & Poor’s, or both, as the context requires.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“Reserve Funds” means the Series A Reserve Fund and the Series B Reserve Fund.

“Resolution of Formation” means the resolutions adopted by the Board of Education of the School District pursuant to which the School District formed the District.

“School District” means Fullerton School District.

“Series A Reserve Fund” means the fund by that name established by the Authority Indenture.

“Series A Reserve Requirement” shall have the meaning given such terms in the Authority Indenture.

“Series B Reserve Fund” means the fund by that name established by the Authority Indenture.

“Series B Reserve Requirement” has the meaning given such terms in the Authority Indenture.

“Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedule set forth in the Indenture and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

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

“Special Taxes” means the taxes authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the applicable election in the District.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

“Supplemental Indenture” means any supplemental indenture amending or supplementing the Indenture.

“Surplus Fund” means the fund by that name created and established pursuant to the Indenture.

“Term Bonds” means any term maturities of an issue of Local Obligations (as defined in the Authority Indenture).

GENERAL AUTHORIZATION AND BOND TERMS

Type and Nature of Bonds and Parity Bonds. Neither the faith and credit nor the taxing power of the School District, the State of California or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Net Special Taxes, no other taxes are pledged

to the payment of the Bonds and Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the School District nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the Special Tax Fund (exclusive of the Administrative Expense Fund), as more fully described in the Indenture. The District's limited obligation to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds from amounts in the Special Tax Fund (exclusive of the Administrative Expense Fund) is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds or any Parity Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the School District or the forfeiture of any of their property. The principal of and interest on the Bonds and any Parity Bonds and premiums upon the redemption thereof, if any, are not a debt of the School District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds and any Parity Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts or revenues, except the Net Special Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Fund) which are, under the terms of the Indenture and the Act, set aside for the payment of the Bonds and interest thereon and neither the members of the legislative body of the District or the Board of Education of the School District nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Notwithstanding anything to the contrary contained in the Indenture, the District shall not be required to advance any money derived from any source of income other than the Net Special Taxes for the payment of the interest on or the principal of the Bonds or any Parity Bonds, or for the performance of any covenants contained in the Indenture. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds; Application of Proceeds. There is created and established in the Indenture and shall be maintained by the Fiscal Agent the following funds and accounts:

- (1) The Special Tax Fund (the "Special Tax Fund") (in which there shall be established and created an Interest Account, a Principal Account and a Redemption Account);
- (2) The Administrative Expense Fund (the "Administrative Expense Fund"); and
- (3) The Surplus Fund (the "Surplus Fund").

The amounts on deposit in the foregoing funds, accounts and subaccounts shall be held by the District and the District shall invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of the Indenture and shall disburse investment earnings thereon in accordance with the provisions of the Indenture.

Deposits to and Disbursements from Special Tax Fund.

- (a) The Fiscal Agent shall transfer Delinquency Proceeds as follows:
 - (1) the amount representing past due interest on the Bonds shall be immediately transferred to the Interest Account of the Special Tax Fund; and
 - (2) the amount representing past due principal of the Bonds shall be immediately transferred to the Principal Account of the Special Tax Fund.

(b) Except for the portion of any Prepayment to be deposited to the Redemption Account, the District shall, as soon as practicable but in no event later than five (5) Business Days after the District has received a written request from the Fiscal Agent, transfer the Special Taxes received by the District to the Fiscal Agent for deposit in the Special Tax Fund to be held by the Fiscal Agent in trust for the Owners. The Fiscal Agent shall transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following paragraphs, in the following order of priority, to:

(1) the District for deposit in the Administrative Expense Fund an amount equal to the Administrative Expense Requirement or, if the Fiscal Agent receives written direction from the District to transfer a lesser amount, then such lesser amount, provided that not more than one half of the Administrative Expense Requirement shall be so transferred in any Fiscal Year prior to the date on which the balance on deposit in the Interest Account of the Special Tax Fund is at least equal to the interest payable on the Bonds on March 1;

(2) the Principal Account of the Special Tax Fund the amount necessary to cause the balance on deposit therein to be equal to the principal amount of the Bonds and/or the Sinking Fund Payment payable on the next succeeding September 1;

(3) the Redemption Account of the Special Tax Fund; and

(4) the Surplus Fund.

At least ten (10) Business Days prior to each Interest Payment Date, the Fiscal Agent shall notify the District in writing the amount of Special Taxes required to pay the principal of and interest on the Bonds on the next succeeding Interest Payment Date and the amount necessary to cause the balance on deposit in the Reserve Account to equal the District's Proportionate Share, if any. The Fiscal Agent shall notify the Authority Trustee at least five (5) Business Days prior to each Interest Payment Date if there is not on deposit with the Fiscal Agent, after making all of the transfers required under the Local Obligation Indenture, moneys sufficient to pay the principal of and interest on the Bonds.

Administrative Expense Fund. The Fiscal Agent shall transfer from the first available Special Taxes in the Special Tax Fund and transfer to the District for deposit in the Administrative Expense Fund an amount such that the total amounts so transferred to the District in any Bond Year do not exceed the Administrative Expense Requirement. In the event Administrative Expenses exceed the Administrative Expense Requirement in any Bond Year, the total amount transferred in a Bond Year shall not exceed the Administrative Expense Requirement until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Accounts of the Reserve Funds to the Proportionate Share of the Reserve Requirement. Notwithstanding the foregoing, amounts in excess of the Administrative Expense Requirement may be transferred to the Administrative Expense Fund prior to the transfers to the Interest Account, the Principal Account and the Redemption Account to the extent necessary to collect delinquent Special Taxes. Following the required transfers, pursuant to the provisions of the Indenture summarized below under the captions "*-Interest Account and Principal Account of the Special Tax Fund*" and "*-Redemption Account of the Special Tax Fund*", of amounts sufficient to pay the interest and principal on all Bonds due in a Bond Year and to restore the Reserve Accounts of the Reserve Funds to the Proportionate Share of the Reserve Requirement, an Authorized Representative of the School District may direct the Fiscal Agent, in writing, to transfer additional amounts from the Special Tax Fund to the District for deposit into the Administrative Expense Fund. Moneys in the Administrative Expense Fund may be invested in any Authorized Investments.

Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, shall be paid by the Fiscal Agent from the Principal Account and the Interest Account of the Special Tax Fund, respectively.

For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by the Indenture, at least five Business Days prior to each March 1 and September 1, the Fiscal Agent shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds, any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made. At least fifteen (15) days prior to an Interest Payment Date, the Fiscal Agent shall notify the Authority Trustee if there are insufficient funds to provide for the payment of principal and interest due on the Bonds on such Interest Payment Date.

Redemption Account of the Special Tax Fund.

(a) After making the transfers and deposits required by the provisions of the Indenture summarized above under the caption “*Interest Account and Principal Account of the Special Tax Fund*” and to the Redemption Account for Sinking Fund Payments then due pursuant to this subparagraph (a), and in accordance with the District’s election to call Bonds for optional redemption as set forth in the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Fiscal Agent shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the CFD Reserve Accounts of the Reserve Funds will equal the Proportionate Share of the Reserve Requirement.

(b) Prepayments deposited to the Redemption Account shall be applied on the redemption date established pursuant to the Indenture for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds and Parity Bonds to be redeemed with such Prepayments.

(c) Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and Parity Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds and in the case of an optional redemption or an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account, other than Prepayments, may be used to purchase Outstanding Bonds or Parity Bonds in the manner provided in the Indenture. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the Indenture, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Surplus Fund. After making the transfers required by the Indenture, as soon as practicable after each September 1, and in any event prior to each October 1, the Fiscal Agent shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture. Moneys deposited in the Surplus Fund will be transferred by the Fiscal Agent at the direction of an Authorized Representative of the School District (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity

Bonds when due in the event that moneys in the Special Tax Fund and the CFD Reserve Accounts are insufficient therefor, (ii) to the CFD Reserve Accounts in order to replenish the CFD Reserve Accounts to the Proportionate Share of the Reserve Requirement, (iii) to the Administrative Expense Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Fund are insufficient to pay Administrative Expenses, (iv) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Fiscal Agent in a Certificate of an Authorized Representative and the Fiscal Agent will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund shall be invested at the written direction of the District in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Investments. Moneys held in any of the Funds, Accounts and Subaccounts under the Indenture shall be invested by the Fiscal Agent or the District, as applicable, in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments shall be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on amounts deposited in the Special Tax Fund, and each Account therein, and of the Surplus Fund shall be deposited in those respective Funds and Accounts. Moneys in the Funds, Accounts and Subaccounts held under the Indenture may be invested by the District or the Fiscal Agent as directed in writing by the District, as applicable, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Interest Account, the Principal Account, and the Redemption Account of the Special Tax Fund shall be invested only in Authorized Investments which will by their terms mature, or are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds as the same become due.

(b) In the absence of written investment directions from the District, the Fiscal Agent shall invest solely in Authorized Investments specified in clause (B)(5) of the definition thereof.

The District or the Fiscal Agent, as applicable, shall sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such Funds and Accounts or from such Funds and Accounts to which such Authorized Investments is credited. For the purpose of determining at any given time the balance in any such Funds and Accounts, any such investments constituting a part of such Funds and Accounts shall be valued at the lower of the cost or the market value thereof, exclusive of accrued interest, at least semiannually. In making any valuations under the Indenture, the District or the Fiscal Agent, as applicable, may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything in the Indenture to the contrary, the District or the Fiscal Agent, as applicable, shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Indenture.

The Fiscal Agent or the District, as applicable, may act as principal or agent in the making or disposing of any investment. The Fiscal Agent or the District, as applicable, may sell, or present for redemption, any Authorized Investment so purchased whenever it shall be necessary to provide moneys to

meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Authorized Investment is credited, and, subject to the provisions of the Indenture, the Fiscal Agent or the District, as applicable, will not be liable or responsible for any loss resulting from such investment. For investment purposes, the Fiscal Agent or the District, as applicable, may commingle the funds and accounts established under the Indenture, but shall account for each separately.

The District acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent under the Indenture. The Fiscal Agent and its affiliates may act as sponsor, advisor, depository, principal or agent in the holding, acquisition or disposition of any investment.

COVENANTS AND WARRANTY

Warranty. The District shall preserve and protect the security pledged under the Indenture to the Bonds and any Parity Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds or Parity Bonds issued under the Indenture are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust for the Owners and will instruct the Treasurer to deposit all Special Taxes with the Fiscal Agent immediately upon their apportionment to the District, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued under the Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in accordance with the Indenture to the extent that Net Special Taxes and other amounts pledged thereunder are available therefor, and that the payments into the Funds and Accounts created thereunder will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and the Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued thereunder.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Special Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien or charge upon the Net Special Taxes superior to or on a parity with the Bonds, other than Parity Bonds. Nothing in the Indenture shall prevent the District from issuing or incurring indebtedness which is payable from a pledge of Net Special Taxes which is subordinate in all respects to the pledge of Net Special Taxes to repay the Bonds and the Parity Bonds.

(b) Levy of Special Tax. So long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, the legislative body of the District covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to

pay (1) the principal of and interest on the Bonds and any Parity Bonds when due, (2) the Administrative Expenses, (3) any amounts required to replenish the Series A Reserve Fund resulting from the delinquency in the payment of scheduled debt service on the Bonds or any Parity Bonds and (4) any amounts required to replenish the Series B Reserve Fund resulting from the delinquency in the payment of scheduled debt service on the Bonds or any Parity Bonds (collectively, the "Special Tax Requirement"). The District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

(c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds and any Parity Bonds that it (i) will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied and the amount on deposit in the applicable CFD Reserve Accounts is at less than the Proportionate Share of the Reserve Requirement, and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the CFD Reserve Accounts is at least equal to the Proportionate Share of the Reserve Requirement. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the balance in the CFD Reserve Accounts at an amount at least equal to the Proportionate Share of the Reserve Requirement.

The District covenants that it will deposit the net proceeds of any foreclosure and any other Delinquency Proceeds in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds, to make current payments of principal and interest on the Bonds and any Parity Bonds and to replenish any draw on the Reserve Funds resulting from the delinquency in the payment of scheduled debt service on the Bonds or any Parity Bonds.

(d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Special Taxes or other funds in the Special Tax Fund, or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided that nothing contained in the Indenture shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

(e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent or of the Owners of not less than 10% of the principal amount of the Bonds or the Owners of not less than 10% of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

(f) Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Authority Bonds issued on a tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or any Parity Bonds or of any other monies or property

which would cause the Authority Bonds issued on a tax-exempt basis for federal income tax purposes to be “private activity bonds” within the meaning of Section 141 of the Code;

(2) Arbitrage. The District will make no use of the proceeds of the Bonds or any Parity Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Authority Bonds issued on a tax-exempt basis for federal income tax purposes to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(3) Federal Guaranty. The District will make no use of the proceeds of the Bonds or any Parity Bonds or take or omit to take any action that would cause the Authority Bonds issued on a tax-exempt basis for federal income tax purposes to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(4) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Authority Bonds issued on a tax-exempt basis for federal income tax purposes to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Authority Bonds; and

(5) Other Tax Exempt Issues. The District will not use proceeds of other tax exempt securities to redeem any Bonds or Parity Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Authority Bonds issued on a tax-exempt basis.

(g) Reduction of Maximum Special Taxes. The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the District below the levels provided in the Indenture would interfere with the timely retirement of the Bonds and Parity Bonds. The District determines it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the Rate and Method of Apportionment of Special Taxes then in effect in the District) in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants shall compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year.

(h) Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the minimum or the maximum Special Tax below the levels specified in the Indenture or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The District covenants that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

(j) Further Assurances. The District shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds and any Parity Bonds of the rights and benefits provided in the Indenture.

AMENDMENTS TO INDENTURE

Supplemental Indentures or Orders Not Requiring Bondowner Consent. The District may from time to time, and at any time, without notice to or consent of any of the Bondowners or the Insurer, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions in the Indenture which may be inconsistent with any other provision, or to make any other provision with respect to matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute after the date of the Indenture in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding; or

(e) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners or the Insurer.

Supplemental Indentures or Orders Requiring Bondowner and Insurer Consent. Exclusive of the Supplemental Indentures described in the Indenture, the Insurer and the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing therein shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond, or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Insurer and the Owners of all Bonds and Parity Bonds then Outstanding.

THE FISCAL AGENT

Fiscal Agent. U.S. Bank National Association, shall be the Fiscal Agent for the Bonds and any Parity Bonds unless and until another Fiscal Agent is appointed by the District pursuant to the Indenture. The District may, at any time, appoint a successor Fiscal Agent satisfying the requirements of the Indenture for the purpose of receiving all money which the District is required to deposit with the Fiscal Agent thereunder and to allocate, use and apply the same as provided in the Indenture.

The Fiscal Agent is authorized to and shall mail by first class mail, postage prepaid, or wire transfer in accordance with the Indenture, interest payments to the Bondowners, to select Bonds and Parity Bonds for redemption, and to maintain the Bond Register. The Fiscal Agent is authorized to pay the principal of and premium, if any, on the Bonds and Parity Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds and Parity Bonds presented to it for such purposes, to provide for the cancellation of Bonds and Parity Bonds all as provided in the Indenture, and to provide for the authentication of Bonds and Parity Bonds, and shall perform all other duties assigned to or imposed on it as provided in the Indenture. The Fiscal Agent shall keep accurate records of all funds administered by it and all Bonds and Parity Bonds paid, discharged and cancelled by it.

The Fiscal Agent is authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Fiscal Agent shall cancel all Bonds and Parity Bonds upon payment thereof in accordance with the provisions of the Indenture.

The District will from time to time, subject to any agreement between the District and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties under the Indenture, and indemnify and save the Fiscal Agent, its officers, directors, employees and agents, harmless against costs, claims, expenses and liabilities, including, without limitation, fees and expenses of its attorneys, not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties under the Indenture. The foregoing obligation of the District to indemnify the Fiscal Agent will survive the removal or resignation of the Fiscal Agent or the discharge of the Bonds.

Removal of Fiscal Agent. The District may at any time at its sole discretion remove the Fiscal Agent initially appointed, and any successor thereto, by delivering to the Fiscal Agent a written notice of its decision to remove the Fiscal Agent and may appoint a successor or successors thereto; provided that any such successor shall be a bank, association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Fiscal Agent. If any bank, association or trust company appointed as a successor 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 purposes of the provisions of the Indenture summarized in this paragraph the combined capital and surplus of such bank, association 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. Any removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent and notice being sent by the successor Fiscal Agent to the Bondowners of the successor Fiscal Agent's identity and address.

Resignation of Fiscal Agent. The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the registration books in the office of the Fiscal Agent. Upon receiving such notice of resignation, the District shall promptly appoint a successor Fiscal Agent satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal

Agent. If no successor Fiscal Agent shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Fiscal Agent or any Owner (on behalf of itself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Fiscal Agent.

Liability of Fiscal Agent. The recitals of fact and all promises, covenants and agreements contained in the Indenture and in the Bonds and any Parity Bonds shall be taken as statements, promises, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Indenture, the Bonds or any Parity Bonds, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations specifically set forth in the Indenture, in the Bonds and any Parity Bonds, or in the certificate of authentication assigned to or imposed upon the Fiscal Agent. The Fiscal Agent shall be under no responsibility or duty with respect to the issuance of the Bonds or any Parity Bonds for value. The Fiscal Agent shall not be liable in connection with the performance of its duties, except for its own negligence or willful misconduct.

The Fiscal Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond, Parity 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 Fiscal Agent may consult with counsel, who may be counsel to the District, 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 thereunder in good faith and in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond or Parity Bond unless and until such Bond or Parity Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under the Indenture the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may, in the absence of bad faith on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a written certificate of the District, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Fiscal Agent shall have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the Indenture, or as to the correctness of any amounts received, but its liability shall be limited to the proper accounting for such funds as it shall actually receive. No provision in the Indenture shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder, or in the exercise of its rights or powers.

The Fiscal Agent shall not be deemed to have knowledge of any default or event of default until an officer at the Fiscal Agent's corporate trust office responsible for the administration of its duties under the Indenture shall have actual knowledge thereof or the Fiscal Agent shall have received written notice thereof at its corporate trust office.

The Fiscal Agent shall not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists or acts of a government.

The Fiscal Agent shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Owners pursuant to the provisions of the Indenture unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

The Fiscal Agent, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured) the Fiscal Agent shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in accordance with corporate trust industry standards.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events shall constitute an “event of default”:

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) Default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same shall become due and payable; or

(c) Except as described in (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Fiscal Agent or the Owners of 25% in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

The Fiscal Agent agrees to give notice to the Owners immediately upon the occurrence of an event of default under (a) or (b) above and within 30 days of the Fiscal Agent’s knowledge of an event of default under (c) above.

Remedies of Owners. Upon the occurrence of an Event of Default, the Fiscal Agent may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Fiscal Agent under or with respect to the Indenture, including:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) By a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount Outstanding Bonds and Parity Bonds and is indemnified to its satisfaction, the Fiscal Agent shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Fiscal Agent, being advised by counsel, shall deem most expedient in the interests of the Owners of the Bonds and Parity Bonds.

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

The Bonds and any Parity Bonds are not subject to acceleration prior to maturity.

Application of Revenues and Other Funds After Default. All amounts received by the Fiscal Agent pursuant to any right given or action taken by the Fiscal Agent under the provisions of the Indenture relating to the Bonds and Parity Bonds shall be applied by the Fiscal Agent in the following order upon presentation of the several Bonds and Parity Bonds:

First, to the payment of the fees, costs and expenses of the Fiscal Agent in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Fiscal Agent; and

Second, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing,

(b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing, and

(c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Fiscal Agent written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds and Parity Bonds then Outstanding shall have made written request upon the Fiscal Agent to exercise the powers thereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Fiscal Agent indemnity reasonably acceptable to the Fiscal Agent against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Fiscal Agent shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Fiscal Agent.

DEFEASANCE AND PARITY BONDS

Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond shall cease to be entitled to the pledge of Net Special Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under the Indenture and any Supplemental Indenture relating to such Parity Bond shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to the Indenture, the Fiscal Agent shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the District's general fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

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

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Fund) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent, in trust, Defeasance Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Fund) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds shall not have been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon; provided that the verification report and the opinion of Bond Counsel referenced below have been delivered to the Authority and the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Fiscal Agent. In connection with a defeasance under (b) or (c) above, there shall be provided to the District a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity Bonds to be defeased in accordance with the Indenture, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds or Parity Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture.

Upon a defeasance, the Fiscal Agent, upon request of the District, shall release the rights of the Owners of such Bonds and Parity Bonds which have been defeased under the Indenture and any Supplemental Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance thereunder of all Outstanding Bonds and Parity

Bonds, the Fiscal Agent shall pay over or deliver to the District any funds held by the Fiscal Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds and Parity Bonds when due. The Fiscal Agent shall, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds or Parity Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The District may at any time after the issuance and delivery of the Bonds under the Indenture issue Parity Bonds payable from the Net Special Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. Parity Bonds which may only be issued to effect a partial refunding may be issued subject to the following additional specific conditions, which are made conditions precedent to the issuance of any such Parity Bonds:

(a) The District shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Fiscal Agent; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify the following:

(1) The purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding Bonds or Parity Bonds, including payment of all costs and the funding of all reserves incidental to or connected with such refunding;

(2) The authorized principal amount of such Parity Bonds;

(3) The date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on an September 1, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) The denominations and method of numbering of such Parity Bonds;

(6) The amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) The amount, if any, to be deposited from the proceeds of such Parity Bonds in the CFD Reserve Accounts to increase the amount therein to the Proportionate Share of the Reserve Requirement;

(8) The form of such Parity Bonds; and

(9) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Fiscal Agent (unless the District directs the Fiscal Agent to accept any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(2) A written request of the District as to the delivery of such Parity Bonds;

(3) An opinion of Bond Counsel and/or general counsel to the District to the effect that (a) the District has the right and power under the Act to adopt the Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Special Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures.

(4) A certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

(5) A certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds;

(6) Such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds; and

(d) No Event of Default shall have occurred and be continuing with respect to the Bonds or the Authority Bonds.

APPENDIX B

DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF ORANGE AND THE SCHOOL DISTRICT'S SERVICE AREA

The following information concerning the County of Orange and the City of Fullerton is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the County. The Bonds are not an obligation of the City of Fullerton, the County of Oranges, or the State of California. The Authority has not independently verified the information set forth in this Appendix B and while this information is believed to be reliable, it is not guaranteed as to accuracy by the Authority.

General

County of Orange. The County of Orange (the “County”) is located in southern California and is the third most populous in the state. The County is a major tourist destination, as the home of Disneyland, large conventions, shopping centers, numerous beaches, and because of its close proximity to Los Angeles and Hollywood. The County is also well-known for its affluence and the presence of numerous Fortune 1000 companies.

The County is a general law county divided into five supervisory districts on the basis of registered voters and population. The Board of Supervisors consists of five elected members that elect a mayor.

City of Fullerton. Fullerton (the “City”) is located in the northern portion of the County, bordering Anaheim, Brea and Buena Park. The City is famous as a historical center for rock music and the original location of Fender musical instrument company. A general law city, the City is governed through a council-manager system. The City Council consists of five elected members that elect a Mayor and employ a City Manager.

Population

The County has enjoyed steady growth for decades, and is now the sixth most populous county in the United States. The City is the sixth most populous city within the County.

The County’s population in 2013 is estimated to be 3,081,804 people. The County’s 2013 population was approximately 8.3% greater than the 2000 population, representing an average 14-year annual compound growth rate of 0.57%.

A summary of the population estimates of the City, County and State for the past fourteen years is shown in the following table.

POPULATION
City of Fullerton, County of Orange, and State of California
2000-2013

<u>Year</u> ⁽¹⁾	<u>City of Fullerton</u>	<u>Annual Growth</u>	<u>County of Orange</u>	<u>Annual Growth</u>	<u>State of California</u>	<u>Annual Growth</u>
2000 ⁽²⁾	126,003	--	2,846,289	--	33,873,086	--
2001	127,227	1.0%	2,871,926	0.9%	34,256,789	1.1%
2002	128,412	0.9	2,902,207	1.1	34,725,516	1.4
2003	130,109	1.3	2,927,118	0.9	35,163,609	1.3
2004	132,420	1.8	2,948,135	0.7	35,570,847	1.2
2005	132,913	0.4	2,956,847	0.3	35,869,173	0.8
2006	133,412	0.4	2,956,334	0.0	36,116,202	0.7
2007	133,559	0.1	2,960,659	0.1	36,399,676	0.8
2008	133,872	0.2	2,974,321	0.5	36,704,375	0.8
2009	134,199	0.2	2,990,805	0.6	36,966,713	0.7
2010 ⁽²⁾	135,161	0.7	3,010,232	0.6	37,253,956	0.8
2011	135,468	0.2	3,028,846	0.6	37,427,946	0.5
2012	137,572	1.6	3,057,879	1.0	37,668,804	0.6
2013	138,251	0.5	3,081,804	0.8	37,966,471	0.8

⁽¹⁾ Except as specified herein, population figures are as of January 1.

⁽²⁾ As of April 1. Data based on 2000 and 2010 Census counts.

Source: California State Department of Finance, Demographic Research Unit.

Income

The following table shows the per capita personal income for the County, State of California and United States from 2005 through 2011.

PER CAPITA PERSONAL INCOME⁽¹⁾
County of Orange, State of California, and United States
2005-2011

<u>Year</u>	<u>County of Orange</u>	<u>California</u>	<u>United States</u>
2005	\$47,417	\$38,767	\$35,424
2006	51,359	41,567	37,698
2007	52,342	43,240	39,461
2008	52,720	43,853	40,674
2009	48,624	42,395	39,635
2010	48,760	42,514	39,937
2011	50,440	44,481	41,663

⁽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.

Labor Force

The following table summarizes the labor force, employment and unemployment figures for the City, County and State from 2007 through 2012.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City of Fullerton, Orange County and the State of California 2007-2012

	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	Unemployment Rate ⁽¹⁾
2007	City of Fullerton	71,100	68,000	3,100	4.4%
	Orange County	1,608,600	1,546,000	62,600	3.9
	State of California	17,928,700	16,970,200	959,800	5.3
2008	City of Fullerton	71,700	67,400	4,300	5.9%
	Orange County	1,618,400	1,533,100	85,300	5.3
	State of California	18,191,000	16,883,400	1,313,200	7.2
2009	City of Fullerton	70,800	63,700	7,000	9.9%
	Orange County	1,589,600	1,448,800	140,700	8.9
	State of California	18,204,200	16,141,500	2,086,200	11.3
2010	City of Fullerton	71,000	63,400	7,500	10.6%
	Orange County	1,592,500	1,441,500	151,000	9.5
	State of California	18,176,200	15,916,300	2,264,900	12.4
2011	City of Fullerton	71,200	64,200	7,000	9.8%
	Orange County	1,600,100	1,460,100	140,000	8.8
	State of California	18,172,000	16,185,100	2,158,300	10.9
2012	City of Fullerton	71,900	65,800	6,100	8.5%
	Orange County	1,618,700	1,496,000	122,700	7.6
	State of California	18,494,900	16,560,300	1,934,500	10.5

⁽¹⁾ Unemployment rate is based on unrounded data. Data is not seasonally adjusted.

Source: California State Employment Development Department and the Bureau of Labor Statistics.

Industry Employment

The following table summarizes employment figures by industry for the Santa-Ana-Anaheim-Irvine Metropolitan Division, which is located entirely within the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES Santa Ana-Anaheim-Irvine MD (Orange County) 2008-2012

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Farming	4,600	3,800	3,700	3,000	2,700
Mining and Logging	600	500	500	500	500
Construction	91,200	74,200	68,000	70,800	71,300
Manufacturing	174,100	154,800	150,400	156,300	157,800
Wholesale Trade	86,700	79,400	77,600	77,000	76,700
Retail Trade	155,600	142,300	140,100	141,300	142,200
Transportation, Warehousing and Util.	29,300	27,800	26,700	27,400	27,700
Information	30,100	27,300	24,800	24,000	24,200
Financial Activities	113,100	105,100	103,500	107,500	108,100
Professional and Business Services	266,600	240,200	243,500	250,100	255,900
Education and Health Services	150,700	152,100	155,500	162,300	163,400
Leisure and Hospitality	176,400	169,100	168,600	177,900	180,500
Other Services	46,500	42,600	42,200	43,700	44,300
Government	160,800	156,600	152,300	148,300	147,800
Total:	1,486,200	1,375,900	1,357,400	1,390,000	1,403,000

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2012 Benchmark.

Largest Employers

The following table lists the largest employers in the County and City.

LARGEST EMPLOYERS

Orange County Fiscal Year 2011-12

<u>Name</u>	<u>Purpose/Function</u>	<u>Employees</u>	<u>% of County Employment</u>
Walt Disney Co.	Amusement park and tourism	22,000	1.37%
U.C. Irvine	Higher education and research	21,291	1.33
County of Orange	County government	17,257	1.08
St. Joseph Health System	Healthcare provider	12,048	0.75
Boeing Co.	Aerospace and aircraft engineering	7,700	0.48
Bank of America Corporation	Finance and banking	6,300	0.39
Yum Brands Inc.	Restaurant company	6,300	0.39
Kaiser Permanente	Healthcare provider	5,968	0.37
Target Corporation	General retail	5,527	0.34
Cedar Fair LP	Amusement park and tourism	5,200	0.32

Source: Orange County 'Comprehensive Annual Financial Report' for the year ending June 30, 2012.

LARGEST EMPLOYERS

City of Fullerton Fiscal Year 2011-12

<u>Name</u>	<u>Purpose/Function</u>	<u>Employees</u>	<u>% of County Employment</u>
Cal. State University, Fullerton	High education	4,121	5.69%
St. Jude Medical Group	Healthcare provider	2,516	3.48
Fullerton School District	Primary education	1,065	1.47
Raytheon Systems Co.	Aerospace and aircraft engineering	1,200	1.66
Fullerton College	Higher education	1,100	1.52
Fullerton Joint Union High School District	Secondary education	870	1.20
Alcoa Fastening Systems	Industrial manufacturing	720	0.99
City of Fullerton	City government	644	0.89
Albertson's Regional Corporate	Retail grocery	570	0.79
Kraft Foods	Food processing	500	0.69

Source: City of Fullerton 'Comprehensive Annual Financial Report' for the year ending June 30, 2012.

Building Activity

The following tables summarize new building permits and valuations for the City and County from 2008 through 2012.

BUILDING PERMITS AND VALUATIONS Orange County 2008-2012

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Valuation (In \$000's)</u>					
Residential	\$1,037,710	\$855,193	\$1,029,406	\$1,236,970	\$1,499,717
Nonresidential	<u>1,439,121</u>	<u>952,485</u>	<u>1,115,928</u>	<u>1,300,021</u>	<u>1,108,273</u>
Total Valuation ⁽¹⁾	\$2,476,831	\$1,807,678	\$2,181,334	2,536,992	\$2,607,990
<u>New Dwelling Units (#)</u>					
Single-Family	1,295	1,376	1,553	1,898	2,589
Multi-Family	<u>1,864</u>	<u>824</u>	<u>1,538</u>	<u>2,909</u>	<u>3,676</u>
Total:	3,159	2,200	3,091	4,807	6,265

⁽¹⁾ Total may not add up due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS City of Fullerton 2008-2012

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Valuation (In \$000's)</u>					
Residential	31,304	8,023	11,411	53,764	\$5,273
Nonresidential	<u>59,417</u>	<u>19,495</u>	<u>30,419</u>	<u>73,394</u>	<u>14,431</u>
Total Valuation ⁽¹⁾	90,721	27,519	41,830	127,158	\$19,704
<u>New Dwelling Units (#)</u>					
Single-Family	30	4	46	7	7
Multi-Family	<u>141</u>	<u>2</u>	<u>5</u>	<u>356</u>	<u>0</u>
Total:	171	6	51	363	7

⁽¹⁾ Total may not add up due to rounding.

Source: Construction Industry Research Board.

Taxable Sales

The following tables summarize taxable transactions in the City and County from 2007 through 2011.

TAXABLE SALES City of Fullerton 2007-2011

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2007	1,577	\$1,257,672	3,644	\$1,666,413
2008	1,631	1,216,888	3,573	1,624,647
2009	1,964	1,074,628	3,321	1,429,441
2010	1,933	1,127,983	3,287	1,470,794
2011	1,971	1,202,906	3,271	1,585,979

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES Orange County 2007-2011

<u>Year</u>	<u>Retail Permits</u>	<u>Retail and Food Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2007	44,093	\$38,988,227	99,088	\$57,293,471
2008	45,705	35,768,595	97,612	53,606,829
2009	56,259	31,162,619	90,231	45,712,784
2010	58,076	32,552,107	92,407	47,667,179
2011	58,795	35,587,795	92,207	51,731,139

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

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APPENDIX C

**RATES AND METHODS OF APPORTIONMENT
OF SPECIAL TAXES FOR
THE COMMUNITY FACILITIES DISTRICTS**

**FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY
FACILITIES DISTRICT NO. 2000-1 OF FULLERTON SCHOOL DISTRICT**

**FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 2000-1
OF FULLERTON SCHOOL DISTRICT**

The following sets forth the First Amended Rate and Method of Apportionment for the levy and collection of Special Taxes of Fullerton School District ("School District") Community Facilities District No. 2000-1 ("CFD No. 2000-1"). Subject to approval by the School District and a two-thirds vote of the eligible electors within CFD No. 2000-1, this First Amended Rate and Method of Apportionment shall replace the Rate and Method of Apportionment adopted by the School District on May 9, 2000. Subject to the foregoing, Annual Special Taxes shall be levied on and collected in CFD No. 2000-1 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property in CFD No. 2000-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

"Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map or as calculated from the applicable Assessor's Parcel Map by the Board.

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

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 2000-1 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 2000-1, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2000-1.

"Annual Special Tax" means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 2000-1.

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

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

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

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

"Board" means the Board of Trustees of Fullerton School District or its designee as the legislative body of CFD No. 2000-1.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, which obligation may be incurred by CFD No. 2000-1 or the School District.

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

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

"County" means the County of Orange.

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

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

"Final Map" means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates building sites, recorded in the County Office of the Recorder.

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

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

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, that can be levied by CFD No. 2000-1 in any Fiscal Year on any Assessor's Parcel.

"Minimum Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) debt service, lease payments, or other periodic costs on all outstanding Bonds, (ii) Administrative Expenses of CFD No. 2000-1, (iii) the costs associated with the release of funds from an escrow account, and (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds or other indebtedness of CFD No. 2000-1, less (v) amounts on deposit in any fund or account which are available to pay debt service, lease payments, or other periodic costs on all outstanding Bonds pursuant to any applicable fiscal agent agreement.

"Minimum Lots" means 91 Lots.

"Minimum Units" means 91 Units.

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

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

"Special Tax" means any of the special taxes authorized to be levied by CFD No. 2000-1 pursuant to the Act.

"Taxable Property" means all Assessor's Parcels which are not Exempt Property.

"Undeveloped Property" means all Assessor's Parcels of Taxable Property which are not Developed Property.

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

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

For each Fiscal Year, beginning with Fiscal Year 2001-02, each Assessor's Parcel within CFD No. 2000-1 shall be classified as Developed Property, Undeveloped Property, or Exempt Property.

**SECTION C
MAXIMUM SPECIAL TAXES**

1. Developed Property

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

2. Undeveloped Property

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

**SECTION D
ASSIGNED ANNUAL SPECIAL TAXES**

1. Developed Property

The Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property for any Fiscal Year shall be \$1,466.20 per Unit.

2. Undeveloped Property

The Assigned Annual Special Tax applicable to an Assessor's Parcel of Undeveloped Property for any Fiscal Year shall be \$9,070.14 per acre of Acreage.

**SECTION E
BACKUP ANNUAL SPECIAL TAXES**

Each Fiscal Year, the Backup Annual Special Tax, if any, which is applicable to each Assessor's Parcel of Developed Property will be determined pursuant to this Section E.

1. Methodology

Each Fiscal Year, the Board shall determine the number of Lots as of January 1 of the prior Fiscal Year. Prior to the existence of the Minimum Lots as of January 1 of any prior Fiscal Year, the Backup Annual Special Tax applicable to each Assessor's Parcel of Developed Property for such Fiscal Year shall be determined pursuant to Section E.2 below, subject to adjustment pursuant to Section E.4 below. After the existence of the Minimum Lots as of January 1 of any prior Fiscal Year, the Backup Annual Special Tax applicable to each Assessor's Parcel of Developed Property for such Fiscal Year

and for each Fiscal Year thereafter shall be determined pursuant to Section E.3 below, subject to adjustment pursuant to Section E.4 below.

2. Prior to Existence of Minimum Lots

Prior to the existence of the Minimum Lots as of January 1 of any prior Fiscal Year, the Backup Annual Special Tax applicable to each Assessor's Parcel of Developed Property for such Fiscal Year shall be \$0.2082 per square foot of Acreage, subject to adjustment pursuant to Section E.4 below.

3. After Existence of Minimum Lots

In the first Fiscal Year after the January 1 as of which the Minimum Lots first existed, the Backup Annual Special Tax applicable to each Assessor's Parcel of Developed Property shall be determined as follows:

$$B = \frac{A \times 43,560 \times M}{L}$$

The terms above have the following meanings:

B	=	Backup Annual Special Tax per Lot for the current Fiscal Year
A	=	Minimum amount of Taxable Property determined pursuant to Section I
M	=	Backup Annual Special Tax per square foot of Acreage applicable prior to the existence of the Minimum Lots as of January 1 of the prior Fiscal Year
L	=	Lots in existence as of January 1 of the prior Fiscal Year

In each Fiscal Year thereafter, the Backup Annual Special Tax for each Assessor's Parcel shall remain equal to the Backup Annual Special Tax in the prior Fiscal Year, provided that no map reducing the Lots or reverting any of the property to acreage is recorded thereafter. If, however, a map reducing the Lots or reverting any of the property to acreage is recorded, then the Backup Annual Special Tax for the Assessor's Parcels in such map area in all Fiscal Years following the January 1 following the recordation of such map shall be calculated as follows, subject to adjustment pursuant to Section E.4 below.

1. The Backup Annual Special Taxes applicable to the Assessor's Parcels in such map area prior to the recordation of such map shall be summed.

2. The result of step one shall be divided by the Acreage of Taxable Property which is expected to exist in such map area after buildout of the Assessor's Parcels in such map area, as reasonably determined by the Board.
3. The result of step two shall be divided by 37,026. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such map area for all remaining Fiscal Years, subject to adjustment pursuant to Section E.4 below.

4. **Release of Backup Annual Special Taxes**

Each Fiscal Year, the Board shall determine the number of Units for which Building Permits were issued as of May 1 of the prior Fiscal Year. After the issuance of Building Permits for the Minimum Units as of May 1 of any prior Fiscal Year, no Backup Annual Special Tax shall be applicable to any Assessor's Parcel of Developed Property for such Fiscal Year or any Fiscal Year thereafter.

**SECTION F
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX**

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes as follows:

- Step One: The Board shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.
- Step Two: If the sum of the amounts collected in step one is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Undeveloped Property, up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.
- Step Three: If the sum of the amounts collected in steps one and two is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Developed Property, up to the Maximum Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.

SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligation of an Assessor's Parcel of Developed Property or Undeveloped Property for which a Building Permit has been issued may be prepaid in full at the times and under the conditions set forth in this Section G, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

1. Prepayment Times and Conditions

The owner of an Assessor's Parcel of Developed Property may prepay the Annual Special Tax obligation for such Assessor's Parcel in full in any Fiscal Year following the first Fiscal Year in which such Assessor's Parcel was classified as Developed Property.

2. Prepayment Amount

The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

a. Prior to Issuance of Bonds

Prior to the issuance of Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be \$8,972.00.

b. Subsequent to Issuance of Bonds

Subsequent to the issuance of Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be determined pursuant to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

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

1. For Assessor's Parcels of Developed Property, compute the Assigned Annual Special Tax and Backup Annual Special Tax applicable to the Assessor's Parcel. For Assessor's Parcels of Undeveloped Property, compute the Assigned Annual Special Tax and Backup Annual Special Tax applicable to the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit which has already been issued for that Assessor's Parcel.
2. For each Assessor's Parcel of Developed Property and Undeveloped Property to be prepaid, (a) divide the Assigned Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Assigned Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Board and (b) divide the Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Backup Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Board.
3. The amount determined pursuant to Section G.2.a. shall be (a) increased by the portion of the Bonds not allocable to construction proceeds with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal which is allocable to the applicable Assessor's Parcel. The result is the "Outstanding Gross Prepayment Amount." For purposes of calculating the amount of regularly retired principal which is allocable to the applicable Assessor's Parcel, it shall be assumed that the Annual Special Taxes actually collected from each Assessor's Parcel in any Fiscal Year are applied prorata to the regularly scheduled principal payment on the outstanding Bonds in the immediately following Fiscal Year based on each Assessor's Parcel's share of the total Annual Special Taxes which are actually collected from all Taxable Property in the current Fiscal Year and are applied to such regularly scheduled principal payment in the immediately following Fiscal Year. In no event shall any Annual Special Taxes determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the date of the applicable principal payment.
4. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."

5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."
9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
10. Calculate the reduction in the applicable reserve requirement resulting from the redemption of outstanding Bonds with the Prepayment Amount, provided that the balance of the applicable reserve fund is not less than the applicable reserve requirement. This amount is the "Reserve Fund Credit." If the balance of the applicable reserve fund is less than the applicable reserve requirement, no Reserve Fund Credit shall be given.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Board shall indicate in the records of CFD No. 2000-1 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Taxes shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board.

SECTION H TERMINATION OF SPECIAL TAX

Annual Special Taxes shall be levied for a period of thirty (30) Fiscal Years after Bonds have been issued, provided that Annual Special Taxes shall not be levied after 2040-41.

SECTION I EXEMPTIONS

The Board shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement or (v) other types of Assessor's Parcels, at the reasonable discretion of the Board, provided that, if Building Permits have not yet been issued for the Minimum Units, no such classification would reduce the Acreage of all Taxable Property to less than 14.71 acres of Acreage. Notwithstanding the above, the Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the Acreage of all Taxable Property to less than 14.71 acres of Acreage, unless Building Permits have been issued for the Minimum Units. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 14.71 acres of Acreage will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly. Notwithstanding the above, after Building Permits have been issued for the Minimum Units, no Acreage restriction will apply to the classification of Assessor's Parcels as Exempt Property.

SECTION J APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 2000-1 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made

(except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION K MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2000-1 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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**RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY
FACILITIES DISTRICT NO. 2001-1 OF FULLERTON SCHOOL DISTRICT**

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF FULLERTON SCHOOL DISTRICT

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes of Fullerton School District ("School District") Community Facilities District No. 2001-1 ("CFD No. 2001-1"). An Annual Special Tax shall be levied on and collected in CFD No. 2001-1 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property in CFD No. 2001-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map or as calculated from the applicable Assessor's Parcel Map by the Board.

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

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 2001-1 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 2001-1, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2001-1.

"Annual Special Tax" means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 2001-1.

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

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

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

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

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

"Board" means the Board of Trustees of Fullerton School District or its designee as the legislative body of CFD No. 2001-1.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, which obligation may be incurred by CFD No. 2001-1 or the School District.

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

"Building Square Footage" or **"BSF"** means the square footage of assessable internal living space of a Unit, exclusive of any carports, walkways, garages, overhangs, patios, enclosed patios, detached accessory structure, or other structures not used as living space, as determined by reference to the Building Permit for such Unit.

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

"County" means the County of Orange.

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

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

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

"Final Map" means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates building sites, recorded in the County Office of the Recorder.

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

"Lot" means an individual legal lot created by a Final Map for which a Building Permit could be issued.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, that can be levied by CFD No. 2001-1 in any Fiscal Year on any Assessor's Parcel.

"Minimum Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses of CFD No. 2001-1, (iii) the costs associated with the release of funds from an escrow account, and (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, less (v) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, or trust agreement.

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

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

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

"Special Tax" means any of the special taxes authorized to be levied by CFD No. 2001-1 pursuant to the Act.

"Taxable Property" means all Assessor's Parcels which are not Exempt Property.

"Undeveloped Property" means all Assessor's Parcels of Taxable Property which are not Developed Property.

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

SECTION B

CLASSIFICATION OF ASSESSOR'S PARCELS

For each Fiscal Year, beginning with Fiscal Year 2001-02, each Assessor's Parcel within CFD No. 2001-1 shall be classified as Developed Property, Undeveloped Property, or Exempt Property.

**SECTION C
MAXIMUM SPECIAL TAXES**

1. Developed Property

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

2. Undeveloped Property

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

**SECTION D
ASSIGNED ANNUAL SPECIAL TAXES**

1. Developed Property

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in any Fiscal Year shall be the amount determined by reference to Table 1 below.

TABLE 1

<i>ASSIGNED ANNUAL SPECIAL TAX FOR DEVELOPED PROPERTY</i>		
Unit Type	Building Square Feet	Assigned Annual Special Tax
Attached Unit	NA	\$1,060.00 per Unit
Detached Unit	<=1,750 BSF	\$1,192.50 per Unit
Detached Unit	1,751 – 2,250 BSF	\$1,612.08 per Unit
Detached Unit	2,251 – 2,750 BSF	\$1,943.33 per Unit
Detached Unit	2,751 – 3,250 BSF	\$2,208.33 per Unit
Detached Unit	3,251 – 3,750 BSF	\$2,429.17 per Unit
Detached Unit	>3,750 BSF	\$2,738.33 per Unit

2. Undeveloped Property

Each Fiscal Year, each Assessor's Parcel of Undeveloped Property shall be subject to an Assigned Annual Special Tax. The Assigned Annual Special Tax rate for an Assessor's Parcel classified as Undeveloped Property for any Fiscal Year shall be \$19,700.00 per acre of Acreage.

SECTION E
BACKUP ANNUAL SPECIAL TAXES

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. In each Fiscal Year, the Backup Annual Special Tax rate for Developed Property within a Final Map shall be the rate per Lot calculated according to the following formula:

$$B = \frac{U \times A}{L}$$

The terms above have the following meanings:

B	=	Backup Annual Special Tax per Lot in each Fiscal Year
U	=	Assigned Annual Special Tax per acre of Acreage for Undeveloped Property
A	=	Acreage of Taxable Property in such Final Map, as determined by the Board pursuant to Section J
L	=	Lots in the Final Map

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

1. Determine the total Backup Annual Special Taxes anticipated to apply to the changed or modified Final Map area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Map area, as reasonably determined by the Board.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified Final Map area for all remaining Fiscal Years in which the Special Tax may be levied.

SECTION F
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes as follows:

- Step One: The Board shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.
- Step Two: If the sum of the amounts collected in step one is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Undeveloped Property, up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel, to satisfy the Minimum Annual Special Tax Requirement.
- Step Three: If the sum of the amounts collected in steps one and two is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Developed Property, up to the Maximum Special Tax applicable to each such Assessor's Parcel, to satisfy the Minimum Annual Special Tax Requirement.

SECTION G

PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligation of an Assessor's Parcel, as calculated in Section G.2. below, may be prepaid in full at the times and under the conditions set forth in this Section G, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

1. Prepayment Times and Conditions

a. Undeveloped Property

Prior to the issuance of a Building Permit for the construction of a production Unit on a Lot within a Final Map area, the owner of no less than all the Taxable Property within such Final Map area may elect in writing to the Board to prepay the Annual Special Tax obligations for all the Assessor's Parcels within such Final Map area in full, as calculated in Section G.2. below. The prepayment of the Annual Special Tax obligation for each such Assessor's Parcel shall be collected prior to the issuance of the Building Permit with respect to such Assessor's Parcel.

b. Developed Property

In any Fiscal Year following the first Fiscal Year in which such Assessor's Parcel was classified as Developed Property, the owner of such an Assessor's Parcel may prepay the Annual Special Tax obligation for such Assessor's Parcel in full, as calculated in Section G.2. below.

2. **Prepayment Amount**

The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

a. **Prior to Issuance of Bonds**

The Prepayment Amount for each applicable Assessor's Parcel prior to the issuance of Bonds shall be determined by reference to Table 2.

TABLE 2

PREPAYMENT AMOUNT		
Unit Type	Building Square Feet	Prepayment Amount
Attached Unit	NA	\$12,898.57 per Unit
Detached Unit	<=1,750 BSF	\$13,097.13 per Unit
Detached Unit	1,751 ~ 2,250 BSF	\$15,082.80 per Unit
Detached Unit	2,251 ~ 2,750 BSF	\$17,068.46 per Unit
Detached Unit	2,751 ~ 3,250 BSF	\$19,054.13 per Unit
Detached Unit	3,251 ~ 3,750 BSF	\$21,039.79 per Unit
Detached Unit	>3,750 BSF	\$24,018.29 per Unit

b. **Subsequent to Issuance of Bonds**

Subsequent to the issuance of Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

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

1. For Assessor's Parcels of Developed Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's Parcel. For Assessor's Parcels of Undeveloped Property, compute the sum of the Assigned Annual Special Taxes and the Backup Annual Special Taxes applicable to the Assessor's

Parcel as though it was already designated as Developed Property, based upon the Building Permit issued or to be issued for that Assessor's Parcel.

2. For each Assessor's Parcel of Developed Property or Undeveloped Property to be prepaid, (a) divide the sum of the Assigned Annual Special Taxes computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Board, and (b) divide the sum of Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Board.
3. The amount determined pursuant to Section G.2.b. shall be (a) increased by the portion of the Bonds allocable to costs of issuance, reserve fund deposits, and capitalized interest with respect to the applicable Assessor's Parcel and (b) reduced by the amount of regularly retired principal which is allocable to the applicable Assessor's Parcel, as determined by the Board. The result is the "Outstanding Gross Prepayment Amount." In no event shall any Annual Special Taxes determined to have been used to make a regularly scheduled principal payment on the Bonds be adjusted for any increase in any cost index or other basis subsequent to the date of the applicable principal payment.
4. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the face value of all outstanding Bonds. If the product is greater than the Outstanding Gross Prepayment Amount, then the product shall be the "Bond Redemption Amount." If the product is less than the Outstanding Gross Prepayment Amount, then the Outstanding Gross Prepayment Amount shall be the "Bond Redemption Amount."
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
6. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 10) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
7. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.

8. Subtract the amount computed pursuant to paragraph 7 from the amount computed pursuant to paragraph 6. This difference is the "Defeasance."
9. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
10. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
11. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Board shall indicate in the records of CFD No. 2001-2 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Taxes shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board.

SECTION H

PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligation of an Assessor's Parcel, as calculated in Section H.2. below, may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

1. **Partial Prepayment Times and Conditions**

Prior to the issuance of the first Building Permit for the construction of a production Unit on a Lot within a Final Map area, the owner of no less than all the Taxable Property within such Final Map area may elect in writing to the Board to prepay a portion of the Annual Special Tax obligations for all the Assessor's Parcels within such Final Map area, as calculated in Section H.2. below. The partial prepayment of each Annual Special Tax obligation shall be collected prior to the issuance of the first Building Permit with respect to each Assessor's Parcel.

2. **Partial Prepayment Amount**

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

The terms above have the following meanings:

PP = the Partial Prepayment Amount
P_G = the Prepayment Amount calculated according to Section G
F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation

3. **Partial Prepayment Procedures and Limitations**

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 2001-1 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

**SECTION I
TERMINATION OF SPECIAL TAX**

Annual Special Taxes shall be levied for a period of thirty-three (33) Fiscal Years after Bonds have been issued, provided that Annual Special Taxes shall not be levied after 2037-38.

SECTION J EXEMPTIONS

The Board shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels developed or expected to be developed exclusively for non-residential use, including any use directly servicing any non-residential property, such as parking, as reasonably determined by the Board, and (vi) any other Assessor's Parcels at the reasonable discretion of the Board, provided that no such classification would reduce the sum of all Taxable Property to less than 95.06 acres of Acreage. Notwithstanding the above, the Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 95.06 acres of Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 95.06 acres of Acreage will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

SECTION K APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 2001-1 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION L MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2001-1 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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APPENDIX D
FORM OF BOND COUNSEL OPINION

August 8, 2013

Fullerton School District Financing Authority
Perris, California

Re: \$15,400,000 Fullerton School District Financing Authority Special Tax Revenue Refunding Bonds, 2013 Series A (Senior Lien Bonds)

\$1,075,000 Fullerton School District Financing Authority Special Tax Revenue Refunding Bonds, 2013 Series B (Junior Lien Bonds)

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the Fullerton School District Financing Authority (the "Authority") taken in connection with the issuance by the Authority of its Special Tax Revenue Refunding Bonds, 2013 Series A (Senior Lien Bonds) (the "2013A Bonds") and its Authority Special Tax Revenue Refunding Bonds, 2013 Series A (Junior Lien Bonds) (the "2013B Bonds," and together with the 2013A Bonds, the "Bonds") and such other information and documents as we consider necessary to render this opinion.

In rendering this opinion, we have relied upon certain representations and certifications of fact made by the Authority, Fullerton School District (the "School District"), the Community Facilities Districts, the initial purchaser of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Marks Roos Local Bond Pooling Act of 1985, as amended (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the "Act"), that certain Indenture of Trust dated August 1, 2013 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as Trustee, and an authorizing resolution adopted by the Board of Directors of the Authority (the "Board") on June 4, 2013 (the "Resolution"), approving the Indenture. The Bonds are dated as of their date of delivery and mature on the dates and in the amounts set forth in the Indenture. Interest on the Bonds is payable on the dates and at the rates per annum set forth in the Indenture. The Bonds are registered Bonds in the forms set forth in the Indenture and are redeemable in the amounts, at the times and in the manner set forth in the Indenture. Capitalized terms not defined herein shall have the meaning set forth in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other laws affecting creditors' rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State of California.

(2) The Indenture has been duly executed and delivered by the Authority. The Indenture creates a valid pledge of the Revenues to secure the 2013A Bonds, the Subordinated Revenues to secure the 2013B Bonds and the amounts on deposit in certain funds and accounts established under the Indenture to secure the 2013A Bonds and the 2013B Bonds, as and to the extent provided in the Indenture. The Indenture is enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other similar laws affecting creditors' rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State of California; provided, however, that we express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the Indenture.

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest (and original issue discount) may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

(4) Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

(5) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond. Original issue discount that accrues to the Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations (as described in paragraph 3 above), and is exempt from State of California personal income tax.

(6) The amount by which a Bond owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond owner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinions expressed in paragraphs (3) and (5) above as to the exclusion from gross income for federal income tax purposes of interest and original issue discount on the Bonds is subject to the condition that the Authority, the School District and the Community Facilities Districts comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority, the School District and the Community Facilities Districts each have covenanted to comply with all such requirements. Except as set forth in paragraphs (3) through (6) above, we express no opinion as to any tax consequences related to the Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate and the Local Obligations Indentures may be changed, and certain actions may be taken, under the circumstances

and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the exclusion of interest (and original issue discount) on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Our engagement as Bond Counsel terminates upon the issuance of the Bonds and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken (or not taken) or do occur (or do not occur).

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (“Disclosure Agreement”), dated as of August 1, 2013, is executed and delivered by the FULLERTON SCHOOL DISTRICT FINANCING AUTHORITY (the “Issuer”), and DOLINKA GROUP, LLC, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance of \$15,400,000 aggregate principal amount of the Fullerton School District Financing Authority Special Tax Revenue Refunding Bonds, 2013 Series A (Senior Lien Bonds) and \$1,075,000 aggregate principal amount of the Fullerton School District Financing Authority Special Tax Revenue Refunding Bonds, 2013 Series B (Junior Lien Bonds) (together, the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust (the “Indenture”) dated as of August 1, 2013 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 Indenture, 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 Dolinka Group, LLC, 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 Community Facilities District No. 2000-1 of the Fullerton School District and Community Facilities District No. 2001-1 of the Fullerton School District.

“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 Community Facilities District No. 2000-1 of the Fullerton School District 2013 Special Tax Refunding Bonds and Community Facilities District No. 2001-1 of the Fullerton School District 2013 Special Tax Refunding Bonds.

“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 July 11, 2013.

“Participating Underwriter” shall mean Piper Jaffray & Co.

“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 Fullerton 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, 2014, 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 Indenture and the Series A Reserve Requirement and the Series B 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 6, 7 and 8 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 percentage of the maximum Special Taxes levied by the Districts with respect to each series of Local Obligations;

(vi) the status of any foreclosure actions being pursued by the Districts with respect to delinquent Special Taxes; and

(vii) 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 Dolinka Group, LLC. 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 Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the 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 former 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 Indenture, 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:	Fullerton School District Financing Authority 1401 West Valencia Drive Fullerton, California 92833 Attention: Executive Director
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Dissemination Agent:	Dolinka Group, LLC
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Participating Underwriter: Piper Jaffray & Co.
2321 Rosecrans Avenue, Suite 3200
El Segundo, California 90245
Attention: Municipal Finance

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.

FULLERTON SCHOOL DISTRICT FINANCING
AUTHORITY

By: _____
Its: Executive Director

DOLINKA GROUP, LLC, as Dissemination Agent

By: _____
Its: Authorized Officer

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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.

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.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer