

NEW ISSUE
DTC BOOK-ENTRY ONLY

S&P Insured Rating: "AA" (Stable Outlook)
S&P Underlying Rating: "A" (Stable Outlook)
See "RATINGS" herein

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the Refunding Bonds is not an item of tax preference for purposes of federal alternative minimum taxes imposed on individuals and corporations, although Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Refunding Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds. See "LEGAL MATTERS - Tax Exemption."

\$15,180,000*

**COMMUNITY FACILITIES DISTRICT NO. 92-1 OF THE
CAPISTRANO UNIFIED SCHOOL DISTRICT
SERIES 2013 SPECIAL TAX REFUNDING BONDS**

DATED: Date of Delivery

DUE: September 1, as shown below

The bonds captioned above (the "Refunding Bonds") are being issued under the Mello-Roos Community Facilities Act of 1982 (the "Law"), the Resolution (as defined herein), and a Fiscal Agent Agreement dated as of July 1, 2013 (the "Fiscal Agent Agreement"), by and between the Community Facilities District No. 92-1 of the Capistrano Unified School District (the "District") and U.S. Bank National Association (the "Fiscal Agent"), to refund on a current basis the Community Facilities District No. 92-1 of the Capistrano Unified School District (Las Flores) Special Tax Bonds, Series 1998 (the "1998 Bonds"). See "PLAN OF REFUNDING" herein.

The Refunding Bonds are payable from the proceeds of an annual Special Tax being levied on and collected from certain property within the District according to the rate and method of apportionment (see "SECURITY AND SOURCE OF PAYMENT—The Special Tax" and "APPENDIX B—AMENDED RATE AND METHOD OF APPORTIONMENT" herein). The Refunding Bonds are secured by a first pledge of the Net Taxes (as defined herein) and the moneys on deposit in certain funds held under the Fiscal Agent Agreement.

THE REFUNDING BONDS, THE INTEREST THEREON, AND ANY PREMIUMS PAYABLE ON THE REDEMPTION OF ANY OF THE REFUNDING BONDS, ARE NOT AN INDEBTEDNESS OF CAPISTRANO UNIFIED SCHOOL DISTRICT (THE "SCHOOL DISTRICT"), THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE SCHOOL DISTRICT, THE DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED IN THIS OFFICIAL STATEMENT), THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE ON THE REFUNDING BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE DISTRICT (EXCEPT TO THE LIMITED EXTENT DESCRIBED IN THIS OFFICIAL STATEMENT), OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE REFUNDING BONDS. OTHER THAN THE NET TAXES, NO TAXES ARE PLEDGED TO THE PAYMENT OF THE REFUNDING BONDS. THE REFUNDING BONDS ARE NOT A GENERAL OBLIGATION OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE NET TAXES AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

The Refunding Bonds are being issued as fully registered bonds, without coupons, and when delivered 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 for the Refunding Bonds. Individual purchases of the Refunding Bonds will be made in book-entry-only form and only in authorized denominations, as described in this Official Statement. So long as Cede & Co. is the registered owner of the Refunding Bonds, principal of and interest and any premium on the Refunding Bonds will be made by the Fiscal Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Refunding Bonds. See "THE REFUNDING BONDS—DTC Book-Entry-Only" herein.

Interest on the Refunding Bonds is first payable on March 1, 2014, and semiannually thereafter on March 1 and September 1 of each year. The Refunding Bonds are subject to redemption prior to maturity (see "THE REFUNDING BONDS—Redemption Provisions").



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

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL INFORMATION RELEVANT TO AN INVESTMENT IN THE REFUNDING BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE
(See Inside Cover)

The Refunding Bonds are being purchased for reoffering by _____ as Underwriter of the Refunding Bonds. The Refunding Bonds are offered when, as and if issued by the District and received by the Underwriter, subject to approval as to legality by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel and subject to certain other conditions. Certain legal matters related to the Refunding Bonds will be passed upon by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, in its capacity as special counsel to the School District, and by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel to the School District with respect to the Refunding Bonds. It is anticipated that the Refunding Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York on or about July 31, 2013.

This Official Statement is dated _____, 2013

* Preliminary, subject to change.

MATURITY SCHEDULE

\$15,180,000^{*}

COMMUNITY FACILITIES DISTRICT NO. 92-1 OF THE CAPISTRANO UNIFIED SCHOOL DISTRICT SERIES 2013 SPECIAL TAX REFUNDING BONDS

Maturity Date September 1	Principal Amount [*]	Interest Rate	Yield	Price	CUSIP ⁺
2014	\$ 1,500,000	— %	— %	—	
2015	1,570,000	—	—	—	
2016	1,600,000	—	—	—	
2017	1,630,000	—	—	—	
2018	1,670,000	—	—	—	
2019	1,720,000	—	—	—	
2020	1,775,000	—	—	—	
2021	1,825,000	—	—	—	
2022	1,890,000	—	—	—	

^{*} Preliminary, subject to change.

⁺ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

THIS OFFICIAL STATEMENT IS SUBMITTED WITH RESPECT TO THE SALE OF THE REFUNDING BONDS REFERRED TO HEREIN AND MAY NOT BE REPRODUCED OR USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE REFUNDING BONDS.

THE REFUNDING BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, IN RELIANCE UPON EXCEPTIONS THEREIN FOR THE ISSUANCE AND SALE OF MUNICIPAL SECURITIES. THE REFUNDING BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAW OF ANY STATE.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE REFUNDING BONDS BY A PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE AN OFFER, SOLICITATION OR SALE.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE DISTRICT TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, 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 DISTRICT.

THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE DISTRICT AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT OR SCHOOL DISTRICT SINCE THE DATE HEREOF.

ALL SUMMARIES OF THE DOCUMENTS REFERRED TO IN THIS OFFICIAL STATEMENT ARE QUALIFIED BY THE PROVISIONS OF THE RESPECTIVE DOCUMENTS SUMMARIZED AND DO NOT PURPORT TO BE COMPLETE STATEMENTS OF ANY OR ALL OF SUCH PROVISIONS.

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES UNDER 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.

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 TERMINOLOGY USED SUCH AS "PLAN," "EXPECT," "ESTIMATE," "PROJECT," "BUDGET" OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES 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 DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED CHANGE.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE REFUNDING BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE REFUNDING BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") MAKES NO REPRESENTATION REGARDING THE REFUNDING BONDS OR THE ADVISABILITY OF INVESTING IN THE REFUNDING BONDS. IN ADDITION, BAM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING BAM, SUPPLIED BY BAM AND PRESENTED UNDER THE HEADING "BOND INSURANCE AND RESERVE FUND INSURANCE POLICY" AND "APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY AND SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY".

THE SCHOOL DISTRICT MAINTAINS AN INTERNET WEBSITE, BUT THE INFORMATION ON THE WEBSITE IS NOT INCORPORATED IN THIS OFFICIAL STATEMENT.

\$15,180,000^{*}
COMMUNITY FACILITIES DISTRICT NO. 92-1 OF THE
CAPISTRANO UNIFIED SCHOOL DISTRICT
SERIES 2013 SPECIAL TAX REFUNDING BONDS

SCHOOL DISTRICT BOARD OF TRUSTEES

John M. Alpay, President
Lynn Hatton, Vice President
Anna Bryson, Clerk
Ellen M. Addonizio, Member
Amy Hanacek, Member
Dr. Gary Pritchard, Member
Jim Reardon, Member

SCHOOL DISTRICT ADMINISTRATION

Dr. Joseph M. Farley, Superintendent
Clark Hampton, Deputy Superintendent, Business & Support Services

Capistrano Unified School District
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DISCLOSURE COUNSEL

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Sacramento, California 95814

SPECIAL TAX CONSULTANT

David Taussig & Associates, Inc.
5000 Birch Street, Suite 6000
Newport Beach, California 92660

FISCAL AGENT

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071

^{*} Preliminary, subject to change.

\$15,180,000^{*}
COMMUNITY FACILITIES DISTRICT NO. 92-1 OF THE
CAPISTRANO UNIFIED SCHOOL DISTRICT
SERIES 2013 SPECIAL TAX REFUNDING BONDS

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^{*} Preliminary, subject to change.

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OFFICIAL STATEMENT

\$15,180,000*

COMMUNITY FACILITIES DISTRICT NO. 92-1 OF THE CAPISTRANO UNIFIED SCHOOL DISTRICT SERIES 2013 SPECIAL TAX REFUNDING BONDS

INTRODUCTION

General

The purpose of this Official Statement is to provide certain information concerning the sale and delivery of an issue of bonds designated as the Community Facilities District No. 92-1 of the Capistrano Unified School District Series 2013 Special Tax Refunding Bonds (the “Refunding Bonds”).

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to this Official Statement and is qualified by more complete and detailed information contained in this entire Official Statement, which includes the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of this entire Official Statement by persons interested in investing in the Refunding Bonds. The offering of the Refunding Bonds to potential investors is made only by means of this entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the meanings given them in the Fiscal Agent Agreement (as defined below).

The School District

The Capistrano Unified School District (the “School District”) is a political subdivision of the State of California (the “State”) and is governed by a seven member Board of Trustees (the “Board”). Founded in 1965, the School District encompasses 195 square miles in seven cities and a portion of the unincorporated area of Orange County (the “County”). The District includes all or part of the cities of San Clemente, Dana Point, San Juan Capistrano, Laguna Niguel, Aliso Viejo, Mission Viejo and Rancho Santa Margarita, and the communities of Las Flores, Coto de Caza, Dove Canyon, Ladera Ranch, and Wagon Wheel.

The School District provides kindergarten through 12th grade public education to more than 49,000 students on 55 campuses. See “THE SCHOOL DISTRICT” herein.

The District

Community Facilities District No. 92-1 of the Capistrano Unified School District (the “District”) is a community facilities district organized by the Board in 1992 pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Sections 53311 et seq. of the State Government Code (the “Law”). Pursuant to the Law, the seven members of the Board serve as the legislative body of the District (the “Legislative Body”) by virtue of their election to the Board.

* Preliminary, subject to change.

The District consists of approximately 1,003 gross acres of land located within the School District in the southeasterly portion of Orange County. The District is within the Las Flores Planned Community (the "Las Flores Project"). See "THE DISTRICT" herein.

Authority for Issuance

Pursuant to the Law, the Legislative Body adopted resolutions on December 21, 1992 confirming the establishment of the District and calling for an election to authorize the issuance of bonds and the levying of a special tax within the District. On December 21, 1992, at a special election held pursuant to the Law, voters within the boundaries of the District authorized the issuance of up to \$30,000,000 principal amount of special tax bonds for the purpose of acquiring, constructing, and rehabilitating school facilities (the "1992 Authorization"), and approved the levy of special taxes on certain real property in the District (the "Special Taxes") pursuant to the Rate and Method of Apportionment of Special Taxes for the Capistrano Unified School District Community Facilities District No. 92-1 (Las Flores) (the "Original Rate and Method").

On September 3, 1993, the District issued \$8,515,000 Community Facilities District No. 92-1 of the Capistrano Unified School District (Las Flores) Series 1993 Special Tax Bonds (the "1993 Bonds").

In 1995 and 1996, the Legislative Body conducted proceedings with respect to the modification of the Original Rate and Method to alter the method of levy of the Special Taxes on undeveloped property in order to facilitate the levy of such Special Taxes with the levy of special taxes on property in Community Facilities District No. 95-1 of the School District ("CFD 95-1") and to clarify the treatment of open space property. On March 11, 1996, at a special election held pursuant to the Law, the qualified voters of the District approved the Amended and Restated Rate and Method of Apportionment for the Capistrano Unified School District Community Facilities District No. 92-1 (Las Flores) (the "Amended Rate and Method"). Property within CFD 95-1 is no longer subject to the levy of Special Taxes to pay debt service on bonds of the District.

On January 10, 1997, the District issued \$12,500,000 Community Facilities District No. 92-1 of the Capistrano Unified School District (Las Flores) Series 1997 Special Tax Bonds (the "1997 Bonds"). On July 1, 1998, the District issued \$31,360,000 Community Facilities District No. 92-1 of the Capistrano Unified School District (Las Flores) Special Tax Bonds, Series 1998 (the "1998 Bonds"). In addition to refunding the 1993 Bonds and 1997 Bonds, a portion of the proceeds of the 1998 Bonds were used to finance additional facilities for the District.

The Refunding Bonds in the principal amount of \$15,180,000* are being issued pursuant to a resolution adopted by the Legislative Body on June 26, 2013 (the "Resolution") and a fiscal agent agreement (the "Fiscal Agent Agreement") dated as of July 1, 2013, between the District and U.S. Bank National Association (the "Fiscal Agent").

Purpose of Issue

Proceeds of the Refunding Bonds will be applied (i) to refund on a current basis the 1998 Bonds and (ii) to pay costs of issuance of the Refunding Bonds. See "PLAN OF REFUNDING" herein.

Source of Payment

The Legislative Body annually levies the Special Taxes in accordance with the Amended Rate and Method. Payments of principal of and interest on the Refunding Bonds are secured by and payable from a first pledge of the net proceeds of the Special Taxes (as more specifically defined in the Fiscal Agent Agreement, the "Net Taxes"). See "SECURITY AND SOURCE OF PAYMENT—The Special Tax" and "APPENDIX B—AMENDED RATE AND METHOD OF APPORTIONMENT" herein.

The Refunding Bonds will additionally be secured by certain funds and accounts established and held under the Fiscal Agent Agreement. See "SECURITY AND SOURCE OF PAYMENT" herein.

* Preliminary, subject to change.

Limited Obligations

Neither the faith and credit nor the general taxing power of the District (except to the limited extent described in this Official Statement), the School District, the County, the State nor any political subdivision thereof is pledged for the payment of the Refunding Bonds. The Refunding Bonds are not general obligations of the District or the School District, but are limited obligations of the District payable solely from Net Taxes and other sources pledged therefor under the Fiscal Agent Agreement. See “SPECIAL RISK FACTORS—Not a General Obligation of the District or School District” herein.

Description of the Bonds

The Refunding Bonds will be dated their date of delivery and will be issued as fully registered bonds, without coupons, in book-entry form only. The Refunding Bonds will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”). Payments of the principal of and interest on the Refunding Bonds will be made by the Fiscal Agent as paying agent, registrar and transfer agent for the Refunding Bonds to DTC for subsequent disbursement to the Beneficial Owners (as defined herein) of the Refunding Bonds. See “THE REFUNDING BONDS—DTC Book-Entry-Only” herein.

The Refunding Bonds are issued as current interest bonds in denominations of \$5,000 principal amount, or any integral multiple thereof, and mature on September 1 in each of the years and in the amounts set forth on the inside cover page hereof. Interest on the Refunding Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2014. Interest on the Refunding Bonds is computed on the basis of a 360-day year comprised of twelve 30-day months. See “THE REFUNDING BONDS” herein.

Bond Insurance

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

Risk Factors

Investment in the Refunding Bonds involves risks that may not be appropriate for some investors. See “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Refunding Bonds.

Professionals Involved

Government Financial Strategies inc., Sacramento, California has acted as financial advisor (the “Financial Advisor”) with respect to the issuance, sale and delivery of the Refunding Bonds. See “FINANCIAL ADVISOR” herein. All proceedings in connection with the issuance of the Refunding Bonds are subject to the approving legal opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California (“Bond Counsel”). Quint & Thimmig LLP, Larkspur, California (“Disclosure Counsel”) is acting as disclosure counsel to the School District with respect to the Refunding Bonds. U.S. Bank National Association is acting as Fiscal Agent for the Refunding Bonds and escrow agent (“Escrow Agent”) with respect to the 1998 Bonds. David Taussig & Associates, Inc., Newport Beach, California acts as special tax consultant with respect to the Refunding Bonds. Bond Counsel, Disclosure Counsel, Fiscal Agent and Escrow Agent will receive compensation from the District contingent upon the sale and delivery of the Refunding Bonds.

Other Information

This Official Statement may be considered current only as of its date on the cover page hereof, and the information contained herein is subject to change. Descriptions of the Refunding Bonds, the District and the School District, together with descriptions of certain provisions of the Resolution and the Fiscal Agent Agreement, are included in this Official Statement. The descriptions

herein do not purport to be comprehensive or definitive. All references herein to the Refunding Bonds, the Resolution and the Fiscal Agent Agreement are qualified in their entirety by reference to the complete texts of such documents.

Copies of the Resolution, the Fiscal Agent Agreement, audited financial statements, annual budgets and or any other information which may be considered informative regarding the sale and delivery of the Refunding Bonds and which is generally available to the School District will be made available for public inspection by contacting the School District through the office of the Deputy Superintendent, Business & Support Services at the address and telephone set forth on page “iv” of this Official Statement, or by contacting the Financial Advisor at the address set forth on page “iv” of this Official Statement. Charges may be made for the duplication and mailing of documents.

THE REFUNDING BONDS

Authority for Issuance

The Law was enacted by the State Legislature to provide an alternative method of financing certain public capital facilities and services. Once duly established by the legislative body of a local agency, a community facilities district is a legally constituted governmental entity within defined boundaries, with the governing board or legislative body of the local agency acting on its behalf. Subject to approval by a two-thirds vote of qualified electors and compliance with the provisions of the Law, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Law, the Legislative Body adopted resolutions on December 21, 1992, confirming the establishment of the District and calling for an election to authorize the issuance of bonds and the levying of a special tax within the District. On December 21, 1992, at a special election held pursuant to the Law, voters within the boundaries of the District approved the 1992 Authorization.

On September 3, 1993, the District issued the 1993 Bonds. On March 11, 1996, the qualified voters of the District approved the Amended Rate and Method removing property within CFD 95-1 from the levy of Special Taxes to pay debt service on bonds of the District. On January 10, 1997, the District issued 1997 Bonds. On July 1, 1998, the District issued the 1998 Bonds, issued in part to refund the 1993 Bonds and 1997 Bonds. The Refunding Bonds are being issued under and pursuant to the provisions of the Law and pursuant to the Resolution and Fiscal Agent Agreement to refund the 1998 Bonds in full on a current basis.

Form and Registration

The Refunding Bonds will be dated their date of delivery and will be issued as fully registered bonds, without coupons, in book-entry form only. Pursuant to the Fiscal Agent Agreement, the Fiscal Agent will keep and maintain for and on behalf of the District at the Fiscal Agent’s corporate trust office, books and records (herein referred to as the "Bond Register") for recording the names and addresses of the owners (the “Registered Owners”), the transfer, exchange, and replacement of the Refunding Bonds, and the payment of the principal of and interest on the Refunding Bonds to the Registered Owners and containing such other information as may be reasonably required by the District and subject to such reasonable regulations as the District and the Fiscal Agent may prescribe. All transfers, exchanges, and replacement of Refunding Bonds shall be noted in the Bond Register.

The Refunding Bonds will be initially issued and registered in the name of Cede & Co. as nominee of DTC. Purchases of Refunding Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Refunding Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Refunding Bonds, Beneficial Owners (as defined herein) will not receive physical certificates representing their ownership interests. See “THE REFUNDING BONDS—DTC Book-Entry-Only” herein.

In the event (i) DTC determines not to continue to act as a securities depository for the Refunding Bonds, or (ii) DTC shall no longer so act and gives notice to the District of such determination, then the District will discontinue the book-entry system with DTC. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single, separate, fully registered Refunding Bond, per maturity, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace DTC, then the Refunding Bonds will no longer be restricted to being registered in the Bond Register in the name of the Cede & Co., but shall be registered in whatever name or names owners of the Refunding Bonds transferring or exchanging

Refunding Bonds shall designate, and the District will prepare and deliver Refunding Bonds to the owners thereof for such purposes.

So long as the Refunding Bonds are registered in the name of Cede & Co., as nominee for DTC, references in this Official Statement to the owners of the Refunding Bonds or the Bondowners shall mean Cede & Co., and shall not mean the purchasers or beneficial owners of the Refunding Bonds.

Payment of Principal and Interest

The Refunding Bonds are issued as current interest bonds in denominations of \$5,000 principal amount, or any integral multiple thereof, and mature on September 1 in each of the years and in the amounts set forth on the inside cover page hereof. Interest on the Refunding Bonds is payable on March 1 and September 1 of each year (each, an "Interest Payment Date"), commencing March 1, 2014. Interest on the Refunding Bonds is computed on the basis of a 360-day year comprised of twelve 30-day months.

The principal of and interest on the Refunding Bonds will be paid in lawful money of the United States of America by the Fiscal Agent to DTC, who will, in turn, disburse such payment to direct and indirect participants of DTC for subsequent disbursement to Beneficial Owners. The principal of the Refunding Bonds is payable upon maturity or prior redemption of a Refunding Bond upon its surrender at the principal office of the Fiscal Agent.

Interest on the Refunding Bonds shall be payable from the Interest Payment Date next preceding the date of their authentication, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after 15th day of the calendar month preceding an Interest Payment Date, whether or not such day is a business day (the "Record Date") but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from such Interest Payment Date, or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the Dated Date; provided, however, that if at the time of authentication of the Refunding Bonds, interest is in default, interest on the Refunding Bonds shall be payable from the last date on which the interest has been paid or made available for payment, or if no interest has been paid or made available for payment, interest shall be payable from the Dated Date. Interest on the Refunding Bonds shall be paid to the person whose name shall appear in the Bond Register as the Registered Owner of such Refunding Bonds as of the close of business on the Record Date for the applicable Interest Payment Date. Such interest shall be paid by check of the Fiscal Agent mailed on the Interest Payment Date to such Registered Owner by first class mail at his or her address, postage prepaid, as it appears on the Bond Register as of the Record Date; provided that, in the case of an Registered Owner of \$1,000,000 or more in aggregate principal amount of the Refunding Bonds, upon the Fiscal Agent's receipt of written request of such Registered Owner prior to the Record Date accompanied by wire transfer instructions, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States.

So long as Cede & Co. or its registered assignee is the Registered Owner of the Refunding Bonds, payments of principal of and interest on the Refunding Bonds shall be made by wire transfer.

Transfer and Exchange

In the event that the book-entry system as described above is no longer used with respect to the Refunding Bonds, the following provisions will govern the transfer and exchange of the Refunding Bonds.

The Refunding Bonds may be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Refunding Bond for cancellation at the principal office of the Fiscal Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Fiscal Agent and duly executed by the Registered Owner or his or her duly authorized attorney. Refunding Bonds may be exchanged at the principal office of the Fiscal Agent for a like aggregate principal amount and maturity of Refunding Bonds of other authorized denominations. The Fiscal Agent may charge the Registered Owner any tax or other governmental charge required with respect to such transfer or exchange. The cost of printing the Refunding Bonds and any services rendered or expenses incurred by the Fiscal Agent in connection with any transfer or exchange thereof shall be paid by the District.

Whenever any Refunding Bonds shall be surrendered for registration of transfer or exchange, the District shall execute, and the Fiscal Agent shall authenticate and deliver, a new Refunding Bond, for a like aggregate principal amount and maturity; provided, that the Fiscal Agent shall not be required to register transfers or make exchanges of (i) Refunding Bonds for a period of 15 days

next preceding the date established by the Fiscal Agent for selection of the Refunding Bonds to be redeemed, or (ii) any Refunding Bond chosen for redemption.

Redemption Provisions

Optional Redemption. The Refunding Bonds are not subject to optional redemption prior to their maturity.

[Mandatory Sinking Fund Redemption. The Refunding Bonds maturing by their terms on September 1, 20__, (the “Term Bonds”), are subject to mandatory sinking fund redemption by the District prior to their maturity, in part by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, solely from mandatory sinking fund payments as provided in the Fiscal Agent Agreement, on each September 1.

Community Facilities District No. 92-1 of the
Capistrano Unified School District
Series 2013 Special Tax Refunding Bond Term Bonds

Year Ending September 1	Sinking Fund Amount	Year Ending September 1	Sinking Fund Amount

Notice of Redemption. At least 30 days but no more than 60 days prior to the redemption date, the Fiscal Agent shall mail by first class mail, postage prepaid, to the respective Registered Owner a notice of redemption (“Notice of Redemption”). Such Notice of Redemption shall: (a) specify the CUSIP numbers and serial numbers of the Refunding Bonds selected for redemption, except that where all the Refunding Bonds or all Refunding Bonds of a single maturity are subject to redemption, the serial numbers thereof need not be specified; (b) state the original issue date, the interest rate and the maturity date of the Refunding Bond selected for redemption; (c) state the date fixed for redemption; (d) state the redemption price; (e) state the place or places where the Refunding Bonds are to be redeemed; and (f) in the case of Refunding Bonds to be redeemed only in part, state the portion of such Refunding Bond which is to be redeemed. Such notice shall further state that, on the date fixed for redemption, there shall become due and payable on each Refunding Bond or portion thereof called for redemption the principal thereof, together with any premium, and interest accrued to the redemption date, and that, from and after such date, interest thereon shall cease to accrue and be payable. The actual receipt by the Registered Owner of any Refunding Bond of notice of such redemption shall not be a condition precedent thereto, and neither failure to receive such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Refunding Bond, or the cessation of interest on the redemption date.

Additional Notice. In addition to the Notice of Redemption, further notice shall be given by the Fiscal Agent as set out below, but neither defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

1. Each further notice of redemption given hereunder shall contain the information required above for a Notice of Redemption plus (i) the date of issue of the Refunding Bonds as originally issued; (ii) the rate of interest borne by each Refunding Bond being redeemed; and (iii) any other descriptive information needed to identify accurately the Refunding Bonds being redeemed.
2. Each further notice of redemption shall be sent at least 30 days before the redemption date to DTC and, upon written request of the District, to any other registered depository then in the business of holding substantial amounts of obligations of types comprising the Refunding Bonds and to the Electronic Municipal Market Access (“EMMA”) system of the Municipal Securities Rulemaking Board (“MSRB”) or at the request of the District, any other information services that disseminate notice of redemption of obligations such as the Refunding Bonds.

Effect of Notice of Redemption: If notice of redemption has been duly given and money for the payment of the principal of and redemption premiums, if any, on, together with interest to the redemption date on, the Refunding Bonds or portions thereof so called for redemption is held by the Fiscal Agent, then on the redemption date designated in such notice such Refunding Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Refunding Bonds or such portions thereof so called for redemption shall cease to accrue and such Bondowners shall have no rights in respect thereof

except to receive payment of the principal or such portions thereof and the redemption premiums, if any, thereon and the interest accrued thereon to the redemption date.
]

Defeasance

If the District shall pay or cause to be paid, or there shall otherwise be paid, the interest due thereon, the principal and premium, if any, of a Refunding Bond, at the times and in the manner stipulated in the Fiscal Agent Agreement, then the Registered Owner of such Refunding Bond shall cease to be entitled to the pledge of Net Taxes (as defined herein) and other amounts pledged under the Fiscal Agent Agreement to the repayment of such Refunding Bond, and, other than certain rebate and tax covenants, all covenants, agreements and other obligations of the District to the Registered Owner shall thereupon cease, terminate and become void and be discharged and satisfied.

Any Refunding Bond shall be deemed to have been paid within the meaning expressed in the Fiscal Agent Agreement if such Refunding 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 due on such Refunding Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in trust, at or before maturity, money which, together with the amounts then on deposit and available for such purpose, is fully sufficient to pay the principal of and interest on such Refunding Bond as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in trust, direct, non-callable federal securities, in such amount as certified by a nationally recognized certified public accountant which will, together with the interest to accrue thereon and monies then on deposit and available for such purpose, together with the interest to accrue thereon, be fully sufficient to pay and discharge the principal of and interest and any premium on such Refunding Bond as and when the same shall become due and payable.

The Fiscal Agent shall, at the written direction and expense of the District, mail, first class, postage prepaid, a notice to the Registered Owners whose Refunding Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

DTC Book-Entry-Only

The information below has been provided by DTC for use in securities offering documents, and the District does not take responsibility for the accuracy or completeness thereof. The District can not and does not give any assurances that DTC, DTC Participants or DTC Indirect Participants will distribute to the beneficial owners of the Refunding Bonds (the "Beneficial Owners") either (a) payments of interest, principal or premium, if any, with respect to the Refunding Bonds, or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Refunding Bonds, or that they will so do in a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

The following description of DTC, its procedures and record-keeping with respect to beneficial ownership interests in the Refunding Bonds, payment of principal and interest, other payments with respect to the Refunding Bonds registered in the name of DTC to Direct Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Refunding Bonds, notices to Beneficial Owners and other related transactions by and between DTC, the participants, and the Beneficial Owners. However, DTC, the participants, and the Beneficial Owners should not rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be.

Neither the District nor the Fiscal Agent takes any responsibility for the information contained in this Section.

DTC, New York, NY, will act as securities depository for the Refunding Bonds. The Refunding Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Refunding Bond certificate will be issued for the Refunding Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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. The information contained on this Internet site is not incorporated herein by reference.

Purchases of the Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Refunding Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Refunding Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

To facilitate subsequent transfers, all the Refunding Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Refunding Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Refunding Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Refunding Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Refunding Bond documents. For example, Beneficial Owners of the Refunding Bonds may wish to ascertain that the nominee holding the Refunding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Refunding Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Refunding Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Fiscal 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, Fiscal Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 Fiscal 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.

DTC may discontinue providing its services as depository with respect to the Refunding Bonds at any time by giving reasonable notice to the District or Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Refunding Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Refunding Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

PLAN OF REFUNDING

Application and Investment of Bond Proceeds

A portion of the proceeds from the sale of the Refunding Bonds, together with available moneys ("Other Available Funds") held by the fiscal agent for the 1998 Bonds, will be irrevocably deposited into (i) an escrow fund (the "Escrow Fund") to be created and maintained by the Escrow Agent under that certain escrow agreement (the "Escrow Agreement") by and between the District and the Escrow Agent dated as of the date of issuance of the Refunding Bonds in order to refund and legally defease the 1998 Bonds. Moneys in the Escrow Fund will be held in cash, uninvested.

AMTEC Corporation of Avon, Connecticut and Ross & Company, PLLC (a Certified Public Accountant) of Louisville, Kentucky, together acting as verification agent with respect to the Escrow Fund, will certify in writing that moneys irrevocably deposited and held in the Escrow Fund will be sufficient for the payment of principal and interest coming due and payable to September 1, 2013, the date fixed for redemption of the 1998 Bonds, plus the redemption price of the 1998 Bonds maturing on or after September 1, 2014. Upon such irrevocable deposit, the 1998 Bonds will be deemed paid and no longer outstanding. Amounts in the Escrow Fund are not available for payment of the Refunding Bonds.

A portion of the proceeds of the Refunding Bonds will be deposited by the Fiscal Agent in a costs of issuance fund (the "Costs of Issuance Fund") and used to pay costs associated with the issuance of the Refunding Bonds.

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Sources and Uses of Funds

The sources and uses of funds in connection with the sale and delivery of the Refunding Bonds are set forth below.

Community Facilities District No. 92-1 of the
Capistrano Unified School District
Series 2013 Special Tax Refunding Bonds
Sources and Uses of Funds

SOURCES OF FUNDS

Par Amount of Refunding Bonds
Other Available Funds
Original Issue Premium

TOTAL SOURCES OF FUNDS

USES OF FUNDS

Escrow Fund
Costs of Issuance Fund ¹
Underwriter's Discount

TOTAL USES OF FUNDS

¹ Costs of issuance includes the fees and expenses of Bond Counsel, Disclosure Counsel, Financial Advisor, special tax consultant, rating agency, verification agent, the premium for bond insurance and debt service reserve insurance policy and other expenses related to the issuance of the Refunding Bonds.

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Debt Service Schedule

Scheduled debt service on the Refunding Bonds is shown in the table below.

Community Facilities District No. 92-1 of the
Capistrano Unified School District
Series 2013 Special Tax Refunding Bonds Scheduled Debt Service

<u>Date</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
March 1, 2014				
September 1, 2014				
March 1, 2015				
September 1, 2015				
March 1, 2016				
September 1, 2016				
March 1, 2017				
September 1, 2017				
March 1, 2018				
September 1, 2018				
March 1, 2019				
September 1, 2019				
March 1, 2020				
September 1, 2020				
March 1, 2021				
September 1, 2021				
March 1, 2022				
September 1, 2022				
	\$ __, __, 000			

BOND INSURANCE AND RESERVE FUND INSURANCE POLICY

The following information has been furnished by Build America Mutual Assurance Company for use in this Official Statement. No representation is made by the District or the Underwriter as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse changes to the condition of Build America Mutual Assurance Company subsequent to the date hereof, including but not limited to a downgrade of the credits ratings of Build America Mutual Assurance Company.

Bond Insurance Policy

Concurrently with the issuance of the Refunding Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Refunding Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Refunding 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.

The Reserve Fund Insurance Policy

BAM has made a commitment to issue a municipal bond debt service reserve insurance policy for the Reserve Fund with respect to the Refunding Bonds (the "Reserve Fund Policy"), effective as of the date of issuance of such Refunding Bonds. Under the

terms of the Reserve Fund Policy, BAM will, subject to the Policy Limits described below, unconditionally and irrevocably guarantee to pay that portion of the scheduled principal of and interest on the Refunding Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the District (the “Insured Payments”).

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

No payment shall be made under the Reserve Fund Policy in excess of the lesser of \$_____ and the reserve fund requirement established for the Refunding Bonds (the “Reserve Fund Policy Limit”). Pursuant to the terms of the Reserve Fund Policy, the amount available at any particular time to be paid to the Fiscal Agent shall automatically be reduced to the extent of any payment made by BAM under the Reserve Fund Policy, provided that, to the extent of the reimbursement of such payment by the District to BAM, the amount available under the Reserve Fund Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Fund Policy Limit.

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM. BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2013 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$6.2 million and \$479.8 million, respectively. BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

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

BAM makes no representation regarding the Refunding Bonds or the advisability of investing in the Refunding Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other

than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE AND RESERVE FUND INSURANCE POLICY.”

SECURITY AND SOURCE OF PAYMENT

General

The Legislative Body annually levies the Special Taxes on certain real property in the District in accordance with the Rate and Method. The payments of the principal of and interest and any premium on the Refunding Bonds are secured by a first pledge of the Net Taxes, and available amounts held by the Fiscal Agent in the Bond Fund, Reserve Fund, Redemption Fund, and after disbursement of amounts to the Administrative Expense Fund (up to the amount of the Administrative Expense Requirement), the Special Tax Fund (including any accounts of the foregoing funds).

All of the Net Taxes are pledged for the payment of the Refunding Bonds, and such Net Taxes and any interest earned on the Net Taxes will constitute a trust fund for the payment of the interest on and principal of the Refunding Bonds, and so long as any of the Refunding Bonds or interest thereon are unpaid, the Net Taxes and interest thereon will not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and will be held in trust for the benefit of the Bondowners and will be applied pursuant to the Fiscal Agent Agreement.

Net Taxes deposited in the Administrative Expense Fund, the Surplus School Facilities Fund and the Rebate Fund will no longer be considered to be pledged to the Refunding Bonds, and amounts in the Administrative Expense Fund, the Surplus School Facilities Fund, and the Rebate Fund are not pledged as security for the Refunding Bonds.

“Net Taxes” are defined in the Fiscal Agent Agreement as the amount of all “Gross Taxes” (defined as the amount of all Special Taxes collected within the District and net proceeds from the sale of property collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of the Special Taxes) minus the “Administrative Expense Requirement” (which is \$134,586.83 for Fiscal Year 2013-14, and increases at 2% per Fiscal Year thereafter).

Limited Obligation

The Refunding Bonds and interest thereon are not payable from the general funds of the District or the School District. Except with respect to the Net Taxes, neither the credit nor the taxing power of the District or the School District is pledged for the payment of the Refunding Bonds or interest thereon, and no Bondowner may compel the exercise of the taxing power by the District (except with respect to the Net Taxes) or the School District or the forfeiture of any of their property for the payment thereof.

The principal of and interest on the Refunding Bonds and premiums upon the redemption of any thereof are not a debt of the District (except to the limited extent described in this Official Statement) or the School District, the State or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Refunding Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any property or income, receipts or revenues of the District or the School District, except the Net Taxes which are, under the terms of the Fiscal Agent Agreement, pledged for the payment of the Refunding Bonds and interest thereon, and the amounts in certain funds and accounts held under the Fiscal Agent Agreement. Neither the members of the Legislative Body or the Board nor any persons executing the Refunding Bonds are liable personally on the Refunding Bonds by reason of their issuance.

The Special Tax

Covenant to Levy Special Taxes to Meet Special Tax Requirement. Subject to the Maximum Special Tax, the District will comply with all requirements of the Law so as to assure the timely collection of the Special Taxes, including without limitation, the enforcement of delinquent Special Taxes.

The District will fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on Outstanding Bonds becoming due and payable during the ensuing year, including any necessary replenishment or expenditure

of the Reserve Fund for the Refunding Bonds, an amount equal to the Administrative Expense Requirement and any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes.

On or before each June 1, commencing June 1, 2014, the Fiscal Agent will provide a written notice to the District stating the amounts then on deposit in the various funds and accounts established by the Fiscal Agent Agreement. The receipt of such notice by the District will in no way affect the obligations of the District under the Fiscal Agent Agreement. Upon receipt of a copy of such notice, the District will communicate with the County Treasurer-Tax Collector (the "County Treasurer") or other appropriate official of the County to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The District will retain an Independent Financial Consultant to assist in the levy of the Special Taxes each Fiscal Year, commencing with Fiscal Year 2013-14, in accordance with the Ordinance, such that the computation of the levy is complete before the final date on which the County Auditor-Controller will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, and approval by the Legislative Body, the District will prepare or cause to be prepared, and shall transmit to the County Auditor-Controller, such data as the County Auditor-Controller requires to include the levy of the Special Taxes on the next secured tax roll.

Manner of Collection. The Fiscal Agent Agreement provides that the Special Taxes will be payable and collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property; provided, the Legislative Body may provide for direct collection of the Special Taxes in certain circumstances.

Because the Special Tax levy is limited to the Maximum Special Tax rates set forth in the Amended Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Refunding Bonds. See "SPECIAL RISK FACTORS—Maximum Special Tax" herein.

As long as the Teeter Plan (defined herein) remains in effect in the County, the District will be credited with the full amount of the Special Tax levy no matter the delinquency rate within the District (see "SECURITY AND SOURCE OF PAYMENT—Alternative Method of Tax Apportionment" herein).

See "THE DISTRICT" herein for additional information regarding the Special Tax.

Alternative Method of Tax Apportionment

As an alternative method of property tax allocation for the County, the County Board of Supervisors approved on September 28, 1993, implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") pursuant to sections 4701 through 4717 of the State's Revenue & Taxation Code. The Teeter Plan guarantees distribution of 100% of the *ad valorem* taxes and assessments levied to the taxing entities within the County, with the County retaining all penalties and interest affixed upon delinquent properties and redemptions of subsequent collections.

The County Treasurer's cash position is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from tax and penalty collections. Amounts exceeding the amount required to be maintained in the tax loss reserve fund may be credited to the County's general fund. Amounts required to be maintained in the tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the procedures with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls in that agency.

As long as the Teeter Plan remains in effect in the County, the District will be credited with the full amount of the Special Tax levy no matter the delinquency rate within the District. No assurance can be given that the Teeter Plan will remain in place for the District until the final maturity of the Refunding Bonds.

Covenant to Foreclose

Sale of Property for Nonpayment of Taxes. The Fiscal Agent Agreement provides that the Special Taxes are to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure (described below) and in the Law, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County. The District can, however, levy Special Taxes by direct billing of property owners under certain circumstances.

Foreclosure Under the Law. Under Section 53356.1 of the Law, if any delinquency occurs in the payment of the Special Tax, the District may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale.

Such judicial foreclosure action is not mandatory. However, the District has covenanted in the Fiscal Agent Agreement that it (i) will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$25,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due, (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 or the amount on deposit in the Reserve Fund is at less than its required balance, and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid.

Notwithstanding the foregoing, however, if the County is then including the District in the Teeter Plan, the District may elect to defer foreclosure proceedings on any parcel which is owned by a delinquent property owner whose property is not, in the aggregate, delinquent in the payment of Special Taxes in excess of \$25,000 so long as (i) the amount in the Reserve Fund is at least equal to the Reserve Requirement, and (ii) with respect to the Refunding Bonds, or any Parity Bonds, the District is not in default in the payment of the principal of or interest on the Refunding Bonds or any such Parity Bonds. While it does not intend to, the District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Fund at the Reserve Requirement or to avoid a default in payment on the Refunding Bonds.

The District covenants that it will deposit the net proceeds of any foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses, up to the Administrative Expense Requirement, to make current payments of principal and interest on the Refunding Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Fund up to the Reserve Requirement, and to pay any delinquent installments of principal or interest due on the Refunding Bonds and any Parity Bonds.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment (see “SPECIAL RISK FACTORS—Collection of Special Taxes”). The Law does not require the District to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Law requires that property sold pursuant to foreclosure under the Law be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Refunding Bonds is obtained. However, under Section 53356.5 of the Law, the District, as judgment creditor, is entitled to purchase any property sold at foreclosure using a “credit bid,” where the District could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Taxes. If the District becomes the purchaser under a credit bid, the District must pay the amount of its credit bid into the redemption fund established for the Refunding Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale. The District is not required, and has no intention, to be a bidder at any foreclosure sale.

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the District to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the

property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the “FDIC”). See “SPECIAL RISK FACTORS—Bankruptcy.”

Special Tax Fund

Under the Fiscal Agent Agreement, the Special Taxes and other amounts constituting Gross Taxes collected by the District will be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent and will be held in trust in the Special Tax Fund for the benefit of the Bondowners (exclusive of the Administrative Expense Requirement) and will, exclusive of the Prepaid Special Taxes, be transferred from the Special Tax Fund in the following order of priority:

- (a) To the Administrative Expense Fund, an amount specified in writing by the District, up to the Administrative Expense Requirement.
- (b) To the Interest Account of the Bond Fund an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date equals the installment of interest due on the Refunding Bonds on that Interest Payment Date. Moneys in the Interest Account will be used for the payment of interest on the Refunding Bonds as it becomes due.
- (c) To the Principal Account of the Bond Fund, an amount up to the amount needed to make the principal payment due on the Refunding Bonds during the current Bond Year.
- (d) To the Sinking Fund Redemption Account of the Redemption Fund an amount up to the amount needed to make the Mandatory Sinking Payments due on the Refunding Bonds during the current Bond Year.
- (e) To the Reserve Fund, the amount, if any, necessary to replenish the Reserve Fund to the then Reserve Requirement.
- (f) Provided all the amounts due in the current Bond Year are funded under (b), (c), (d) and (e) above, to the extent there are additional Administrative Expenses, to the Administrative Expense Fund in the amount specified in writing by the District required to bring the balance therein to the amount needed pay such Administrative Expenses.
- (g) Any remaining Special Taxes and other amounts constituting Gross Taxes will remain in the Special Tax Fund, subject to the provisions of (h), below.
- (h) Any remaining Special Taxes and other amounts constituting Gross Taxes, if any, will remain in the Special Tax Fund until the end of the Bond Year. Any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal and interest on the Refunding Bonds (including payment of Mandatory Sinking Payments due during the current Bond Year), to restore the Reserve Fund as provided for in (e), above, or to pay current or pending Administrative Expenses as provided for in (a) and (f), above, will be deposited in the Surplus School Facilities Fund and used in accordance with the Fiscal Agent Agreement and will be free and clear of any lien thereon or pledge under the Fiscal Agent Agreement; provided, any funds required to cure any delinquency described above will be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

At the date of the redemption, defeasance or maturity of the last Refunding Bond and after all principal and interest then due on any Refunding Bond has been paid or provided for, all other covenants are complied with and all fees and expenses of the Fiscal Agent have been paid, moneys in the Special Tax Fund will be transferred to the District by the Fiscal Agent and may be used by the District for any lawful purpose under the District proceedings.

Bond Fund

One Business Day prior to each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund, or the Reserve Fund if moneys are unavailable in the Special Tax Fund, and deposit in the Principal Account and the Interest Account of the Bond Fund an amount equal to all of the principal and all of the interest due and payable on the Refunding Bonds on the ensuing Interest Payment Date, less amounts on hand in the Bond Fund available to pay principal of or interest on such Refunding Bonds. The Fiscal Agent will apply moneys in the Interest Account and Principal Account to the payment of interest and principal, respectively, on the Refunding Bonds on each Interest Payment Date.

Reserve Fund

On the Closing Date, a debt service reserve insurance policy issued by BAM (the “Reserve Policy”) equal to the initial Reserve Requirement will be deposited in the Reserve Fund, which will be held in trust by the Fiscal Agent for the benefit of the Bondowners as a reserve for the payment of principal of, and interest and any premium on, the Refunding Bonds and will be subject to a lien in favor of the Bondowners.

Except as otherwise provided in the Fiscal Agent Agreement, moneys or the Reserve Policy in the Reserve Fund shall be used solely for the purpose of:

- (i) making transfers to the Bond Fund or Redemption Fund to pay the principal of, including Mandatory Sinking Payments, and interest on Refunding Bonds when due to the extent that moneys in the Interest Account and the Principal Account of the Bond Fund or moneys in the Sinking Fund Redemption Account are insufficient therefor, and, to the extent moneys are on deposit in the Reserve Fund,
- (ii) making any required transfer to the Rebate Fund pursuant to the Fiscal Agent Agreement upon written direction from the District,
- (iii) paying the principal and interest due on the Refunding Bonds in the final Bond Year, and
- (iv) application to the defeasance of such Refunding Bonds in accordance with the Fiscal Agent Agreement.

See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” for a complete description of the timing, purpose and manner of disbursements from the Reserve Fund.

Reserve Requirement. The “Reserve Requirement” is defined in the Fiscal Agent Agreement to mean, as of any date of calculation, an amount equal to the least of (i) 10% of the original principal amount of the Refunding Bonds and any Parity Bonds, (ii) Maximum Annual Debt Service, or (iii) 125% of average Annual Debt Service on the Refunding Bonds and any Parity Bonds.

As of the Closing Date, the Reserve Requirement is \$_____.

Investment of Moneys in Funds

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent will be invested by the Fiscal Agent in Authorized Investments, as directed in writing by the District. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” for a definition of “Authorized Investments” and other restrictions on the investment of moneys in the funds and accounts held under the Fiscal Agent Agreement.

Parity Bonds

Pursuant to the Law and under the authority of the Fiscal Agent Agreement, additional series of bonds on parity with the Refunding Bonds (“Parity Bonds”) may be issued in the future by the District solely for the purpose of defeasing and refunding all or a portion of the Refunding Bonds or any Parity Bonds then outstanding. Parity Bonds which may be issued to effect a partial refunding of the Refunding Bonds may only be issued subject to additional specific conditions as fully described in the Fiscal Agent Agreement.

THE DISTRICT

General

Pursuant to the Law, the Board established the District and voters approved the 1992 Authorization on December 21, 1992 (see “THE REFUNDING BONDS—Authority for Issuance” herein), including the Original Rate and Method. The seven members of the Board serve as the Legislative Body of the District by virtue of their election to the Board.

On September 3, 1993, the District issued the 1993 Bonds. On March 11, 1996, the qualified voters of the District approved the Amended Rate and Method. Property within CFD 95-1 is no longer subject to the levy of Special Taxes to pay debt service on bonds of the District. On January 10, 1997, the District issued the 1997 Bonds, and on July 1, 1998, the District issued the 1998 Bonds. In addition to refunding the 1993 Bonds and 1997 Bonds, a portion of the proceeds of the 1998 Bonds were used to finance additional facilities for the District.

The District consists of approximately 1,003 gross acres of land located within the School District in the southeasterly portion of Orange County. The land within the District is within the Las Flores Project.

Amended Rate and Method of Apportionment

The Special Taxes will be levied and collected according to the Amended Rate and Method, which provides the means by which the Board may annually levy the Special Taxes within the District, up to the maximum Special Tax rates, and to determine the amount of the Special Taxes that will need to be collected each Fiscal Year from the "Taxable Property" within the District.

The following is a synopsis of the provisions of the Amended Rate and Method, which should be read in conjunction with the complete text of the Amended Rate and Method which is included in "APPENDIX B." Capitalized terms used but not defined in this section have the meanings given them in the Amended Rate and Method. This section provides only a summary of the Amended Rate and Method, and is qualified by more complete and detailed information contained in the entire Amended Rate and Method included in APPENDIX B. Note that property within CFD 95-1 has been relieved of the obligation to pay the Special Taxes, and Special Taxes will only be levied on parcels of Taxable Property in the District to pay the principal of and interest on the Refunding Bonds.

The Amended Rate and Method defines two categories of taxable property: "Developed Property," and "Undeveloped Property." The category of Developed Property is in turn divided into two separate special tax classifications based on the type of use of the structure built thereon, "Residential Property" and "Commercial Property."

Developed Property is distinguished from Undeveloped Property by the issuance of a building permit. Specifically, property for which a building permit was issued as of March 1 will be classified as Developed Property in the following fiscal year.

The Special Tax is levied each year as follows:

First: The Special Tax shall be levied proportionately on each parcel of Developed Property in the District up to 100% of the Assigned Special Tax for Developed Property;

Second: If additional funds are needed, the Special Tax will be levied proportionally on each parcel of Undeveloped Property in the District up to 100% of the Maximum Special Tax for such property;

Third: If additional monies are needed, the levy of the Special Tax on each parcel of Developed Property in the District whose Maximum Special Tax is determined through the application of the Backup Special Tax will be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such parcel;

Fourth: If additional monies are needed, the Special Tax will be levied on all Public Property, Homeowner Association Property, Religious Property and Undevelopable Property in the District which is not exempt from taxation at up to 100% of the Maximum Special Tax for Undeveloped Property.

The Special Tax may be levied on parcels of taxable property in the District in each fiscal year to pay (i) debt service on the Refunding Bonds, (ii) the administrative expenses of the District, (iii) any amount required to replenish the Reserve Fund, (iv) the costs of remarketing, credit enhancement and liquidity facility fees, (v) an amount equal to the estimated delinquencies expected in payment of Special Taxes, and (vi) the costs of acquisition, construction and/or rehabilitation of authorized facilities of the District (not to exceed a total of \$2,000,000 for purposes of rehabilitation).

Under no circumstance will the Special Tax levied on any assessor's parcel of residential property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other assessor's parcel within the District.

Special Tax Rates and Historical Collections

In fiscal year 2012-13, the Special Tax Requirement was comprised of the following:

<u>Requirement</u>	<u>Amount</u>
Interest Due March 1, 2013	\$ 458,955
Interest Due September 1, 2013	458,955
Principal Due September 1, 2013	1,295,000
County Collection Charge	8,532
Administration Expenses	67,500
Special Reserve Fund (Pay-As-You-Go)	550,000
Total	\$2,838,942

Application of the Assigned Special Tax under the first step of the Amended Rate and Method generated special tax revenues of \$3,992,862 from Residential Property and \$100,343 from Commercial Property, which was more than sufficient to meet the Special Tax Requirement of \$2,838,942 in fiscal year 2012-13. Consequently, the Special Tax for fiscal year 2012-13 on Developed Property was equal to approximately 69 percent of the Assigned Special Tax.

The following table identifies the Assigned / Maximum Special Tax rates for fiscal year 2012-13 along with actual tax rates. Assigned / Maximum Special Tax rates increase by 2% annually.

Community Facilities District No. 92-1 of the
Capistrano Unified School District
Fiscal Year 2012-13 Assigned / Maximum and Actual Tax Rates

Land Use Class	Description	Assigned / Maximum Special Tax	Special Tax Levy	Percent of Assigned / Maximum
1	Residential Property (per building square foot)	\$ 1.1074	\$0.7681	69.4%
2	Commercial Property (per acre)	16,374.55	11,356.97	69.4%
N/A	Undeveloped Property (per acre)	20,395.35	0.00	0.0%

Source: David Taussig & Associates, Inc.

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The following table identifies Assigned / Maximum Special Tax rates for fiscal year 2013-14. Assigned / Maximum Special Tax rates increase by 2% annually.

**Community Facilities District No. 92-1 of the
Capistrano Unified School District
Fiscal Year 2013-14 Assigned / Maximum Tax Rates**

Land Use	Assigned / Maximum Special Tax ¹
Residential Property	\$1.1295 per building square foot
Non-Residential Property	\$16,702.04 per acre
Undeveloped Property	\$20,803.26 per acre
Backup Special Tax	\$19,072.13 per acre

¹ Based on the Assigned Special Tax rate for Residential and Non-Residential Property, and the Maximum Special Tax rate for Undeveloped Property. The Maximum Special Tax for Developed Property is the greater of the amount derived from the application of the Assigned Special Tax rate or the Backup Special Tax.

Source: David Taussig & Associates, Inc.

The following table sets forth historical Residential Property units and square footage within the District subject to the Special Tax levy, the amount of Commercial Property acreage subject to the Special Tax levy, the amount of Undeveloped Property acreage subject to the Special Tax levy, and the total Special Tax levy.

**Community Facilities District No. 92-1 of the
Capistrano Unified School District
Summary of Development and Special Tax Levies by Year**

<u>Fiscal Year</u>	<u>Residential Property Units</u>	<u>Residential Property Building Square Feet</u>	<u>Commercial Property Acres</u>	<u>Undeveloped Property Acres</u>	<u>Total Tax Levy ¹</u>	<u>Change in Tax Levy</u>
2003-04	1,981	3,573,060	6.13	3.89	\$2,553,913	NA
2004-05	1,981	3,577,613	6.13	3.89	2,608,615	2.14%
2005-06	1,981	3,586,635	6.13	3.89	2,658,226	1.90%
2006-07	1,981	3,595,725	6.13	0.17	2,718,405	2.26%
2007-08	1,981	3,598,802	6.13	0.17	2,775,122	2.09%
2008-09	1,981	3,600,806	6.13	0.17	2,832,427	2.06%
2009-10	1,981	3,603,624	6.13	0.17	2,891,203	2.08%
2010-11	1,981	3,604,114	6.13	0.17	2,891,585	0.01%
2011-12	1,981	3,604,512	6.13	0.17	2,891,895	0.01%
2012-13	1,981	3,605,619	6.13	0.17	2,838,941	-1.83%

¹ Developed Property was levied from approximately 69%-75% of the Assigned Special Tax every year. There was no levy on Undeveloped Property in any year shown.

Source: David Taussig & Associates, Inc.

Coverage Ratios

The following table illustrates projected debt service coverage ratios for the Refunding Bonds, based on projected Special Tax revenues from Residential Property and Commercial Property and assuming that the Special Tax is levied at 100% of the Assigned Special Tax rate.

Community Facilities District No. 92-1 of the Capistrano Unified School District Projected Debt Service Coverage Ratios

Bond Year Ending Sep 1	Residential Developed Special Tax Revenues ^{1,2}	Commercial Developed Special Tax Revenues ³	Annual Administrative Expenses ⁴	Net Special Tax Revenues	Estimated Refunding Debt Service ⁵	Coverage from Developed Property
2014	\$4,072,720	\$102,350	\$134,587	\$4,040,483	\$2,026,275	199.4%
2015	4,154,174	104,397	137,279	4,121,293	1,959,125	210.4%
2016	4,237,258	106,485	140,024	4,203,719	1,957,725	214.7%
2017	4,322,003	108,615	142,825	4,287,793	1,955,725	219.2%
2018	4,408,443	110,787	145,681	4,373,549	1,954,975	223.7%
2019	4,496,612	113,003	148,595	4,461,020	1,954,875	228.2%
2020	4,586,544	115,263	151,567	4,550,240	1,958,275	232.4%
2021	4,678,275	117,568	154,598	4,641,245	1,955,025	237.4%
2022	4,771,840	119,919	157,690	4,734,070	1,956,150	242.0%

¹ Residential Property Developed Special Tax Revenues for Fiscal Year 2013-14 and each year thereafter are equal to 100% of the Assigned Special Tax. The Assigned Special Tax rates escalate at two percent per year. The District is essentially built out. In Fiscal Year 2012-13, Special Taxes were levied at approximately 69% of the Assigned Special Tax rates.

² Pursuant to Section 53321(d) of the Government Code, the special tax levied against any Assessor's parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor's parcel within the District by more than ten percent above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the District may not be able to increase the tax levy to the assigned special tax in all years.

³ Non-Residential Property Developed Special Tax Revenues for Fiscal Year 2013-14 and each year thereafter are based on 100% of the Assigned Special Tax. The Assigned Special Tax rates escalate at two percent per year. In Fiscal Year 2012-13, Special Taxes were levied at approximately 69% of the Assigned Special Tax rates.

⁴ Based on the Administrative Expense Requirement of \$134,586.83, which escalates as two percent per Bond Year beginning September 2, 2014.

⁵ Based on an estimated issuance of \$15,180,000 of Refunding Bonds at a true interest cost of 4.15%. Preliminary, subject to change.

Source: David Taussig & Associates, Inc.

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Special Tax Delinquencies

The following table lists historical delinquency information.

Community Facilities District No. 92-1 of the Capistrano Unified School District Historical Delinquency ¹

Fiscal Year	Total Tax Levy	Delinquent Special Tax at FY End ²	Delinquency Rate at FY End ²	Number of Delinquent Parcels ³	Delinquent Special Tax ³	Delinquency Rate ³
2003-04	\$2,553,913	\$19,093	0.75%	0	\$ 0	0.00%
2004-05	2,608,615	20,681	0.79	0	0	0.00
2005-06	2,658,226	31,200	1.17	0	0	0.00
2006-07	2,718,405	48,865	1.80	0	0	0.00
2007-08	2,775,122	70,722	2.55	0	0	0.00
2008-09	2,832,427	75,471	2.66	0	0	0.00
2009-10	2,891,203	37,392	1.29	0	0	0.00
2010-11	2,891,585	30,202	1.04	0	0	0.00
2011-12	2,891,895	51,762	1.79	0	0	0.00
2012-13	2,838,941	42,399 ⁴	1.49 ⁴	43 ⁴	\$42,399 ⁴	1.49 ⁴

¹ District is a participant in the County's Teeter Plan.

² As of fiscal year end of year levied.

³ Unless otherwise noted, delinquency data as of May 10, 2013 provided by the Orange County Tax Collector.

⁴ Delinquency data as of April 29, 2013 provided by the Orange County Tax Collector.

Source: David Taussig & Associates, Inc.

None of the three largest special taxpayers within the District were delinquent in the payment of their Special Tax levies for fiscal year 2012-13.

As of the date of this Official Statement, no taxpayer is subject to foreclosure due to delinquent Special Taxes.

Note that the District is subject to the County's Teeter Plan, so that the District receives from the County the total Special Taxes levied in the District in each fiscal year. See "SECURITY AND SOURCE OF PAYMENT—Alternative Method of Tax Apportionment" herein.

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Major Taxpayers

The following table lists, in descending order, the taxpayers with the largest estimated apportionments of the Special Tax levy for fiscal year 2013-14 and their respective estimated apportionments.

Community Facilities District No. 92-1 of the Capistrano Unified School District Major Taxpayers

<u>Property Owner</u> ¹	<u>Number of Parcels Taxed</u>	<u>Estimated Fiscal Year 2013-14 Special Tax Levy</u> ²	<u>% of Total Levy</u>
1 OC/SD Holdings LLC	1	\$ 334,558	12.62%
2 Clingan, Terence S Trust	1	23,678	0.89
3 Haynosch, Carol J Trust	2	14,184	0.53
4 Peever Family Holdings I	1	10,110	0.38
5 Peever Family Holdings II	1	8,678	0.33
6 Other Individual Owners ³	1,478	2,260,539	85.25
Total	1,484	\$2,651,746	100.00%

¹ Reflects ownership as of January 1, 2012 provided by the County of Orange Assessor.

² Based on the Special Tax levy for an estimated issuance of \$15,180,000 of Refunding Bonds at a true interest cost of 4.15%, plus estimated Administrative Expenses of \$76,000 and a deposit of \$550,000 to the Surplus School Facilities Fund. Preliminary, subject to change. Assumes debt service savings are applied to reduce levy.

³ Includes owners responsible for less than 0.33% of the estimated FY 2013-14 Special Tax levy.

Source: David Taussig & Associates, Inc.

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Historical Assessed Valuation

The following table shows historical net assessed valuation of Taxable Property within the District. This information has been included for general area information purposes only; the Special Tax is levied by square footage or acreage of Taxable Property and is not dependent on assessed value.

Community Facilities District No. 92-1 of the Capistrano Unified School District Historical Net Assessed Valuation ¹

<u>As of January 1</u>	<u>Net Assessed Value of District ²</u>	<u>Annual Change</u>
2003	\$549,972,664	n/a
2004	588,519,662	7.0%
2005	644,464,117	9.5%
2006	704,607,814	9.3%
2007	741,480,053	5.2%
2008	790,901,458	6.7%
2009	764,397,814	-3.4%
2010	732,808,796	-4.1%
2011	728,173,665	-0.6%
2012	729,816,059	0.2%

¹ Reflects value for taxable property only.

² Net assessed values as of January 1 provided by the Orange County Assessor.

Source: David Taussig & Associates, Inc.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

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The following table shows *ad valorem* property tax rates for the last five years in the tax rate area of the District (TRA 82-357). TRA 82-357 comprises 100% of the total assessed value of taxable property in the District.

Community Facilities District No. 92-1 of the
Capistrano Unified School District
Typical Total Tax Rates TRA 82-357

<u><i>Ad Valorem</i> Property Taxes</u>	Fiscal Year <u>2010-11</u>	Fiscal Year <u>2011-12</u>	Fiscal Year <u>2012-13</u>
Basic Levy	1.0000%	1.0000%	1.0000%
Metropolitan Water District G.O. Bonds	0.0037	0.0037	0.0035
Santa Margarita Water District ID No. 4	0.1362	0.1338	0.1637
Santa Margarita Water District ID No. 4B	0.3502	0.3465	0.3940
Total <i>Ad Valorem</i> Property Taxes on All Property	1.0037%	1.0037%	1.0035%
Total <i>Ad Valorem</i> Property Taxes on Land Only	0.4864%	0.4803%	0.5577%

¹ There is one tax rate area in the District. Tax Rate Area 82-357 has a Fiscal Year 2012-13 net assessed valuation of \$729,816,059, and land assessed valuation of \$329,531,769, representing 100% of the District's taxable assessed valuation. The table summarizes the total ad valorem tax rates in Tax Rate Area 82-357 during the three-year period from 2010-11 to 2012-13.

Source: David Taussig & Associates, Inc.

Property owners within the District are subject to other special taxes and assessments levied by other taxing authorities that provide services within the District. Such non-*ad valorem* special taxes and assessments are not represented in this table. See “THE DISTRICT – Tax Burden on Single-Family Home” and “—Direct and Overlapping Debt” below for more information.

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Direct and Overlapping Debt

Contained within the District's boundaries are numerous overlapping local entities providing public services. These local entities may have outstanding bonds issued in the form of general obligation, lease revenue and special assessment bonds. The first column in the table below names the public agencies that have outstanding debt as of the date of the report and whose boundaries overlap the District, while the remaining columns identify the amount of tax levy in the District, the percentage of each overlapping entity's tax levy in the boundaries of the District, the total debt outstanding for the overlapping entity, and the corresponding portion of each overlapping entity's existing debt allocable to property within the District.

Community Facilities District No. 92-1 of the Capistrano Unified School District Direct and Overlapping Debt Summary (As of March 2, 2013)

	Actual	Amount of	Percent of		District
	FY 2012-13	Levy on	Levy on		Share of
<u>Overlapping District</u>	<u>Total Levy</u>	<u>Parcels in</u>	<u>Parcels in</u>	<u>Total Debt</u>	<u>Total Debt</u>
		<u>District</u>	<u>District</u>	<u>Outstanding</u> ¹	<u>Outstanding</u>
Metropolitan Water District	\$92,246,662	\$ 25,544	0.0277%	\$165,085,000	\$ 45,713
Santa Margarita Water District ID No. 4	10,580,329	1,692,805	15.9995	96,105,000	15,376,365
Santa Margarita Water District ID No. 4B	891,304	144,994 ²	16.2676	11,470,000	1,865,896
Estimated Share of Overlapping Debt Allocable to the District					\$17,287,974
Plus Refunding Bonds					15,180,000 ³
Estimated Share of Direct and Overlapping Debt Allocable to the District					\$32,467,974
¹ As of March 2, 2013.					
² Based on the portion of the total ID 4B rate (\$0.0440 per \$100 of land value) attributable to ID 4B debt as provided by the Water District. The remainder of the ID 4B rate goes to pay for ID 4 debt.					
³ Preliminary, subject to change.					

Source: David Taussig & Associates, Inc.

In addition to the foregoing, property owners within the District may be subject to other special taxes and assessments levied by other taxing authorities that provide services within the District. Such non-*ad valorem* special taxes and assessments are not represented in this statement of direct and overlapping debt. See "THE DISTRICT – Tax Burden on Single-Family Home" for more information.

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Tax Burden on Single-Family Home

The base property tax rate on property in the District is 1%; the levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness. Additionally, property in the District is also subject to certain annual charges and assessments.

The following table sets forth an estimated sample tax bill of a single-family home in the District with a net assessed value of \$434,170 for fiscal year 2013-14, and is representative of the applicable annual charges and assessments in the District.

Community Facilities District No. 92-1 of the Capistrano Unified School District Tax Burden on Single-Family Home

Assessed Valuation and Property Taxes		Percent of Net AV	Expected Amount	Maximum Amount
TOTAL ASSESSED VALUE [1]	\$441,170			
NET ASSESSED VALUE [1]	\$434,170			
ASSESSED LAND VALUE [1]	\$203,973			
Unit Size for Residential Property [2]	2,125 Square Feet			
Lot Size for Residential Property [3]	4,639 Square Feet			
AD VALOREM PROPERTY TAXES [4]				
Basic Levy		1.00000%	\$4,341.70	
Metropolitan Water District G.O. Bonds		0.00350%	\$15.20	
Santa Margarita Water Improvement District #4	0.1637% of land value	0.07691%	\$333.90	
Santa Margarita Water Improvement District #4B [5]	0.3940% of land value	0.18510%	\$803.65	
Total General Property Taxes and Overrides		1.26551%	\$5,494.45	
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES				
Mosquito & Fire Ant Assessment [6]			\$5.02	
Vector Control Charge [7]			\$1.92	
Metropolitan Water District West Standby Charge [8]			\$10.08	
Santa Margarita Water District ID No. 4 D/S Charge [9]			\$16.71	
Capistrano Unified School District CFD No. 92-1 [10]			<u>\$1,524.51</u>	<u>\$2,400.19</u>
Total Assessments and Parcel Charges			\$1,558.24	\$2,433.92
<u>PROJECTED TOTAL PROPERTY TAXES</u>			<u>\$7,052.70</u>	<u>\$7,928.37</u>
Projected Total Effective Tax Rate (as % of Assessed Value)			1.59863%	1.79712%

Source: David Taussig & Associates, Inc.

- [1] Based on average assessed value for 1,477 individually-owned residential units, excluding apartments, as of January 1, 2012 provided by the Orange County Assessor. Net Assessed Value includes \$7,000 homeowner's exemption. Total Assessed Value used to determine the Total Effective Tax Rate.
- [2] Based on the average unit size for 1,477 individually-owned residential units, excluding apartments.
- [3] Based on the average lot size for 1,477 individually-owned residential units, excluding apartments.
- [4] Estimated based on actual FY 2012-2013 ad valorem rates.
- [5] Based on the actual ID 4B rate of \$0.3940 per \$100 of land value shown on County tax bills. \$0.0440 of this amount is applied to ID 4B debt; the remaining \$0.3500 is applied to ID 4 debt.
- [6] Estimated based on the FY 2012-2013 rate of \$5.02 per benefit unit. Residential parcels are assessed at 1 benefit unit.
- [7] Estimated based on the FY 2012-2013 rate of \$1.92 per benefit unit. Residential parcels are assessed at 1 benefit unit.
- [8] Estimated based on the FY 2012-2013 rate of \$10.08 per parcel or per acre, whichever is greater.
- [9] Estimated based on the FY 2012-2013 rate of \$16.71 per parcel.
- [10] Expected amount based on the Capistrano Unified School District CFD No. 92-1 estimated FY 2013-2014 Special Tax rate of \$0.717418 per unit SF for Developed Residential Property. Maximum amount based on the FY 2013-14 Assigned Special Tax. The Assigned Special Tax rate escalates at two percent per year.

Source: David Taussig & Associates, Inc.

Value-to-Lien

The following table sets forth the assessed value-to-Refunding Bonds allocable principal and other overlapping debt ratios among parcels of properties subject to the Special Tax levy, based on fiscal year 2012-13 net assessed values and the Refunding Bonds.

Community Facilities District No. 92-1 of the Capistrano Unified School District Value-to-Debt Burden of Special Tax Bonds

Property Type [1]	Number of Parcels	Percentage of		District Bonds Outstanding ³	MWD Bonds Outstanding ⁴	SMWD ID #4 Bonds Outstanding ⁴	SMWD ID #4B Bonds Outstanding ⁴	Total	Net Assessed Value ⁵	Estimated
		Estimated FY 2013-2014 Special Tax ²	Estimated FY 2013-2014 Special Tax					Direct and Overlapping Debt		Assessed Value-to-Debt Burden Ratio
Developed/Sold Property										
Apartment	1	\$334,558	12.62%	\$1,915,186	\$4,763	\$1,009,216	\$122,467	\$3,051,632	\$76,048,364	24.9
Commercial	6	\$65,009	2.45%	\$372,147	\$776	\$304,140	\$36,907	\$713,969	\$12,382,085	17.3
Homeowner	1,477	\$2,252,179	84.93%	\$12,892,667	\$40,167	\$14,057,563	\$1,705,862	\$28,696,259	\$641,268,913	22.3
Subtotal - Developed/Sold Property	1,484	\$2,651,746	100.00%	\$15,180,000	\$45,706	\$15,370,919	\$1,865,236	\$32,461,861	\$729,699,362	22.5
Undeveloped Property										
	1	\$0	0.00%	\$0	\$7	\$5,445	\$661	\$6,113	\$116,697	19.1
Total	1,485	\$2,651,746	100.00%	\$15,180,000	\$45,713	\$15,376,365	\$1,865,896	\$32,467,974	\$729,816,059	22.5

¹ Reflects ownership as of January 1, 2012 provided by the County of Orange Assessor.

² Based on an estimated issuance of \$15,180,000 of Refunding Bonds at a true interest cost of 4.15%. Preliminary, subject to change. Assumes debt service savings goes to reduce levy.

³ Preliminary, subject to change.

⁴ As of March 2, 2013. Allocated based on share of fiscal year 2012-2013 levy.

⁵ Fiscal year 2012-2013 net assessed values as of January 1, 2012 provided by the County of Orange Assessor.

The aggregate value-to-total debt burden ratio of Taxable Property in the District, based on fiscal year 2012-13 assessed values of Taxable Property net of homeowner's exemption (\$729,816,059) and the total direct and overlapping tax and assessment debt (\$32,467,974) is 22.5 with the issuance of the Refunding Bonds. See "THE DISTRICT—Direct and Overlapping Debt" for details.

Although the Special Tax constitutes a lien on parcels subject to taxation within the District, it does not constitute a personal indebtedness of the owners of property within the District. There is no assurance that the owners will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of the property owners not paying the annual Special Tax is more fully described in "SPECIAL RISK FACTORS."

No estimates are available for the market value of the property in the District. The net taxable assessed valuation of property in the District for fiscal year 2012-13 is \$729,816,059, which is approximately 48.1 times the aggregate principal amount of the Refunding Bonds, and approximately 22.5 times the principal amount of the Refunding Bonds plus overlapping bonded tax and assessment indebtedness. This net taxable assessed valuation may not be representative of the actual market value of property in the District, however, since Article XIII A of the California Constitution limits any increase in assessed value to no more than 2% per year unless property is sold or transferred. As a consequence, typically the assessed value for a parcel is less than the actual market value unless the parcel recently has changed ownership. However, if the actual market value of a parcel decreases, then its assessed value could exceed the value of the parcel. For a further discussion of the assessed valuation of property within the District, see "THE DISTRICT—Assessed Valuation of Property within the District." In addition to the payment of the Special Tax, the owners of property within the District will be obligated to pay *ad valorem* property taxes levied against such property and certain existing and any additional special taxes and assessments for which the property within the District may become obligated. (See "THE DISTRICT – Direct and Overlapping Debt.")

The following table sets forth the distribution of assessed value-to-Refunding Bonds allocable principal and other overlapping debt ratios among parcels of Developed Property subject to the Special Tax levy, based on fiscal year 2012-13 net assessed values and the Refunding Bonds.

**Community Facilities District No. 92-1 of the
Capistrano Unified School District
Value-to-Debt Burden of Special Tax Bonds Distribution
(Developed Property Only)**

Value-to-Lien Range	Number of Parcels Taxed	Estimated FY 2013-14 District Levy ¹	Percentage of Estimated FY 2013-14 Levy	District Bonds Outstanding ²	MWD Bonds Outstanding ³	SMWD ID No. 4 Bonds Outstanding ³	SMWD ID No. 4B Bonds Outstanding ³	Total Direct and Overlapping Debt	FY 2012-13 Net Assessed Value ⁴	Estimated Assessed Value-to-Debt Burden Ratios
0-0.99	0	\$0	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	0.0 to 1
1.00-2.99	0	\$0	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	0.0 to 1
3.00-4.99	0	\$0	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	0.0 to 1
5.00-9.99	10	\$15,254	0.58%	\$87,321	\$56	\$14,029	\$1,702	\$103,109	\$898,538	8.7 to 1
10.00-19.99	114	\$202,108	7.62%	\$1,156,975	\$3,166	\$1,406,395	\$170,664	\$2,737,200	\$50,549,557	18.5 to 1
20.00 or Greater	1,360	\$2,434,384	91.80%	\$13,935,704	\$42,483	\$13,950,495	\$1,692,870	\$29,621,552	\$678,251,267	22.9 to 1
Grand Total	1,484	\$2,651,746	100.00%	\$15,180,000	\$45,706	\$15,370,919	\$1,865,236	\$32,461,861	\$729,699,362	22.5 to 1

¹ Based on an estimated issuance of \$15,180,000 of Refunding Bonds at a true interest cost of 4.15%. Preliminary, subject to change.
² Preliminary, subject to change.
³ As of March 2, 2013. Allocated based on fiscal year 2012-2013 levy.
⁴ Fiscal year 2012-2013 net assessed values as of January 1, 2012 provided by the Orange County Assessor.

SPECIAL RISK FACTORS

Not a General Obligation of the District or School District

The Refunding Bonds are special tax obligations of the District; the interest on, principal of, and redemption premiums, if any, upon the Refunding Bonds are payable solely from the proceeds of the Special Tax, as provided in the Fiscal Agent Agreement, and from amounts in certain funds and accounts held under the Fiscal Agent Agreement, and the District and School District are not obligated to pay the Refunding Bonds except from the proceeds of the Special Tax and other sources identified in the Fiscal Agent Agreement. Neither the general fund of the District nor of the School District is liable and the full faith and credit of neither the District nor School District is pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Refunding Bonds, and no tax or assessment other than the Special Tax will ever be levied or collected to pay the interest on, or principal of, or redemption premiums, if any, upon the Refunding Bonds.

Levy of the Special Tax

The principal source of payment of debt service on the Refunding Bonds is the proceeds of the annual levy and collection of the Special Tax. The annual levy of the Special Tax is subject to the Maximum Rates authorized. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay principal and interest on the Refunding Bonds. Under no circumstance will the Special Tax levied on any assessor's parcel of residential property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other assessor's parcel within the District. Other funds that might be available include funds derived from the payment of delinquent Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular taxed parcels and the amount of the levy of the Special Tax, and the Special Tax is expressly prohibited by the Law and the State Constitution from being based on assessed valuation. Thus, there will rarely, if ever, be a uniform relationship between the value of such parcels and the proportionate share of the debt service on the Refunding Bonds, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a taxed parcel will be based upon the revenue needs and the application of the Amended Rate and Method. Application of the Amended Rate and Method will, in turn, be dependent upon certain development factors with respect to each taxed parcel by comparison with similar development factors with respect to the other taxed parcels within the District. Thus, the following are some of the factors which might cause the levy of the Special Tax on any particular taxed parcel to vary from the Special Tax that might otherwise be expected:

- Reduction in the number of taxed parcels, for such reasons as acquisition of taxed parcels by a government and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels (if the Special Tax is not already being levied at the Maximum Rates).
- Failure of the owners of taxed parcels to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels (if the Special Tax is not already being levied at the Maximum Rates). Under no circumstance will the Special Tax levied on any assessor's parcel of residential property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other assessor's parcel within the District.

Billing of Special Taxes

The authorization to levy special taxes in a given area can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts the taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district, and the bonds issued by such district.

Under provisions of the Law, special taxes are to be billed to the properties within a community facilities district which were entered on the assessment roll of the county assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such special tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These special tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of special taxes in the future. See "SECURITY AND SOURCE OF PAYMENT—Covenant to Foreclose" for a discussion of the provisions which apply, and procedures which the District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes. See also "SECURITY AND SOURCE OF PAYMENT—Alternative Method of Tax Apportionment" herein.

Collection of Special Taxes

In order to pay debt service on the Refunding Bonds, it is necessary that the Special Tax levied against land within the District be paid in a timely manner. The Fiscal Agent Agreement provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Law, is to be subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes (however, the District can directly bill property owners in certain circumstances). Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Treasurer. See "SECURITY AND SOURCE OF PAYMENT—Alternative Method of Tax Apportionment" herein.

Pursuant to the Law, in the event of any delinquency in the payment of the Special Tax, the District may order the institution of a superior court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. However, the District has covenanted for the benefit of the owners of the Refunding Bonds that it will review the public records of the County in connection with the collection of the Special Tax on February 25 and June 25 of each year to determine the amount of delinquent Special Taxes, and commence foreclosure proceedings as authorized by the Law in order to enforce the lien of the delinquent installments of the Special Tax against each separate lot or parcel of land in the District under conditions specified in the Fiscal Agent Agreement, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale. In addition, the District covenants that if the District determines on the basis of its review that any single property owner in the District is delinquent by more than \$25,000 in his or her obligation to pay the Special Tax for such fiscal year, then it will institute,

prosecute, and pursue such foreclosure proceedings in the time and manner provided in the Fiscal Agent Agreement against such property owner.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to holders of the Refunding Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the District of the proceeds of sale. See "SECURITY AND SOURCE OF PAYMENT—Covenant to Foreclose."

Discontinuance of Advancement of the Special Tax

The County implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the District, 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 its 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 a community facilities district would eliminate such protection from delinquent special taxes for such community facilities district. See "SECURITY AND SOURCE OF PAYMENT—Alternative Method of Tax Apportionment."

Maximum Special Tax

Within the limits of the Special Tax, the District may adjust the Special Tax levied on all property within the District to provide an amount required to pay principal of and interest and any premiums on the Refunding Bonds, and the amount, if any, necessary to replenish the Reserve Fund to the Reserve Requirement, and to pay the Administrative Expense Requirement. However, the amount of the Special Tax that may be levied against particular categories of property within the District is subject to the Maximum Special Tax. Under no circumstance will the Special Tax levied on any assessor's parcel of residential property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other assessor's parcel within the District. There is no assurance that the Maximum Special Tax will at all times be sufficient to pay the amounts required to be paid by the Fiscal Agent Agreement. See "SECURITY AND SOURCE OF PAYMENT—The Special Tax" and "THE DISTRICT."

Concentration of Property Ownership

Failure of any significant landowner to pay the annual Special Taxes when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of the property upon a foreclosure or otherwise or prior to delinquency redemption after a foreclosure sale, if any. In that event, there could be a default in payments of the principal of and interest on the Refunding Bonds. See "THE IMPROVEMENT AREA—Major Taxpayers" for a table showing the top taxpayers of the Special Tax.

The only asset of each owner which constitutes security for the Refunding Bonds is his or her property holdings located within the District. See "SPECIAL RISK FACTORS—Bankruptcy" and "SECURITY AND SOURCE OF PAYMENT—Covenant to Foreclose" for further discussion.

Exempt Properties

Certain properties are exempt from the Special Tax in whole or in part, in accordance with the approved formula. See "APPENDIX B—AMENDED RATE AND METHOD OF APPORTIONMENT." In addition, the Law provides that properties or entities of the state, federal, or local government are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through a negotiated transaction, or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. In addition, the Law provides that if property subject to the Special Tax is acquired 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. The constitutionality and operation of these provisions of the Law have not been tested.

The Law further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax. The Law would prohibit the Legislative Body from adopting a resolution to reduce the rate of the Special Tax or terminate the levy of the Special Tax unless the Legislative Body determined that the reduction or termination of the Special Tax “would not interfere with the timely retirement” of the Refunding Bonds.

Land Values

The total assessed valuation of the District may understate or overstate the actual market value of property in the District. Article XIII A of the California Constitution limits any increase in assessed value to no more than 2% a year unless property is sold or transferred. As a consequence, assessed values are typically less than actual market values unless the property recently has changed ownership. However, no assurances as to the market value of the properties within the District are equivalent to the County’s assessed values for such properties. See “THE DISTRICT—Historical Assessed Valuation” for a table showing historical assessed values in the Improvement Area.

Hazardous Substances

One of the most serious risks in terms of the potential reduction in the value of Taxable Property is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable Property 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 State 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 Taxable Property 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 Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that 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 that may in the future be so classified. 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 Taxable Property that is realizable upon a delinquency and subsequent institution of foreclosure proceedings. See “SECURITY AND SOURCE OF PAYMENT” for more information.

Bankruptcy

The payment of the Special Tax and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax installment may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State of California relating to foreclosure.

The various legal opinions to be delivered concurrently with the delivery of the Refunding Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors’ rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases. Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay could increase the likelihood of a delay or default in payment of the principal of and interest on the Refunding Bonds and the possibility of delinquent Special Tax installments not being paid in full.

No Acceleration Provision

The Refunding Bonds do not contain a provision allowing for the acceleration of the debt service of the Refunding Bonds in the event of a payment default or other default under the terms of the Refunding Bonds or the Fiscal Agent Agreement.

Proceedings to Reduce or Terminate Special Tax

Pursuant to the Law, proceedings could be initiated to reduce or terminate the levy of the Special Tax. However, the Law would prohibit the Board from adopting a resolution to reduce the rate of the Special Tax or terminate the levy of the Special Tax unless the Board determined that the reduction or termination of the Special Tax "would not interfere with the timely retirement" of any outstanding indebtedness secured by the Special Tax.

Parity Taxes and Special Assessments

The Special Tax 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 all special taxes and special assessments currently levied or which may be levied in the future by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Tax has priority over all existing and future private liens imposed on the property. The District, however, has no control over the ability of other entities and districts to issue indebtedness secured by a special tax or assessments payable from all or a portion of the property within the District. Taxes imposed against property within the District established by the Metropolitan Water District and the Santa Margarita Water District are on parity with the Special Tax, as are numerous special assessments imposed against property within the District. See "THE DISTRICT—Direct and Overlapping Debt."

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel of Taxable Property to pay the Special Tax even if the value is sufficient 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 District has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County against each parcel of Taxable Land. 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 District or lending of money thereon.

The Law 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.

Loss of Tax Exemption

As discussed under "LEGAL MATTERS – Tax Exemption," interest on the Refunding Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance, as a result of acts or omissions of the District or School District subsequent to the issuance of the Refunding Bonds in violation of the District's covenants with respect to the Refunding Bonds. Should interest become includable in gross income, the Refunding Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption or redemption upon prepayment of the Special Tax. See "THE REFUNDING BONDS – Redemption Provisions" herein.

IRS Audit of Tax-Exempt Bond Issues

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 Refunding Bonds will be selected for audit by the IRS. It is also possible

that the market value of such Refunding Bonds might be affected as a result of such an audit of such Refunding Bonds (or by an audit of similar bonds or securities).

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” (See “CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES & EXPENDITURES – Limitations on Revenues” for more information.) Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax.” Article XIII also 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 Law 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 Law prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledge to repay special tax debt, unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Special Taxes through the initiative process, if such reduction would interfere with the timely retirement of the Refunding Bonds.

The interpretation and application of Proposition 218 will ultimately be determined by the courts, 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.

THE SCHOOL DISTRICT

The information in this section concerning the operations of the School District and its finances are 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 Refunding Bonds is payable from the general fund of the School District. The Refunding Bonds are payable from the proceeds of the Special Tax and amounts in certain funds and accounts held under the Fiscal Agent Agreement. See “SECURITY AND SOURCE OF PAYMENT” herein.

General Information

Founded in 1965, the School District encompasses 195 square miles in seven cities and a portion of the unincorporated area of the County. The School District includes all or part of the cities of San Clemente, Dana Point, San Juan Capistrano, Laguna Niguel, Aliso Viejo, Mission Viejo and Rancho Santa Margarita, and the communities of Las Flores, Coto de Caza, Dove Canyon, Ladera Ranch, and Wagon Wheel.

The School District provides public education within the boundaries of its jurisdiction for kindergarten through 12th grade in 55 campuses. Additionally, there are five charter schools operating within the School District.

The Board of Trustees and Key Administrative Personnel

The Board governs all activities related to public education within the jurisdiction of the School District. The Board consists of seven members who are publicly elected from within the boundaries of the School District according to specific area. Each Board member is elected by the public for a four-year term of office and elections for the Board are staggered every two years. The Board has the decision-making authority and is accountable for all fiscal matters relating to the School District.

The current members of the Board are set forth in the following table.

**Board of Trustees
Capistrano Unified School District**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John M. Alpay	President	December 2016
Lynn Hatton	Vice President	December 2014
Anna Bryson	Clerk	December 2014
Ellen M. Addonizio	Member	December 2014
Amy Hanacek	Member	December 2016
Dr. Gary Pritchard	Member	December 2016
Jim Reardon	Member	December 2016

The Superintendent of the School District is appointed by the Board and reports to the Board. The Superintendent is responsible for managing the School District's day-to-day operations and supervising the work of other key School District administrators. Key members of the School District's staff are set forth on page 'iv' of this Official Statement.

LEGAL MATTERS

Legal Opinion

The legal opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, approving the validity of the Refunding Bonds will be made available to purchasers at the time of original delivery and is attached in substantially final form as "APPENDIX F—PROPOSED FORM OF OPINION OF BOND COUNSEL." A copy of the legal opinion will be attached to each Refunding Bond.

Quint & Thimmig LLP, Larkspur, California will pass upon certain legal matters for the District as disclosure counsel for the Refunding Bonds. Bowie, Arneson, Wiles & Giannone, Newport Beach, California, will pass upon certain legal matters for the District as special counsel to the School District.

Tax Exemption

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the Refunding Bonds is not an item of tax preference for purposes of federal alternative minimum taxes imposed on individuals and corporations, although Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Refunding Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement.

Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Refunding Bonds. The Fiscal Agent Agreement and other related documents refer to certain requirements, covenants and procedures which may be changed and certain actions that may be taken, upon the advice or with an opinion of nationally recognized bond counsel. No opinion is expressed by Bond Counsel as to the effect on any Refunding Bond or interest thereon if such change is made or action is taken upon the advice or approval of counsel

other than Bond Counsel. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of the accrual or receipt of interest on the Refunding Bonds.

In the further opinion of Bond Counsel, interest on the Refunding Bonds is exempt from State of California personal income taxation. Owners of the Refunding Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on the Refunding Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of the accrual or receipt of interest on the Refunding Bonds other than as expressly set forth above. See “APPENDIX F—PROPOSED FORM OF OPINION OF BOND COUNSEL.”

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

Original Issue Discount; Premium Bonds. To the extent the issue price of any maturity of the Refunding Bonds is less than the amount to be paid at maturity of such Refunding Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Refunding Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Refunding Bonds which is excluded from gross income for federal income tax purposes and State personal income taxes. For this purpose, the issue price of a particular maturity of the Refunding Bonds is the first price at which a substantial amount of such maturity of the Refunding Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Refunding Bonds accrues daily over the term to maturity of such Refunding Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates).

The accruing original issue discount is added to the adjusted basis of such Refunding Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Refunding Bonds. Owners of the Refunding Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the Refunding Bonds with original issue discount, including the treatment of purchasers who do not purchase such Refunding Bonds in the original offering to the public at the first price at which a substantial amount of such Refunding Bonds is sold to the public.

The Refunding Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earliest call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Bond, and under United States Treasury Regulations, the amount of tax-exempt interest received, will be reduced by the amount of amortizable bond premium property allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption. Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Refunding Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners of the Refunding Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Refunding Bonds. Prospective purchasers of the Refunding Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

No Litigation

At the time of delivery of the Refunding Bonds, the District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the District has been served with process or threatened, which:

- in any way questions the powers of the Board or the School District, or
- in any way questions the validity of any proceeding taken by the Board in connection with the issuance of the Refunding Bonds, or
- wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the purchase contract with respect to the Refunding Bonds, or
- which, in any way, could adversely affect the validity or enforceability of the resolutions of the Board adopted in connection with the formation of the District or the issuance of the Refunding Bonds, the Fiscal Agent Agreement, the Escrow Agreement, the Continuing Disclosure Certificate or the purchase contract with respect to the Refunding Bonds, or
- to the knowledge of the District, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Refunding Bonds for federal income tax purposes, or
- in any other way questions the status of the Refunding Bonds under State tax laws or regulations.

RATINGS

Standard & Poor's Financial Services LLC ("S&P"), a subsidiary of The McGraw-Hill Companies, Inc., is expected to assign its municipal bond rating of "AA" (stable outlook) to the Refunding Bonds with the understanding that upon delivery of the Refunding Bonds, a municipal bond insurance policy insuring the payment when due of the principal and interest with respect to the Refunding Bonds will be issued by BAM. S&P has assigned an underlying municipal bond rating of "A" to the Refunding Bonds. Such ratings reflect only the views of S&P and an explanation of the significance of such ratings may be obtained from S&P at the following address: Standard & Poor's Financial Services LLC, 55 Water Street, New York, New York 10041. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Refunding Bonds. The District has no obligation to maintain a rating for the Refunding Bonds.

FINANCIAL ADVISOR

Government Financial Strategies inc. has been employed by the School District to perform financial advisory services in relation to the sale and delivery of the Refunding Bonds. Government Financial Strategies inc., in its capacity as financial advisor, has participated in drafting this Official Statement. Government Financial Strategies inc. has not, however, independently verified nor confirmed all of the information contained within this Official Statement. Government Financial Strategies inc. will not participate in the underwriting of the Refunding Bonds. Fees charged by Government Financial Strategies inc. related to the Refunding Bonds are not contingent upon the sale of the Refunding Bonds.

UNDERWRITING

The Refunding Bonds were sold to _____ (the "Underwriter") pursuant to a bond purchase agreement by and between the District and the Underwriter for \$_____, an amount equal to the principal amount of the Refunding Bonds, plus an original issue premium of \$_____, less an underwriting discount of \$_____, at a true interest cost (TIC%) to the District of _____%.

The Underwriter has certified the initial offering prices or yields stated on the inside cover page to this Official Statement. The Underwriter may offer and sell the Refunding Bonds to certain dealers (including dealers depositing Refunding Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices. The reoffering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the holders and Beneficial Owners of the Refunding Bonds to provide certain financial information and operating data relating to the School District and the District (the “Annual Report”), by not later than nine months after the end of the fiscal year, commencing with the report for the 2012-13 fiscal year (which is due no later than March 30, 2014), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of certain enumerated events will be filed by the School District with the MSRB through its EMMA system. The specific nature of the information to be contained in the Annual Report or the notices are set forth in “APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”).

In connection with prior undertakings under the Rule, the School District did not file annual reports and notices of rating downgrades of certain debt issues in a timely manner. The School District has developed procedures to ensure that future annual reports and notices of significant events are filed in a timely manner. As of the date of this Official Statement, all required filings have been made in connection with prior undertakings.

ADDITIONAL INFORMATION

Additional information concerning the District, the School District, the Refunding Bonds or any other matters concerning the sale and delivery of the Refunding Bonds may be obtained from the School District by contacting the School District at the address and telephone number set forth on page “iii” of this Official Statement, or by contacting the Financial Advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100, facsimile telephone (916) 444-5109.

The execution and delivery of this Official Statement by the District has been duly authorization by the Board of the Capistrano Unified School District, acting as the legislative body of the District.

CAPISTRANO UNIFIED SCHOOL DISTRICT

By: _____
Dr. Joseph M. Farley
Superintendent

APPENDIX A
LOCATION MAP FOR THE DISTRICT

**Capistrano Unified School District
Community Facilities District No. 92-1
(Las Flores)**



33°35'22.70" N 117°37'40.37" W elev 643 ft

APPENDIX B

AMENDED RATE AND METHOD OF APPORTIONMENT

APPENDIX B
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE CAPISTRANO UNIFIED SCHOOL DISTRICT (LAS FLORES)

AMENDED AND RESTATED
RATE AND METHOD OF APPORTIONMENT

Prospective purchasers of the Refunding Bonds should note that, notwithstanding the provisions of the Amended and Restated Rate and Method of Apportionment set forth below, property within Community Facilities District No. 95-1 of the Capistrano Unified School District ("CFD No. 95-1") is not subject to the levy of the Special Tax and Special Taxes will not be levied on such property to pay the principal of, and interest on, the Refunding Bonds.

A Special Tax (the "Special Tax") shall be levied and collected in Community Facilities District No. 92-1 of the Capistrano Unified School District ("Las Flores") ("CFD No. 92-1") each Fiscal Year, in an amount determined by the Board of Trustees of the Capistrano Unified School District or its designee through the application of the procedures described below. All of the real property in CFD No. 92-1, 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 1. DEFINITIONS

This Rate and Method of Apportionment employs terms defined below and in the rate and method of apportionment for CFD No. 95-1, hereinafter defined. When the phrase "CFD No. 92-1" or "CFD No. 95-1" precedes any such term, the term shall pertain in such context to the identified CFD. The terms used herein shall have the following meanings:

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

"Additional Bonds" means the additional bonds or indebtedness of CFD No. 92-1 (i.e., exclusive of the 1993 Bonds) up to an amount equal to \$21,485,000 pursuant to the current authorization, or in such greater amount as may be subsequently authorized by the qualified electors of CFD No. 92-1.

"Administrative Expenses" shall mean any incidental expenses, as defined in the Act, of the School District to carry out the administration of CFD No. 92-1, including, but not limited to, the following: the reasonable fees and expenses of any fiscal agent, including any fees or expenses of its counsel, employed by the School District in connection with any bonds of CFD No. 92-1; the reasonable expenses of the School District associated with the levy and collection of the Special Tax and the issuance of any bonds of CFD No. 92-1, including, but not limited to, the fees and expenses of its counsel, an allocable share of the salaries of School District staff directly related thereto, a proportionate amount of School District general administrative overhead related thereto, and all costs incurred in connection with the formation of CFD No. 95-1; and all other costs and expenses of the School District or any consultant incurred in connection with the administration of CFD No. 92-1.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

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

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property determined by reference to Table I of Section C.1.a below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property as determined in accordance with Section C.1.b below.

"Board" means the Board of Trustees of the Capistrano Unified School District acting as the legislative body of CFD No. 92-1.

"CFD No. 95-1" means Community Facilities District No. 95-1 of the Capistrano Unified School District.

"Commercial Developed Property" shall mean all Developed Property not classified as Residential Developed Property.

"Condominium" means a unit meeting the statutory definition of a condominium contained in California Civil Code, Section 1351.

"County" means the County of Orange, California.

"Developed Property" means for any Fiscal Year all Taxable Property for which a building permit was issued as of March 1 of the prior Fiscal Year.

"District Bonds" means collectively the 1993 Bonds and the Additional Bonds, if any.

"Final Commercial Subdivision" means a subdivision of property subject to nonresidential development by a condominium plan or through the recordation of a final map, parcel map or lot line adjustment, resulting in that property's final configuration and which permits the issuance of building permits.

"Final Residential Subdivision" means a subdivision of property subject to residential development by a condominium plan or through the recordation of a final map, parcel map or lot line adjustment, resulting in that property's final configuration and which permits the issuance of building permits.

"Fiscal Year" means the period starting on each July 1 and ending on the following June 30.

"Gross Acreage" means all acreage shown on the boundary map attached hereto, excluding Undeveloped Property and excluding up to 36.2 acres of Public Property.

"Home Owner Association Property" means any property within the boundaries of CFD No. 92-1 owned by, accepted for dedication by or irrevocably offered for dedication to a home owner association as of March 1 of the prior Fiscal Year.

"Intermediate Subdivision" means a subdivision of property through the recordation of a final map, parcel map or lot line adjustment, for finance or conveyance purposes but which does not permit the issuance of building permits.

"Land Use Class" means any of the classes listed in Table I below.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C hereof, that can be levied in CFD No. 92-1 in any Fiscal Year on Undeveloped Property and each Land Use Class of Developed Property, as applicable.

"Net Acreage" means that acreage shown on the Assessor's Parcel Map for each Assessor's Parcel, exclusive of property exempt from the Special Tax pursuant to the Act or Section E below. In the event that the Assessor's Parcel Map shows no acreage, the Net Acreage for any Assessor's Parcel shall be that shown on the applicable condominium plan, final map or parcel map. For Condominiums, Net Acreage shall be determined by allocating the acreage of the underlying lot on which the Condominiums are or are to be constructed equally to each unit.

"1993 Bonds" means the Series 1993 Special Tax Bonds issued by CFD No. 92-1.

“Proportionately” or “Proportioned” shall mean for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Developed Properties. Proportionately or Proportioned shall mean for Undeveloped Property that the ratio of the actual Special Tax levy to the Maximum Special Tax for Undeveloped Property is equal for all Undeveloped Properties.

“Public Property” means any property within the boundaries of CFD No. 92-1, exclusive of Public Property classified as Undevelopable Property, owned by, irrevocably offered for dedication to, or for which an easement for purposes of public right-of-way has been granted to the federal government, the State of California, the County of Orange, any local government or other public agency as of March 1 of the prior Fiscal Year.

“Religious Property” means any parcel or portion thereof within the boundaries of CFD No. 92-1 that is used exclusively for a place of worship, as such use shall be determined by the School District.

“Residential Developed Property” shall mean all Developed Property, but not limited to, apartments, for which the building permit was issued for purposes of constructing a residential dwelling unit(s).

“School District” means the Capistrano Unified School District.

“Special Tax” means the Special Tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property and Undeveloped Property to fund the Special Tax Requirement.

“Special Tax Requirement” means that amount required in any Fiscal Year to pay: (1) the Administrative Expenses, (2) debt service and other periodic costs on the bonds or other indebtedness of CFD No. 92-1, (3) any amount required to replenish any reserve fund established in connection with bonds issued by or for CFD No. 92-1, (4) the costs of remarketing, credit enhancement and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund in lieu of cash related to any such indebtedness), (5) an amount equal to the estimated delinquencies expected in payment of the Special Tax, as determined by the School District or its designee, and (6) the cost of acquisition, construction and/or rehabilitation of authorized facilities of CFD No. 92-1 (not to exceed a total of \$2,000,000 for purposes of rehabilitation).

“Taxable Property” means all of the Assessor's Parcels located within the boundaries of CFD No. 92-1 which are not exempt from the Special Tax pursuant to law or Section E below.

“Undevelopable Property” means all property designated by cross-hatching on the most current boundary map for CFD No. 92-1 on file with the School District, unless and until, if ever, property heretofore designated by cross-hatching is identified on an approved tentative map, Final Commercial Subdivision, or Final Residential Subdivision as intended to be developed (i.e., fails to meet the exemption criteria set forth in Section E) or property heretofore not designated by cross-hatching is identified on an approved tentative map, Final Commercial Subdivision, or Final Residential Subdivision as intended to be undevelopable (i.e., meets the exemption criteria set forth in Section E) in which event Undevelopable Property shall mean property designated as such on the revised boundary map on file with the School District on which the preceding changes will be reflected. Notwithstanding the above, the amount of Undevelopable Property exempt from the Special Tax shall not be increased to exceed the limitations set forth in Section E. If the amount of Undevelopable Property is greater than the limitations set forth in Section E, then the amount in excess shall be allocated its share of Gross Acreage pursuant to methodology in Section C and shall be subject to the Special Tax pursuant to Section D. Undevelopable Property shall be allocated to the categories set forth in Section E on a first in time basis.

“Undeveloped Property” means all Taxable Property not classified as Developed Property.

Section 2. ASSIGNMENT TO LAND USE CATEGORIES

For each Fiscal Year, all property shall be classified as Taxable Property or tax-exempt property, and all Taxable Property shall be classified as Developed Property or Undeveloped Property and shall be subject to the Special Tax in accordance with the Rate and Method of Apportionment described in Sections C and D below. All tax-exempt property shall be classified as Undevelopable Property, Public Property, Religious Property or Home Owner Association Property.

For purposes of determining the applicable Assigned Special Tax for each Assessor's Parcel of Developed Property, all Developed Property shall be assigned to one of the Land Use Classes designated in Table I below. Residential Developed Property shall be assigned to Land Use Class 1. Commercial Developed Property shall be assigned to Land Use Class 2.

The square footage of a structure assigned to Land Use Class 1 shall be based on the square footage of the improvements to be constructed on the Assessor's Parcel as set forth on the most recent building permit issued for such parcel. The square footage of a structure assigned to Land Use Class 1 shall be exclusive of garages or other areas which are not used as assessable (i.e., habitable) space.

Section 3. MAXIMUM SPECIAL TAX RATES

1. Developed Property

The Maximum Special Tax for any Fiscal Year for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the applicable Assigned Special Tax, or (ii) the amount derived by application of the Backup Special Tax.

a. Assigned Special Taxes

The Assigned Special Taxes for Developed Property are shown in the table below.

TABLE I

**1993-94 Assigned Special Taxes for
Developed Property in CFD No. 92-1**

Land Use Class	Description	Assigned Special Tax
1	Residential	\$0.76 per building square foot
2	Commercial	\$11,240 per acre

b. Backup Special Tax

The Fiscal Year 1993-94 Backup Special Tax is equal to \$12,835 per Gross Acre. Upon the creation of a Final Commercial Subdivision, Gross Acreage shall be allocated to each Assessor's Parcel of Taxable Property in such subdivision for which the issuance of a building permit is permitted in proportion to the ratio of the Net Acreage of such Assessor's Parcel to the sum of the Net Acreage of all Assessor's Parcels of Taxable Property in such subdivision for which the issuance of a building permit is permitted. In the case of Final Commercial Subdivision which creates Condominiums, the Gross Acreage shall be allocated among the units specified in the condominium plan based on building square footage.

Upon creation of a Final Residential Subdivision, Gross Acreage shall be allocated equally to each Assessor's Parcel of Taxable Property in such subdivision for which the issuance of a building permit for purposes of construction of a residential unit or units is permitted. In the case of a Final Residential Subdivision which creates Condominiums, the Gross Acreage shall be allocated equally among the units specified in the condominium plan.

In the event that a Final Residential Subdivision includes both single family detached units and Condominium units Gross Acreage shall first be allocated between the single family detached units and the Condominium units based on the percentage of total Net Acreage for such subdivision attributable to single family detached units and Condominium units. The resulting Gross Acreage in such subdivision for single family detached unit shall then be allocated equally to each such unit. The resulting Gross Acreage for Condominium units shall also be allocated equally to each such unit.

If, however, after property has been subdivided resulting in a Final Commercial Subdivision or a Final Residential Subdivision, a subsequent subdivision of all or a portion of such property occurs, resulting in a new or revised Final Commercial Subdivision or a new or revised Final Residential Subdivision, the Gross Acreage previously allocated to the Assessor's Parcels which correspond to lots or units for which disclosure pursuant to Section 53341.5 of the Act has been furnished to a prospective occupant or lessee, if any, prior to recordation of the new or revised subdivision shall not change. The remaining Gross Acreage in such subdivision shall be allocated to each other Assessor's Parcel of Taxable Property in the new or revised subdivision in the manner described in the preceding paragraph.

On each July 1, commencing July 1, 1994, the Assigned Special Tax for each Land Use Class and the Backup Special Tax shall be increased by two percent (2.00%) of the amount in effect in the previous Fiscal Year.

2. Undeveloped Property

The 1993-94 Maximum Special Tax for Undeveloped Property shall be \$14,000 per Gross Acre. Undeveloped Property shall be taxed per Gross Acre prior to the existence of a Final Commercial Subdivision, Final Residential Subdivision or Intermediate Subdivision.

Upon the creation of a Final Commercial Subdivision, Gross Acreage shall be allocated to each Assessor's Parcel of Taxable Property in such subdivision for which the issuance of a building permit is permitted in proportion to the ratio of the Net Acreage of such Assessor's Parcel to the sum of the Net Acreage of all Assessor's Parcels in such subdivision for which the issuance of a building permit is permitted. In the case of a Final Commercial Subdivision which creates Condominiums, the Gross Acreage shall be allocated among the unit specified in the condominium plan based on building square footage.

Upon the creation of a Final Residential Subdivision, Gross Acreage shall be allocated equally to each Assessor's Parcel of Taxable Property in such subdivision for which the issuance of a building permit for purposes of construction of a residential unit or units is permitted. In the case of a Final Residential Subdivision which creates Condominiums, the Gross Acreage shall be allocated equally among the units specified in the condominium plan.

Upon the creation of an Intermediate Subdivision, Gross Acreage shall be allocated to each Assessor's Parcel of Taxable Property in such subdivision in proportion to the ratio of the Net Acreage of such Assessor's Parcel to the sum of the Net Acreages of all Assessor's Parcels of Taxable Property in such subdivision.

If, however, after property has been subdivided resulting in a Final Commercial Subdivision or a Final Residential Subdivision, a subsequent subdivision of all or a portion of such property occurs, resulting in a new or revised Final Commercial Subdivision or a new or revised Final Residential Subdivision, the Gross Acreage previously allocated to the Assessor's Parcels which correspond to lots or units for which disclosure pursuant to Section 53341.5 of the Act has been furnished to a prospective purchaser or lessee, if any, prior to recordation of the new or revised subdivision shall not change. The remaining Gross Acreage shall be allocated to each other Assessor's Parcel of Taxable Property in the new or revised subdivision in the manner described in the preceding paragraph.

On each July 1, commencing July 1, 1994, the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2.00 %) of the amount in effect in the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

The CFD No. 92-1 Special Tax and the CFD No. 95-1 Special Tax shall be levied in the order set forth below (i.e., first the steps listed under Section D.1 shall be applied, then the steps under Section D.2, and so on). In Section D.1 only special taxes in CFD No. 92-1 are levied. In Section D.2, special taxes are levied in CFD No. 92-1 and CFD No. 95-1 in the order listed. In Section D.3 only special taxes in CFD No. 92-1 are levied. References to CFD No. 95-1 Special Taxes are made to indicate the order in which CFD No. 92-1 Special Taxes and CFD No. 95-1 Special Taxes are to be levied, not to indicate that CFD No. 95-1 Special Taxes in addition to those levied under the rate and method of apportionment for CFD No. 95-1 will be collected.

1. 1993 Bonds (CFD No. 92-1 Special Tax)

Commencing with Fiscal Year 1993-94, and for each following Fiscal Year, the Board or its designee shall

determine items one through five of the Special Tax Requirement relative to the 1993 Bonds, and any Additional Bonds sold to the initial purchaser thereof after a petition has been submitted to the Board pursuant to Section F of the rate and method of apportionment for CFD No. 95-1, for the applicable Fiscal Year. If no petition has been submitted pursuant to Section F of such rate and method of apportionment, then CFD No. 92-1 Special Taxes and CFD No. 95-1 Special Taxes for Additional Bonds shall be levied pursuant to Section D.2 hereof. The Board shall levy the Special Tax in each Fiscal Year, as provided below, until the aggregate amount of the levy equals items one through five of the Special Tax Requirement relative to the 1993 Bonds, and certain Additional Bonds if applicable:

First: The CFD No. 92-1 Special Tax shall be levied Proportionately on each Assessor's Parcel of CFD No. 92-1 Developed Property up to 100% of the applicable CFD 92-1 Assigned Special Tax;

Second: If additional monies are needed after the first step has been completed, the CFD No. 92-1 Special Tax shall be levied Proportionately on each Assessor's Parcel of CFD No. 92-1 Undeveloped Property, up to 100% of the applicable CFD No. 92-1 Maximum Special Tax;

Third: If additional monies are needed after the second step has been completed, then the levy of the CFD No. 92-1 Special Tax on each such Assessor's Parcel of CFD No. 92-1 Developed Property, whose Maximum Special Tax is determined through the application of the CFD No. 92-1 Backup Special Tax, shall be increased in equal percentages from the CFD No. 92-1 Assigned Special Tax up to the CFD No. 92-1 Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed after the first three steps have been completed, then the CFD No. 92-1 Special Tax shall be levied on all Public Property, Homeowner Association Property, Religious Property and Undevelopable Property in CFD No. 92-1 which is not exempt pursuant to Section E below at up to 100% of the CFD No. 92-1 Maximum Special Tax rate for Undeveloped Property.

2. Additional Bonds (CFD No. 92-1 and CFD No. 95-1 Special Tax)

Commencing with Fiscal Year 1993-94, and for each following Fiscal Year, the Board or its designee shall determine items one through five of the Special Tax Requirement relative to the Additional Bonds for the applicable Fiscal Year. The Board shall levy the CFD No. 92-1 Special Tax and CFD No. 95-1 Special Tax in each Fiscal Year, as provided below, until the aggregate amount of the levy under Sections D.1 and this D.2 equals items one through five of the Special Tax Requirement relative to the 1993 Bonds and the Additional Bonds:

First: If the CFD No. 92-1 Special Tax levied on CFD No. 92-1 Developed Property pursuant to Section D.1 is less than the applicable CFD No. 92-1 Assigned Special Tax, then the Special Tax on each Assessor's Parcel of CFD No. 92-1 Developed Property shall be increased from the amounts computed pursuant to Section D. 1, up to 100 % of the applicable CFD No. 92-1 Assigned Special Tax;

Second: If additional monies are needed after the immediately preceding first step has been completed, then the CFD No. 95-1 Special Tax shall be levied Proportionately on each Assessor's Parcel of CFD No. 95-1 Developed Property (which has not been relieved from the CFD No. 95-1 Special Tax) up to 100% of the applicable CFD No. 95-1 Assigned Special Tax;

Third: If additional monies are needed after the immediately preceding second step has been completed and if the CFD No. 92-1 Special Tax levied on Undeveloped Property pursuant to the second step under Section D.1 is less than \$3,902 per acre, then the CFD No. 92-1 Special Tax on each Assessor's Parcel of CFD 92-1 Undeveloped Property shall be increased from the amounts computed pursuant to Section D.1, up to \$3,902 per acre;

Fourth: If additional monies are needed after the immediately preceding third step has been completed, then the CFD No. 95-1 Special Tax shall be levied Proportionately on each Assessor's Parcel of CFD No. 95-1 Undeveloped Property (which has not been relieved from the CFD No. 95-1 Special Tax), up to \$3,902 per acre;

Fifth: If additional monies are needed after the immediately preceding fourth step has been completed, then the CFD No. 92-1 Special Tax for each Assessor's Parcel of CFD No. 92-1 Undeveloped Property and the CFD No. 95-1 Special Tax for each Assessor's Parcel of CFD No. 95-1 Undeveloped Property (which has not been relieved from the CFD No. 95-1 Special Tax) shall be increased, on a pro rata basis among all such Assessor's

Parcels, above \$3,902 per acre, up to 100% of the applicable CFD No. 92-1 Maximum Special Tax and CFD No. 95-1 Maximum Special Tax, respectively;

Sixth: If additional monies are needed after the immediately preceding fifth step has been completed, then the levy of the CFD No. 92-1 Special Tax on each Assessor's Parcel of CFD No. 92-1 Developed Property whose Maximum Special Tax is determined through the application of the CFD No 92-1 Backup Special Tax, shall be increased in equal percentages from the amounts computed in Section D.1 up to the CFD No. 92-1 Maximum Special Tax for each such Assessor's Parcel.

Seventh: If additional monies are needed after the immediately preceding sixth step has been completed, then the Special Tax on all Public Property, Homeowner Association Property, Religious Property and Undevelopable Property in CFD No. 92-1 which is not exempt pursuant to Section E below shall be increased in equal percentages from the amounts computed in Section D.1 up to the CFD No. 92-1 Maximum Special Tax rate for Undeveloped Property, and the CFD No. 95-1 Special Tax on Public Property, Religious Property, and Property Owner Association Property in CFD No. 95-1 shall be levied up to the CFD No. 95-1 Maximum Special Tax for Undeveloped Property.

Notwithstanding anything herein to the contrary, Section D.2 shall apply to all Additional Bonds unless pursuant to Section F of the rate and method of apportionment for CFD No. 95-1 the Owners of at least two-thirds of the CFD No. 95-1 Taxable Property petition the Board in writing that the CFD No. 95-1 Special Taxes will not be applied to the payment of any Additional Bonds thereafter sold to initial purchasers thereof. In such event, the Board shall not levy CFD No. 95-1 Special Taxes to pay for items one through five of the Special Tax Requirement relative to any Additional Bonds sold after the date such petition is submitted to the Board, and such bonds shall not be secured by the CFD No. 95-1. In any event, CFD No. 92-1 Special Taxes and CFD No. 95-1 Special Taxes shall be levied pursuant to this Section D.2 for all Additional Bonds sold to an initial purchaser thereof prior to the submittal of such petition.

3. Pay-As-You-Go Facilities (CFD No. 92-1 Special Tax)

Commencing in Fiscal Year 1993-94, and for each following Fiscal Year, the Board or its designee shall determine item six of the Special Tax Requirement for the applicable Fiscal Year. The Board shall levy the Special Tax in each Fiscal Year, as provided below, until the aggregate amount of the levy under Sections D.1, D.2, and this D.3 equals items one through five of the Special Tax Requirement relative to the 1993 Bonds and the Additional Bonds and item six of the Special Tax Requirement: If the Special Tax levied on CFD No. 92-1 Developed Property pursuant to Sections D.1 and D.2 is less than the applicable CFD No. 92-1 Assigned Special Tax, then the CFD No. 92-1 Special Tax on each Assessor's Parcel of CFD No. 92-1 Developed Property shall be increased from the amounts computed pursuant to Sections D.1 and D.2, up to 100% of the applicable CFD No. 92-1 Assigned Special Tax.

E. EXEMPTIONS

The Board shall not levy a CFD No. 92-1 Special Tax on the following:

Category 1: CFD No. 92-1 Undevelopable Property designated for the following uses:

- 29.6 acres of land to be acquired by the School District
- 8.2 acres of land to be acquired by the Santa Margarita Water District
- 21.3 acres of land to be acquired by a home owner association for two parks
- 638.5 acres of land to be dedicated to the County for purposes of open space
- 35.5 acres of land to be dedicated to or to be encumbered with public right-of-way easements granted to the County for streets

Category 2: CFD No. 92-1 Public Property, up to 36.2 acres, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act. If a property is irrevocably offered for dedication or dedicated to or acquired by a public agency after the lien date for any given Fiscal Year (i.e., the March 1 preceding such Fiscal Year), the CFD No. 92-1 Special Tax for that year shall nonetheless be due and payable.

Category 3: CFD No. 92-1 Religious Property, provided that if a property is acquired by a religious organization after the lien date for any given Fiscal Year (i.e., the March 1 preceding such Fiscal Year), the CFD No. 92-1 Special Tax for that year shall nonetheless be due and payable.

Category 4: CFD No. 92-1 Home Owner Association Property, provided that if (i) a property is dedicated to or acquired by a home owner association after the lien date for any given Fiscal Year (i.e., the March 1 preceding such Fiscal Year), the Special Tax for that year shall nonetheless be due and payable and that if (ii) Home Owner Association Property is located in a final map or parcel map for which the construction of residential units is not permitted, such Home Owner Association Property shall be taxed at the CFD No. 92-1 Maximum Special Tax set forth in Section C.2 above and to the extent set forth in Section D above.

For Category 1, if the number of acres of land dedicated, irrevocably offered for dedication or encumbered with a public right-of-way easement and granted to one of the public agencies or home owner association identified in Category 1 exceeds the amount of land allocated to that public agency or home owner association by more than four and one-half percent (4.50%), then the acres exceeding such number shall be taxed at the rate set forth in Section C.2 above and to the extent set forth in Section D above. In the case of the County, the 4.50% percent test shall be applied separately to land dedicated or irrevocably offered for dedication to the County for open space and for land dedicated to or for which a public right-of-way easement has been granted to the County for streets.

For Category 2, if the number of acres of Public Property exceeds the amount of land specified by more than four and one-half percent (4.50%), then the acres exceeding such number shall be taxed at the CFD No. 92-1 Maximum Special Tax set forth in Section C.2 above and to the extent set forth in the last paragraph of Section D above. The 36.2 acres of Public Property which is exempt from the special tax shall be allocated on a first in time basis.

F. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD No. 92-1 may collect CFD B-12 No. 92-1 Special Taxes at a different time or in a different manner as determined by the Board, if necessary to meet its financial obligations.

G. PREPAYMENT OF SPECIAL TAX

Pursuant to Section 53321 of the Government Code, the CFD No. 92-1 Special Tax obligation may be prepaid and permanently satisfied upon satisfaction of the following conditions:

(i) If, prior to such prepayment, the Board has established a prepayment formula which formula (a) equitably allocates the Special Tax Requirement projected for future years among the parcel prepaying its CFD No. 92-1 Special Tax obligation and the parcels remaining subject to the CFD No. 92-1 Special Tax following such prepayment, (b) does not violate the terms of any resolution of issuance, or any supplement to resolution, executed in connection with any District Bonds issued prior to such prepayment, and (c) does not interfere with the timely retirement of any District Bonds issued prior to such prepayment; and

(ii) if the prepayment amount derived by application of the formula approved as set forth in (i) above shall be paid in full to CFD No. 92-1.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE CAPISTRANO UNIFIED SCHOOL DISTRICT
SERIES 2013 SPECIAL TAX REFUNDING BONDS

The following is a brief summary of certain provisions of the Fiscal Agent Agreement relating to the above-referenced Series 2013 Special Tax Refunding Bonds. This summary is not intended to be definitive and is qualified in its entirety by reference to such Fiscal Agent Agreement for the complete terms of the Fiscal Agent Agreement. Copies of the Fiscal Agent Agreement are available upon request from the Capistrano Unified School District.

DEFINITIONS

The following are summaries of definitions of certain terms used in this Summary. All capitalized terms not defined in the Fiscal Agent Agreement or elsewhere in the Official Statement have the meaning(s) set forth in the Fiscal Agent Agreement.

“1998 Indenture” means the bond indenture agreement for the Prior Bonds as defined in the Fiscal Agent Agreement.

“2013 Bond” or “2013 Bonds” means the \$_____ Community Facilities District No. 92-1 of the Capistrano Unified School District Series 2013 Special Tax Refunding Bonds issued pursuant to the terms of the Fiscal Agent Agreement and any Supplements.

“20__ Term Bond” means the 2013 Bond maturing on _____.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Section 53311, *et seq.*, of the Government Code of the State.

“Administrative Expense Fund” means the fund of that name established under and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Administrative Expense Requirement” means the amount of \$134,586.83 for Fiscal Year 2012-13, as increased by two percent (2.00%) each Fiscal Year thereafter as set forth in the Fiscal Agent Agreement.

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes and any other costs related to the Bonds, any Parity Bonds, and the refunding of the Prior Bonds, including the fees and expenses of the Fiscal Agent and any persons, parties, consultants or attorneys employed pursuant to Covenants 2, 3 or 11 of the Fiscal Agent Agreement, costs and legal expenses of foreclosure actions undertaken pursuant to the terms hereof to the extent not recovered pursuant to statutory authorization, or costs otherwise incurred by the District in order to carry out the authorized purposes of the

Bonds, including statutory disclosure for the District and continuing disclosure obligations, rebate compliance, reporting requirements for the Special Taxes and “Administrative Expenses” as defined in the Rate and Method.

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

“Authorized Investments” means, subject to the Fiscal Agent Agreement, any of the following investments, if and to the extent the same are at the time legal for investment of the School District’s funds (with the Fiscal Agent entitled to rely upon the investment direction of the District as a determination that such investment is a legal investment):

(a) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest, and which have a maximum term to maturity not to exceed three years.

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, and which have a maximum term to maturity not to exceed three years, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA’s)
- Federal Housing Administration
- Federal Financing Bank.

(c) 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, and which have a maximum term to maturity not to exceed three years:

- Senior debt obligations rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s 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.

(d) Registered state warrants or treasury notes or bonds of the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or

operated by the State or by a department, board, agency, or authority of the State, which are rated in one of the two highest short-term or long-term rating categories by Moody's or Standard & Poor's.

(e) Registered bonds, notes, warrants or other evidences of indebtedness of any local agency of the State, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency, where the interest on such local agency obligation is exempt from Federal and State income taxes and which are rated in one of the two highest short-term or long-term rating categories by Moody's or Standard & Poor's.

(f) Deposit accounts, time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank or trust company, which may include the Fiscal Agent or its affiliates, or a state or federal savings and loan association; provided, that the certificates of deposit shall be one or more of the following:

(1) Continuously and fully insured by the Federal Deposit Insurance Corporation.

(2) Continuously and fully secured by securities described in clause (a) or (b) above which shall have a market value, as determined on a marked-to-market basis calculated at least weekly, and exclusive of accrued interest, or not less than 102 percent of the principal amount of the certificates of deposit.

(g) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Moody's and Standard & Poor's, at the time of purchase, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of \$500,000,000 and that have an "A" or higher rating for the issuer's debentures, other than commercial paper, by Moody's and Standard & Poor's, provided that purchases of eligible commercial paper may not exceed 180 days' maturity nor represent more than 10% of the outstanding commercial paper of an issuing corporation. Purchases of commercial paper may not exceed 20% of the net proceeds of the Bonds.

(h) A repurchase agreement with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York the long term debt of which is rated at least "AA" by Standard & Poor's or "Aa1" by Moody's, provided that all of the following conditions are satisfied:

(1) the agreement is secured by any one or more of the securities described in clause (a) above of this definition of Authorized Investments ("Underlying Securities");

(2) the Underlying Securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least \$100,000,000 and which is independent of the issuer of the repurchase agreement ("Holder of Collateral") and the Underlying Securities have been transferred to the Holder of Collateral in

accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(3) the Underlying Securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than 103 percent of the amount so invested and at such levels and additional conditions not otherwise in conflict with the terms above as would be acceptable to Standard & Poor's and Moody's so as to maintain, respectively, an "AA" or "Aa1" rating in an "AA" or "Aa1" rated structured financing (with a market value approach); and

(4) the agreement provides that if during its term the provider's rating by Moody's and Standard & Poor's is withdrawn or suspended or falls below "A-" by Standard & Poor's or "A3" by Moody's, as appropriate, the provider must within 10 days of receipt of direction from the Fiscal Agent, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Fiscal Agent.

(i) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

(1) Interest payments are to be made to the Fiscal Agent at times and in amounts as necessary to pay debt service on the Bonds.

(2) The invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the District and the Fiscal Agent hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid.

(3) The investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors.

(4) The District and the Fiscal Agent receives the opinion of domestic counsel (which opinion shall be addressed to the District) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable).

(5) The investment agreement shall provide that if during its term

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring

in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Fiscal Agent or a third party acting solely as agent therefore ("Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the direction of the District or the Fiscal Agent, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Fiscal Agent.

(6) The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession).

(7) The investment agreement must provide that if during its term

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Fiscal Agent, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent, as appropriate; and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent, as appropriate.

(j) A taxable or tax exempt government money market portfolio mutual fund restricted to obligations with either maturities of one year or less or a dollar weighted average maturity of 120 days or less, and either issued, guaranteed or collateralized as to payment of principal and interest by the full faith and credit of the United States of America or rated in one of the three highest categories by Moody's or Standard & Poor's. Such money market funds may include funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services.

(k) The Local Agency Investment Fund referred to in Section 16429.1 of the Government Code of the State to the extent the Fiscal Agent may deposit and withdraw funds directly.

“Authorized Representative” or “District Representative” means an officer or employee of the School District authorized to provide written directives on behalf of the District, which shall include the School District’s Superintendent or Deputy Superintendent, Business and Support Services, and such other persons as shall be designated in writing by the Superintendent or the Deputy Superintendent, Business and Support Services.

“BAM” means the Build America Mutual Assurance Company, a mutual insurance corporation organized under the laws of, and domiciled in, the State of New York, or any successor thereto.

“BAM Reimbursement Amount(s)” means (i) a sum equal to the total of all amounts paid by BAM under the Policy (“BAM Policy Payment”); and (ii) interest on such BAM Policy Payments from the date paid by BAM until payment thereof in full by the District, payable to BAM at the Late Payment Rate per annum (collectively, “BAM Reimbursement Amounts”) compounded semi-annually

“Board” or “Board of Trustees” means the Board of Trustees of the Capistrano Unified School District.

“Bond” or “Bonds” means, collectively, the 2013 Bond or 2013 Bonds and any Parity Bond or Parity Bonds

“Bond Counsel” means a firm of nationally recognized bond attorneys, initially Bowie, Arneson, Wiles & Giannone.

“Bond Fund” means the fund of that name established under and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“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 shall be recorded.

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

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

“Business Day” means a day which is not a Saturday or a Sunday or a day on which banks in Los Angeles, California and New York, New York are not required or permitted to be closed.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

“Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate provided by the School District on behalf of the District, dated the Delivery Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof, with respect to the 2013 Bonds or any Parity Bonds, as applicable.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the District or School District and related to the authorization, sale and issuance of the Bonds and the refunding of the Prior Bonds, which items of expense shall include, but not be limited to, printing costs, cost of reproducing and binding documents, closing costs, appraisal costs, filing and recording fees, fees and expenses of counsel to the District or School District, initial fees and expenses of the Fiscal Agent and the Escrow Agent including its first annual administration fee and fees of its counsel, expenses incurred by the District and the School District in connection with the issuance of the Bonds, legal fees and charges, including Bond Counsel, Disclosure Counsel, verification agent fees, financial advisor fees, special tax consultants’ fees, the premium for bond insurance or any Reserve Facility, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Dated Date” or **“Delivery Date”** means the date the 2013 Bonds are issued and delivered, and with respect to Parity Bonds, the date such Parity Bonds are issued and delivered.

“Depository” means any depository which holds Bonds pursuant to the terms of the Fiscal Agent Agreement, initially, with respect to the Bonds, DTC.

“Developed Property” shall have the same meaning set forth in the Rate and Method.

“Disclosure Counsel” means a firm of nationally recognized disclosure counsel, initially Quint & Thimmig LLP.

“Dissemination Agent” means U.S. Bank National Association, or any successor dissemination agent appointed by the District pursuant to the District Continuing Disclosure Certificate.

“District” means Community Facilities District No. 92-1 of the Capistrano Unified School District.

“DTC” means The Depository Trust Company, 55 Water Street, 25th Floor, New York, New York, 10041-0099, Attn: Call Notification Department, Fax: (212) 855-5004.

“Election” means the election defined in the Fiscal Agent Agreement.

“Escrow Agent” means U.S. Bank National Association, and any successor thereto duly appointed and serving pursuant to the terms of the Escrow Agreement.

“Escrow Agreement” means the agreement providing for the redemption and defeasance of the Prior Bonds, dated as of the Delivery Date, executed by and between the District and U.S. Bank National Association, as Escrow Agent.

“Escrow Fund” means that certain escrow fund established pursuant to the Escrow Agreement.

“Excess Investment Earnings” shall mean an amount equal to the sum of:

(i) the excess of:

(A) the aggregate amount earned from the Delivery Date on all Nonpurpose Investments in which Gross Proceeds are invested (other than amounts attributable to an excess described in this subparagraph (i)), over

(B) the amount that would have been earned if the yield on such Nonpurpose Investments (other than amounts attributable to an excess described in this subparagraph (i)) had been equal to the Yield on the Bonds,

plus

(ii) any income attributable to the excess described in paragraph (i).

In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and annual debt service on the Bonds during each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of one year’s earnings on such fund or account or one-twelfth (1/12) of annual debt service on the Bonds, as well as amounts earned on said earnings. The District intends that the Bond Fund, including the Principal Account and the Interest Account established therein, the Special Tax Fund and the Redemption Fund will be the type of funds described in the preceding sentence.

“Federal Securities” means cash, or any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State for funds held by the Fiscal Agent: (i) direct obligations of the United States of America (including State and Local Government Series and obligations issued or held in book entry form on the books of the United States Department of the Treasury) (“United States Treasury Obligations”); (ii) obligations, the payment of principal of and interest on which are fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (iv) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually

against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Fiscal Agent” means U.S. Bank National Association, a national banking association, and its successors and assigns or any and other fiscal agent which may be appointed pursuant to the Fiscal Agent Agreement.

“Fiscal Agent Agreement” means the Fiscal Agent Agreement, as amended or supplemented pursuant to the terms hereof.

“Fiscal Year” means the period from July 1 to June 30 in any year.

“Gross Proceeds” means any proceeds of the Bonds and any funds (other than proceeds of the Bonds) that are part of a reserve or replacement fund for the Bonds within the meaning of Section 1.148-1(b) of the Regulations.

“Gross Taxes” means the amount of all Special Taxes collected within CFD No. 92-1 and proceeds from the sale of property within CFD No. 92-1 collected pursuant to the foreclosure provisions of the Fiscal Agent Agreement for the delinquency of such Special Taxes.

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

(1) is independent of the District and the School District or any of the property owners within the District;

(2) does not have any substantial interest, direct or indirect, in the District or any of the property owners within the District; and

(3) is not connected with the District or School District as a member, officer or employee of the District or School District or with any of the property owners within the District, but who may be regularly retained to make annual or other reports to the District or the School District.

“Insurer” means Build America Mutual Assurance Company, or “BAM,” a mutual insurance corporation organized under the laws of, and domiciled in, the State of New York, or any successor thereto.

“Interest Account” means the account of that name established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Interest Payment Date” means March 1 and September 1 of each year during which the Bonds are Outstanding, commencing March 1, 2014.

“Late Payment Rate” means with respect to the Policy, the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the 2013 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“Legislative Body” means the Board of Trustees acting as the Legislative Body of the District.

“Mandatory Sinking Payments” means the amounts to be applied to the redemption of the Bonds in accordance with the schedule set forth in the Fiscal Agent Agreement and any subsequent schedule set forth in any Supplement.

“Maximum Annual Debt Service” means the maximum sum obtained for any remaining Bond Year prior to the final maturity on the Bonds by totaling the following for each Bond Year:

- (1) the principal amount of all Outstanding Bonds maturing and payable in such Bond Year at maturity or pursuant to sinking fund redemption; and
- (2) the interest payable on the aggregate principal amount of Bonds Outstanding in such Bond Year assuming the Bonds are retired as scheduled.

“Moody’s” means Moody’s Investors Services and its successors.

“National Information Service” means the Electronic Municipal Market Access (EMMA) system of the Municipal Securities Rulemaking Board (MSRB), 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, or such other electronic system designated by the MSRB or the Securities and Exchange Commission, or as may be designated by the District in a certificate delivered to the Fiscal Agent.

“Net Taxes” means the amount of all Gross Taxes minus the Administrative Expense Requirement.

“Nonpurpose Investments” means any security, investment, obligation, annuity, investment-type property, specified private activity bond or any other type of investment property defined in Section 148 of the Code in which Gross Proceeds are invested (other than tax-exempt securities which are described in Section 103(a) of the Code) and which is not acquired to carry out the governmental purpose of the Bonds.

“Ordinance” means Ordinance No. 92-1-1 adopted by the Legislative Body on April 19, 1993.

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

(1) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;

(2) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to the terms hereof; and

(3) Bonds paid and discharged pursuant to Article IX hereof.

“Parity Bonds” means all bonds, notes or similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided for in the Fiscal Agent Agreement or any Supplement, rank on a parity with the 2013 Bonds.

“Participating Underwriter” shall have the meaning(s) ascribed thereto in the Continuing Disclosure Certificate.

“Policy” means the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the 2013 Bonds when due.

“Principal Account” means the account of that name established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Principal Corporate Trust Office” means the corporate trust office of the Fiscal Agent, which, at the date of execution of the Fiscal Agent Agreement, is located at 633 W. Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Global Corporate Trust Services, or such other offices as the Fiscal Agent may designate from time to time; provided, however, 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 Fiscal Agent at which, at any particular time, its corporate trust agency business shall be conducted.

“Prior Bonds” or **“1998 Bonds”** means the Community Facilities District No. 92-1 of the Capistrano Unified School District (Las Flores) Special Tax Bonds, Series 1998 delivered on July 1, 1998, issued in the initial par amount of \$31,360,000, and presently outstanding in the aggregate principal amount of \$18,410,000.

“Prior Fiscal Agent” means the fiscal agent under the 1998 Indenture, U.S. Bank National Association.

“Purchase Price” for the purpose of computation of the Yield of the Bonds, has the same meaning as the term “issue price” in Sections 1273 (b) and 1274 of the Code, and, in

general, means the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds are sold or, if the Bonds are privately placed, the price paid by the original purchaser or the acquisition cost of the original purchaser. The term “Purchase Price,” for the purpose of computation of the Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds for acquisition thereof, or, if later, on the date that Investment Property (as defined in Section 148(b)(2) and (3) of the Code) constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Bonds, as the case may be.

“Rate and Method” means the Community Facilities District No. 92-1 of the Capistrano Unified School District (Las Flores) Amended and Restated Rate and Method of Apportionment, as set forth in the Formation Resolution and Ordinance as such may be amended or interpreted from time to time.

“Rebate Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Record Date” means the 15th day of the calendar month preceding an Interest Payment Date whether or not such day is a Business Day.

“Redemption Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Regulations” means any temporary, proposed or final regulations of the United States Department of Treasury with respect to obligations issued pursuant to Section 103 and Sections 141 to 150 of the Code.

“Representation Letter” means such letter in the form prescribed by the Depository in order to qualify for the Depository’s book-entry system.

“Reserve Facility” means any line of credit, letter of credit, insurance policy, surety bond or other credit source deposited with the Fiscal Agent pursuant to the terms of the Fiscal Agent Agreement.

“Reserve Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Insurer on the Delivery Date to satisfy the initial Reserve Requirement, as further described under the Fiscal Agent Agreement.

“Reserve Requirement” means with respect to the Bonds an amount, as of any date of calculation, equal to the least of (i) 10% of the original principal amount of the Bonds, (ii) Maximum Annual Debt Service, or (iii) 125% of average Annual Debt Service on the Bonds.

“Resolution of Formation” or “Formation Resolution” has the meaning set forth in the Fiscal Agent Agreement.

“Resolution of Issuance” means Resolution No. 1213-53 of the School District, dated June 26, 2013, authorizing the issuance of the 2013 Bonds and approving the Fiscal Agent Agreement.

“Responsible Officer” of the Fiscal Agent means and includes the president, every senior vice president, every vice president, every assistant vice president, every trust officer or any other authorized officer of the Fiscal Agent.

“School District” means the Capistrano Unified School District.

“School Facilities” means the facilities of the School District as defined in the Bond Authorization Resolution, authorized to be designed, constructed, acquired, or installed by the District.

“Sinking Fund Redemption Account” means the account of that name within the Redemption Fund established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Special Tax Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Special Taxes” means the special taxes levied by the Legislative Body in accordance with the Rate and Method within CFD No. 92-1 pursuant to the Act, the Formation Resolution, the Election and the Ordinance.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Group and its successors.

“State” means the State of California.

“Supplement” means any supplemental agreement amending or supplementing the Fiscal Agent Agreement.

“Surplus School Facilities Fund” means the fund of that name established under, and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Tax Certificate” means the certificate of that name to be executed by an authorized representative of the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Taxable Property” has the meaning set forth in the Rate and Method.

“Underwriter” means _____.

“Yield” means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bonds produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, as the case may be, all computed as prescribed in the applicable Regulations.

ISSUANCE OF THE 2013 BONDS

The 2013 Bonds are issued pursuant to the Act, the Resolution of Issuance and the Fiscal Agent Agreement in the amounts and maturities set forth in the Fiscal Agent Agreement. Under and pursuant to the Act, the 2013 Bonds are being issued for the purposes of refunding the outstanding Prior Bonds on a current basis and paying Costs of Issuance, including premiums with respect to the Policy and the 2013 Bonds Reserve Facility. The terms of the 2013 Bonds, and a description of the 2013 Bonds, including registration and transfer matters, are set forth in the Fiscal Agent Agreement (See “INTRODUCTION,” “THE REFUNDING BONDS,” “PLAN OF REFUNDING,” and “SECURITY AND SOURCE OF PAYMENT”).

Limited Obligation

The Bonds shall be and are limited obligations of the District and shall be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and amounts in certain funds and accounts created pursuant to the Fiscal Agent Agreement as specified therein. The Net Taxes are pledged for the payment of the Bonds pursuant to the terms of the Fiscal Agent Agreement.

The Bonds and interest thereon are not payable from the general fund of the District or the School District. Except with respect to the Net Taxes, neither the credit nor the taxing power of the District or the School District is pledged for the payment of the Bonds or interest thereon, and no Owner of the Bonds may compel the exercise of the taxing power by the District (except with respect to the Special Taxes) or the School District or the forfeiture of any of their property for the payment thereof. The principal of and interest on the Bonds and premiums upon the redemption of any thereof are not a debt of the District or the School District, the State or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any property or income, receipts or revenues of the District or the School District, except the Net Taxes which are, under the terms of the Fiscal Agent Agreement, pledged for the payment of the Bonds and interest thereon. Neither the members of the Legislative Body or the Board nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Pursuant to the Act and the Fiscal Agent Agreement, the Bonds shall be equally payable from the Net Taxes without priority for number, date of the Bonds, date of sale, date of execution or date of delivery, and the payment of the interest on and principal of the Bonds and any premiums upon the redemption thereof shall be exclusively paid from the Net Taxes and amounts held in certain funds and accounts created under the Fiscal Agent Agreement as

specified therein. All of the Net Taxes are pledged for the payment of the Bonds, and such Net Taxes and any interest earned on the Net Taxes shall constitute a trust fund for the payment of the interest on and principal of the Bonds and so long as any of the Bonds or interest thereon are unpaid the Net Taxes and interest thereon shall not be used for any other purpose, except as permitted by the Fiscal Agent Agreement or any Supplement, and shall be held in trust for the benefit of the Bondowners and shall be applied pursuant to the Fiscal Agent Agreement, or any Supplement to the Fiscal Agent Agreement as modified pursuant to provisions therein. Notwithstanding any provision contained in the Fiscal Agent Agreement to the contrary, Net Taxes deposited in the Administrative Expense Fund, the Surplus School Facilities Fund and the Rebate Fund shall no longer be considered to be pledged to the Bonds, and the Administrative Expense Fund, the Surplus School Facilities Fund, and the Rebate Fund shall not be construed as trust funds held for the benefit of the Bondowners.

In the event that the Fiscal Agent lacks sufficient amounts to make timely payment of principal and interest and premium upon redemption, if any, on the Bonds when due, such principal of and interest and premium on the Bonds shall be paid from available amounts held under the Fiscal Agent Agreement by the Fiscal Agent in the Bond Fund, Reserve Fund, Redemption Fund, and after disbursement thereunder, the Special Tax Fund (including all accounts of the foregoing funds) (but not including those amounts deposited in the, the Surplus School Facilities Fund, Administrative Expense Fund and the Rebate Fund) in accordance with such terms without preference or priority of interest over principal or principal over interest, or of any installment of principal or interest over any other installment of principal or interest, ratably to the aggregate amount of such principal and interest.

Nothing in the Fiscal Agent Agreement or any Supplement shall preclude the redemption of any Bonds subject to call and redemption prior to maturity, and payment of the Bonds from proceeds of refunding bonds issued under the Act as the same now exists or is hereafter amended, or under any other law of the State (See "SECURITY AND SOURCE OF PAYMENT").

Funds and Accounts

The Fiscal Agent Agreement specifies funds and accounts to be maintained by the Fiscal Agent, as follows:

Special Tax Fund - The Special Taxes and other amounts constituting Gross Taxes collected by the District shall be transferred, no later than 10 days after receipt thereof, to the Fiscal Agent and shall be held in trust in the Special Tax Fund for the benefit of the Bondowners (exclusive of the Administrative Expense Requirement as set forth below) and shall be transferred from the Special Tax Fund in the following order of priority: (a) to the Administrative Expense Fund, an amount specified in writing by the District up to the Administrative Expense Requirement; (b) to the Interest Account of the Bond Fund an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds on said Interest Payment Date; (c) to the Principal Account of the Bond Fund, an amount up to the amount needed to make the principal payment due on the Bonds during the current Bond Year; (d) to the Sinking Fund

Redemption Account of the Redemption Fund an amount up to the amount needed to make the Mandatory Sinking Payments due on the Bonds during the current Bond Year; (e) to the Reserve Fund, the amount, if any, necessary to reinstate the amount available under any Reserve Facility that has been drawn upon and, second, to replenish the amount on deposit in the Reserve Fund, so that the amount available under the Reserve Facility, when added to the amount on deposit in the Reserve Fund, shall equal the Reserve Requirement; (f) for payment to the Insurer of the BAM Reimbursement Amount in accordance with the terms of the Policy and the Fiscal Agent Agreement, to the extent not otherwise paid to the Insurer under subsections (b),(c), (d) or (e), above and to pay the "Policy Costs" related to the Reserve Policy to the Insurer in accordance with the terms of the Fiscal Agent Agreement; (f) provided all the amounts due in the current Bond Year are funded under (b), (c), (d) (e) and (f) above, to the extent there are additional Administrative Expenses to the Administrative Expense Fund in the amount specified in writing by the District required to bring the balance therein to the amount needed pay such Administrative Expenses; and (g) any remaining Special Taxes and other amounts constituting Gross Taxes, if any, shall remain in the Special Tax Fund until the end of the Bond Year. Any remaining funds in the Special Tax Fund, which are not required to cure a delinquency in the payment of principal and interest on the Bonds (including payment of Mandatory Sinking Payments due during the current Bond Year), to restore the Reserve Fund to the Reserve Requirement, to pay the BAM Reimbursement Amount or Policy Costs due and not otherwise paid, or to pay current or pending Administrative Expenses as provided for in the Fiscal Agent Agreement, shall be deposited in the Surplus School Facilities Fund and used as provided for in the Fiscal Agent Agreement and shall be free and clear of any lien thereon or pledge thereunder; provided, any funds which are required to cure any delinquency described above shall be retained in the Special Tax Fund and expended or transferred, at the earliest possible date, for such purpose.

At the date of the redemption, defeasance or maturity of the last Bond and after all principal and interest then due on any Bond has been paid or provided for, all other covenants are complied with and all fees and expenses of the Fiscal Agent have been paid, monies in the Special Tax Fund will be transferred to the District by the Fiscal Agent and may be used by the District for any lawful purpose under the District proceedings. (See "SECURITY AND SOURCE OF PAYMENT – Special Tax Fund").

Administrative Expense Fund - Upon receipt of Gross Taxes and the written direction of the District, the Fiscal Agent shall transfer from the Special Tax Fund to the Administrative Expense Fund the amount that the District has determined, and of which the District has notified the Fiscal Agent in writing prior to such transfer date, will be necessary to bring the balance in the Administrative Expense Fund to equal the amount specified by the District as necessary to meet Administrative Expenses until the collection of Special Taxes in the next Fiscal Year, subject to the maximum limit of the Administrative Expense Requirement. Additional Administrative Expenses may be funded from additional deposits to the Administrative Expense Fund in accordance with the Fiscal Agent Agreement. Monies in the Administrative Expense Fund shall not be construed as a trust fund for the benefit of the Bondowners and are not pledged for payment of the principal of, or interest or premium on, the Bonds, and are not subject to any Bondowners' lien.

Bond Fund - The Bond Fund (in which there is established an Interest Account and a Principal Account) is used to disperse payments of principal and interest to the Bondowners on each respective Interest Payment Date. Monies in the Interest Account are allocated to the payment of interest due on each Interest Payment Date and monies in the Principal Account are allocated to the repayment of principal on the Bonds on the corresponding Interest Payment Date (See “SECURITY AND SOURCE OF PAYMENT – Bond Fund”).

Reserve Fund - There shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement. Notwithstanding the foregoing, in the event of a redemption or partial defeasance of the Bonds, the Reserve Requirement shall thereafter be determined by the District and communicated to the Fiscal Agent in writing and any funds in excess of such re-determined Reserve Requirement shall be utilized as set forth in the following paragraphs.

Monies in the Reserve Fund shall be used solely for the purpose of (i) making transfers to the Bond Fund or Redemption Fund to pay the principal of, including Mandatory Sinking Payments, and interest on Bonds when due to the extent that monies in the Interest Account and the Principal Account of the Bond Fund or monies in the Sinking Fund Redemption Account are insufficient therefore; (ii) making any required transfer to the Rebate Fund pursuant to the Fiscal Agent Agreement upon written direction from the District; (iii) paying the principal and interest due on Bonds in the final Bond Year; and (iv) application to the defeasance of Bonds in accordance with the Fiscal Agent Agreement. If the amounts in the Interest Account or the Principal Account of the Bond Fund and the Sinking Fund Redemption Account of the Redemption Fund are insufficient to pay the principal of, including Mandatory Sinking Payments, or interest on the Bonds when due, the Fiscal Agent shall, one Business Day prior to an Interest Payment Date, withdraw from the Reserve Fund for deposit in the Interest Account and the Principal Account of the Bond Fund, or the Sinking Fund Redemption Account of the Redemption Fund, monies necessary for such purpose. Following any transfer to the Interest Account or the Principal Account of the Bond Fund, or the Sinking Fund Redemption Account of the Redemption Fund, the Fiscal Agent shall notify the District of the amount needed to replenish the Reserve Fund to the Reserve Requirement and the District shall include such amount as is required at that time to correct such deficiency in the next Special Tax levy to the extent of the permitted maximum Special Tax rates.

Monies in the Reserve Fund in excess of the Reserve Requirement (exclusive of Excess Investment Earnings) shall be withdrawn on each March 1 and transferred to the Interest Account of the Bond Fund, and any remaining excess shall be transferred to the Principal Account of the Bond Fund, or to the Sinking Fund Redemption Account of the Redemption Fund to the extent required to make any principal payment or Mandatory Sinking Payments on the next following September 1. The Fiscal Agent shall transfer Excess Investment Earnings from Reserve Fund earnings upon written direction of the District pursuant to the Fiscal Agent Agreement. Monies in the Reserve Fund shall be invested in accordance with the Fiscal Agent Agreement. (See “SECURITY AND SOURCE OF PAYMENT – Reserve Fund”).

Reserve Facility Terms - The initial Reserve Requirement for the 2013 Bonds will be satisfied by the Reserve Facility on the Delivery Date and shall be held thereafter by the Fiscal Agent in accordance with the terms of the Fiscal Agent Agreement. In addition to the foregoing

terms that govern the use and application of the Reserve Fund, the following terms apply with respect to the use of a Reserve Facility:

(a) The District may substitute a Reserve Facility for all or a part of the moneys on deposit in the Reserve Fund by depositing such Reserve Facility with the Fiscal Agent so long as, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under such Reserve Facility and any previously substituted Reserve Facilities therein, shall be at least equal to the Reserve Requirement; provided, however, that, prior to any such substitution, the Fiscal Agent shall have received written confirmation from each rating agency then rating the Bonds that such substitution would not cause such rating agency to lower or withdraw its rating then in effect with respect to the Bonds. The District shall not substitute any Reserve Facility in lieu of all or any portion of moneys on deposit in the Reserve Fund without the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Policy). Moneys for which a Reserve Facility has been substituted as provided herein shall be transferred, at the election of the District, to the Bond Fund, or upon receipt of an opinion of Bond Counsel to the effect that such transfer, in and of itself, will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, as directed in a writing by a District Representative. Any amounts paid pursuant to any Reserve Facility shall be deposited in the Reserve Fund. The moneys in the Reserve Fund and any Reserve Facility shall be held by the Fiscal Agent and shall be used and disbursed only for the purposes and uses authorized in the Fiscal Agent Agreement.

(b) Amounts on deposit in the Reserve Fund which were not derived from payments under any Reserve Facility credited to the Reserve Fund to satisfy a portion of the Reserve Requirement shall be used and withdrawn by the Fiscal Agent prior to using and withdrawing any amounts derived from payments under any such Reserve Facility. All cash and investments in the Reserve Fund shall be transferred to the Bond Fund for payment of the debt service on the Bonds before any drawing may be made on the Reserve Policy or any other Reserve Facility in lieu of cash.

Draws on all Reserve Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs (as defined in the Fiscal Agent Agreement) as respects the Reserve Policy, and reimbursement of amounts with respect to other Reserve Facilities, shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable alternative Reserve Facility without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(c) If, on any Interest Payment Date, the amount on deposit in the Interest Account is insufficient to pay the interest on the Bonds on such Interest Payment Date, the Fiscal Agent shall transfer from the Reserve Fund and deposit in the Interest Account an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Requirement, the Fiscal Agent shall make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with

other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Interest Account.

If, on any Interest Payment Date, the amount on deposit in the Principal Account is insufficient to pay the principal of the Bonds, including Mandatory Sinking Payments, on such Interest Payment Date, the Fiscal Agent shall transfer from the Reserve Fund and deposit in the Principal Account an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Requirement, the Fiscal Agent shall make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Principal Account.

(d) In the event of any draw on the Reserve Fund other than (i) withdrawals of amounts in excess of the Reserve Requirement or (ii) withdrawals in connection with the refunding or defeasance of the Bonds, or the making of any claim under the Reserve Facility, or any other any Reserve Facility for the Bonds, the Fiscal Agent shall provide written notice to the Insurer and the District of the amount and the date of such transfer or claim within two Business Days of any such event.

(e) If there are no amounts currently due under any Reserve Facility and the sum of the amount on deposit in the Reserve Fund shall be reduced below the Reserve Requirement, the Net Taxes received from the District and not needed to pay the principal of or interest on the Bonds on the next Interest Payment Date (including Mandatory Sinking Payments) shall be used in accordance with the Fiscal Agent Agreement to first reinstate the amounts available under the Reserve Facility that has been drawn upon and, second, to replenish the amount on deposit in the Reserve Fund, so that the amount available under the Reserve Facility, when added to the amount on deposit in the Reserve Fund, shall equal the Reserve Requirement. (see "SECURITY AND SOURCE OF PAYMENT - RESERVE FUND")]

Redemption Fund - The Redemption Fund includes a Sinking Fund Redemption Account for the 2013 Bonds. The account is used for the temporary retention of monies allocated to the mandatory sinking fund redemption of the 2013 Bonds, and the monies shall be applied for such redemption purpose (See "THE REFUNDING BONDS - Redemption Provisions").

Rebate Fund - The Rebate Fund is established by the Fiscal Agent Agreement for the receipt and payment of arbitrage earnings to the United States government as required under the terms of the Fiscal Agent Agreement and the Tax Certificate.

Surplus School Facilities Fund - Pursuant to the Fiscal Agent Agreement, monies on deposit in the Surplus School Facilities Fund are not pledged for the payment of the principal of, or interest or premium on, the Bonds, and are not subject to any Bondowner's lien. Monies on deposit in the Surplus School Facilities Fund may be used by the District, at its option, for acquisition and/or construction of School Facilities; to make deposits to the Rebate Fund; for the payment of principal of, including Mandatory Sinking Payments, or interest on the Bonds.

Investments - The Fiscal Agent shall maintain separate books and records regarding the investment of monies in any of the funds, accounts or subaccounts established pursuant to the

Fiscal Agent Agreement. Authorized Investments shall be deemed at all times to be a part of such funds, accounts or subaccounts. Any loss resulting from such Authorized Investments shall be charged to such funds, accounts or subaccount. Subject to limitations set forth as to each of the funds or accounts set forth in the Fiscal Agent Agreement, the limitations as to maturities set forth in the Fiscal Agent Agreement and any additional limitations or requirements established by the District and consistent with the foregoing, the Fiscal Agent shall invest the amounts on deposit in all funds, accounts or subaccount in Authorized Investments as directed in writing by the District, subject to the restrictions set forth in the Fiscal Agent Agreement.

Payments Under the Bond Insurance Policy

In the event that on the second Business Day prior to any Interest Payment Date on the 2013 Bonds, the Fiscal Agent has not received sufficient moneys to pay all principal of and interest on the 2013 Bonds due on such Interest Payment Date, the Fiscal Agent shall immediately notify the Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Fiscal Agent shall so notify the Insurer or its designee.

In addition, if the Fiscal Agent has notice that any holder of the 2013 Bonds has been required to disgorge payments of principal of or interest on the 2013 Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Fiscal Agent shall notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

The Fiscal Agent shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the 2013 Bonds as follows: (a) if there is a deficiency in amounts required to pay interest and/or principal on the Insured Obligations, the Fiscal Agent shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holders of the Insured Obligations in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the 2013 Bonds, (ii) receive as designee of the respective holders (and not as Fiscal Agent) in accordance with the tenor of the Policy payment from the Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and (b) if there is a deficiency in amounts required to pay principal of the 2013 Bonds, the Fiscal Agent shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holder of the Insured Obligations in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the 2013 Bonds surrendered to the Insurer, (ii) receive as designee of the respective holders (and not as Fiscal Agent) in accordance with the tenor of the Policy payment therefore from the Insurer, and (iii) disburse the same to such holders.

The Fiscal Agent shall designate any portion of payment of principal on the 2013 Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of 2013 Bonds registered to the then current holder, whether DTC or its Nominee or otherwise, and shall issue a

replacement 2013 Bonds to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Fiscal Agent's failure to so designate any payment or issue any replacement 2013 Bonds shall have no effect on the amount of principal or interest payable by the District on any 2013 Bonds or the subrogation or assignment rights of the Insurer.

Payments with respect to claims for interest on and principal of 2013 Bonds disbursed by the Fiscal Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such 2013 Bonds, and the Insurer shall become the Owner of such unpaid 2013 Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the District and the Fiscal Agent agree for the benefit of the Insurer that: (a) they recognize that to the extent the Insurer makes payments directly or indirectly (*e.g.*, by paying through the Fiscal Agent), on account of principal of or interest on the 2013 Bonds, the Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer, with interest thereon, as provided and solely from the sources stated in this Fiscal Agent Agreement and the 2013 Bonds; and (b) they will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in this Fiscal Agent Agreement and the 2013 Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the 2013 Bonds to holders, and will otherwise treat the Insurer as the Owner of such rights to the amount of such principal and interest.

Notwithstanding anything to the contrary in the Fiscal Agent Agreement, the District agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Policy ("BAM Policy Payment"); and (ii) interest on such BAM Policy Payments from the date paid by the Insurer until payment thereof in full by the District, payable to the Insurer at the Late Payment Rate per annum (collectively, "BAM Reimbursement Amounts") compounded semi-annually. The District covenants and agrees that the BAM Reimbursement Amounts are secured by a lien on and pledge of the Net Taxes and payable from such Net Taxes on a parity with debt service due on the 2013 Bonds.

Payments Under the Reserve Policy

(a) The District shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Insurer at the Late Payment Rate. Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

(b) Draws under the Reserve Policy may only be used to make payments on the 2013 Bonds.

(c) If the District shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Fiscal Agent Agreement other than (i) acceleration of the maturity of the 2013 Bonds, or (ii) remedies which would adversely affect Owners of the 2013 Bonds.

(d) The Fiscal Agent Agreement shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The District's obligation to pay such amount shall expressly survive payment in full of the 2013 Bonds.

(e) The Fiscal Agent shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph (a) hereof and provide notice to the Insurer at least three (3) business days prior to each date upon which interest or principal is due on the 2013 Bonds.

(f) The Reserve Policy shall expire on the earlier of the date the 2013 Bonds are no longer Outstanding or the final maturity date of the 2013 Bonds.

Mandatory Sinking Fund Redemption of 2013 Bonds

The 2013 Bonds are subject to mandatory sinking fund redemption in accordance with the terms of the Fiscal Agent Agreement. (See "THE REFUNDING BONDS – Redemption Provisions").

Covenants

So long as any of the Bonds issued pursuant to the Fiscal Agent Agreement are Outstanding and unpaid, the District makes the following covenants with the Owners under the provisions of the Act and the Fiscal Agent Agreement and any Supplement (to be performed by the District or its proper officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Bonds; provided, however, that said covenants do not require the District to expend any funds or monies other than the Net Taxes or any monies deposited in the funds and accounts created under the Fiscal Agent Agreement and legally available therefor.

Covenant 1. Punctual Payment. The District will duly and punctually pay, or cause to be paid, the principal of and interest on every Bond issued hereunder, together with the premium thereon, if any be payable, on the date, at the place and in the manner mentioned in the Bonds and in accordance with the Fiscal Agent Agreement and any Supplement to the extent Net Taxes are available therefor, and that the payments into the Bond Fund and the Reserve Fund will be made, all in strict conformity with the terms of the Bonds and the Fiscal Agent Agreement, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and any Supplement and of the Bonds issued

hereunder, and that time of such payment and performance is of the essence of the District's contract with the Bondowners.

Covenant 2. Levy and Collection of Special Taxes. Subject to the maximum Special Tax rates, the District will comply with all requirements of the Act so as to assure the timely collection of the Special Taxes, including without limitation, the enforcement of delinquent Special Taxes. The District shall fix and levy the amount of Special Taxes within CFD No. 92-1 required for the payment of principal of and interest on Outstanding Bonds becoming due and payable during the ensuing year including any necessary replenishment or expenditure of the Reserve Fund for the Bonds, an amount equal to the Administrative Expense Requirement and any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes.

On or before each June 1, commencing June 1, 2014, the Fiscal Agent shall provide a written notice to the District stating the amounts then on deposit in the various funds and accounts established by the Fiscal Agent Agreement. The receipt of such notice by the District shall in no way affect the obligations of the District under the following paragraphs. Upon receipt of a copy of such notice, the District shall communicate with the Orange County Assessor or other appropriate official of the County of Orange to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The District shall retain an Independent Financial Consultant to assist in the levy of the Special Taxes each Fiscal Year, commencing Fiscal Year 2013-2014, in accordance with the Ordinance, such that the computation of the levy is complete before the final date on which the Orange County Auditor-Controller will accept the transmission of the Special Tax amounts for the parcels within CFD No. 92-1 for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, and approval by the Legislative Body, the District shall prepare or cause to be prepared, and shall transmit to the Orange County Auditor-Controller, such data as the Orange County Auditor-Controller requires to include the levy of the Special Taxes on the next secured tax roll.

The Special Taxes shall be payable and collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property; provided, the Legislative Body may provide for direct collection of the Special Taxes in certain circumstances.

The fees and expenses of the Independent Financial Consultant retained by the District to assist in computing the levy of the Special Taxes hereunder, as well as the costs and expenses of the District (including a charge for District staff time) in conducting its duties hereunder, shall be an Administrative Expense hereunder.

Covenant 3. Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds that it (i) will commence judicial foreclosure proceedings

against parcels with delinquent Special Taxes in excess of \$25,000 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 or the amount on deposit in the Reserve Fund is at less than its required balance, and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing and provided that the County of Orange is then including the District in the County's "Teeter Plan" method of apportionment and distribution of community facilities district special taxes, the District may elect to defer foreclosure proceedings on any parcel which is owned by a delinquent property owner whose property is not, in the aggregate, delinquent in the payment of Special Taxes in excess of \$25,000 so long as (1) the amount in the Reserve Fund is at least equal to the Reserve Requirement, and (2) with respect to the Bonds, the District is not in default in the payment of the principal of or interest on the Bonds. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Fund at the Reserve Requirement or to avoid a default in payment on the Bonds.

The District covenants that it will deposit the net proceeds of any foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses, up to the Administrative Expense Requirement, to make current payments of principal and interest on the Bonds, to bring the amount on deposit in the Reserve Fund up to the Reserve Requirement, and to pay any delinquent installments of principal or interest due on the Bonds.

Covenant 4. Against Encumbrances. The District will not encumber, pledge or place any charge or lien upon any of the Net Taxes or other amounts pledged to the Bonds superior to, or on a parity with, the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

Covenant 5. Modification of Maximum Authorized Special Tax. The District covenants that no modification of the maximum authorized Special Taxes in CFD No. 92-1 shall be approved by the District unless it is confirmed in writing, by an Independent Financial Consultant, that, immediately subsequent to such modifications the amount of the maximum Special Taxes on Developed Property (as defined in the Rate and Method), pursuant to the Act and the applicable resolutions and ordinances of the District is at least 1.10 times Maximum Annual Debt Service plus Administrative Expenses on all Outstanding Bonds.

The District further covenants that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIIC of the California Constitution, which purports to reduce or otherwise alter the maximum authorized Special Taxes, it will, to the extent of available District funds therefore, commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding paragraph.

Covenant 6. Protection of Security and Rights of Owners. The District will preserve and protect the security of the District and the rights of the Owners, and will warrant

and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District.

Covenant 7. Reserved.

Covenant 8. Books and Accounts. The District will keep, or cause to be kept, proper books of records and accounts, separate from all other records and accounts of the Bonds, in which complete and correct entries shall be made of all transactions relating to the Bonds, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent (who shall have no duty to inspect) or of the Owners of not less than 10% of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

Covenant 9. Tax Covenant. The District hereby covenants and represents that until the last Bonds shall have been fully paid or redeemed, the District will comply with all requirements of the Tax Certificate, the Code and all applicable Regulations, such that the interest on the Bonds will remain excluded from gross income for federal income tax purposes.

Covenant 10. Additional Tax Covenants. The District hereby covenants, without limiting the generality of Covenant 9, that:

(a) the District will make no use of the proceeds of the Bonds or the School Facilities or other public facilities refinanced with the proceeds of the Bonds, which at any time will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Regulations;

(b) the District will ensure that the payment of principal and interest on the Bonds shall not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) and no portion of the monies contained in any of the funds or accounts created herein shall be (i) used in making loans guaranteed by the United States (or any agency or instrumentality thereof); (ii) invested directly or indirectly in deposits or accounts insured by the Federal Deposit Insurance Corporation, National Credit Union Administration or any other similar federally chartered corporation; (iii) otherwise invested directly or indirectly in obligations guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); except (a) investment of amounts held in the Reserve Fund, or other reserve funds satisfying Section 148(d) of the Code; (b) investment of amounts held in the Special Tax Fund, Bond Fund and other bona fide debt service funds; (c) for investments in obligations issued by the United States Treasury; (d) for investments in obligations guaranteed by the Federal National Mortgage Association, Government National Mortgage Association or Federal Home Loan Mortgage Corporation; or, (e) investments permitted under Regulations issued pursuant to Section 149(b)(3)(B) of the Code;

(c) the District will ensure that no portion of the monies contained in any of the funds or accounts created herein, or any of the School Facilities or other public facilities funded from proceeds of the Prior Bonds, shall be used so as to cause any of the Bonds to meet

the “private activity bond” tests of Section 141 of the Code and any Regulations issued thereunder;

(d) the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and the applicable Regulations and the Fiscal Agent Agreement (including, but not limited to, the Fiscal Agent Agreement) and any further documents executed in connection with the Bonds. This covenant shall survive payment in full or defeasance of the Bonds. The District specifically covenants to pay or cause to be paid to the United States at the times and in the amounts determined above the amounts required to be so paid by the Fiscal Agent Agreement and further documents executed in connection with the Bonds, the Code and the Regulations;

(e) the District (i) shall neither invest Gross Proceeds nor cause Gross Proceeds to be invested in Nonpurpose Investments if the Yield on such Nonpurpose Investments would be less than the Yield that would have resulted in an arm’s length transaction; (ii) will not sell or otherwise dispose of or cause to be sold or otherwise disposed of Nonpurpose Investments if such sale or disposition would result in a smaller profit or larger loss than would have resulted from a sale at fair market value arrived at in an arm’s length transaction; and (iii) shall keep a detailed accounting of all transactions contemplated under the Fiscal Agent Agreement or in any way relating to the receipt or disbursement of any of the Gross Proceeds of the Bonds for a period of six years after the later of the date of payment of all Excess Investment Earnings to the United States or the date the District disburses the last of the Gross Proceeds of the Bonds; and

(f) notwithstanding any provision of the Fiscal Agent Agreement, if the District shall provide to the Fiscal Agent an opinion of Bond Counsel that any specified action required under the Fiscal Agent Agreement is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, the Fiscal Agent may conclusively rely on such opinion in complying with the requirements of the Fiscal Agent Agreement, and the covenants hereunder shall be deemed to be modified to that extent notwithstanding the provisions of Article VI hereof.

Covenant 11. Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the obligations and covenants under the Fiscal Agent Agreement and any Supplement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Fiscal Agent Agreement and in any Supplement.

Covenant 12. Additional Opinion(s). The District will not make any change in requirements or procedures or take any action, as to which change or action the Fiscal Agent Agreement or related documents require an opinion of Bond Counsel, unless it obtains an opinion of Bond Counsel to the effect that (a) interest on the Bonds was excluded from gross income for federal income tax purposes from their date of issuance until the date of such change, assuming compliance with the covenants in the Fiscal Agent Agreement as they were in effect prior to the change (except that such opinion need not be given as to any interest for which a

similar opinion has previously been given and remains in effect subsequent to such change), and (b) assuming continued compliance by the District with the covenants as changed, interest on the Bonds is excluded from gross income for purposes of federal income taxation.

Covenant 13. Tender of Bonds. The District will not, in collecting the Special Taxes or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53356.1 and 53356.5 of the California Government Code in any manner which would be inconsistent with the interests of the Owners and, in particular, will not permit the tender of Bonds in full or partial payment of Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

Covenant 14. [Reserved.]

Covenant 15. Annual Reports.

(a) Annual Reports to the California Debt and Investment Advisory Commission. Not later than October 30 of each year, commencing October 30, 2013, and until the October 30 following the final maturity of the Bonds, the District shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to Section 53359.5(b) of the Act. Such information shall be made available to any Owner upon written request to the District accompanied by a fee determined by the District to pay the costs of the District in connection therewith. The District shall in no event be liable to any Owner or any other person or entity in connection with any error in any such information.

(b) If at any time the Fiscal Agent fails to pay principal or interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal or interest on the Bonds, the Fiscal Agent shall notify the District in writing of such failure or withdrawal, and the District shall notify the California Debt and Investment Advisory Commission of such failure or withdrawal within 10 days of the failure to make such payment or the date of such withdrawal.

(c) The reporting requirements of this Covenant 15 shall be amended from time to time, without action by the District or the Fiscal Agent to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act. The District shall provide the Fiscal Agent with a copy of any such amendment. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the District's obligations under any continuing disclosure documentation relating to the Bonds.

(d) None of the District, its officers, agents, employees or Authorized Representatives, or the Fiscal Agent, shall be liable to any person or party for any inadvertent error in reporting the information contained in this Covenant 15.

Continuing Disclosure Covenant. The District hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate.

Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the District to comply with its obligations under the Continuing Disclosure Certificate shall not be considered an event of default under the Fiscal Agent Agreement, and the sole remedy, in the event of any failure of the District to comply with the Continuing Disclosure Certificate, shall be an action to compel performance thereof. The Fiscal Agent shall, at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds and upon receipt of reasonable indemnification acceptable to it, or any Bondowner 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 District to comply with its obligations under the Continuing Disclosure Covenant. For purposes of the Continuing Disclosure Covenant, "Beneficial Owners" means 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 tax purposes.

Amendment to Fiscal Agent Agreement

The District may from time to time, and at any time, without notice to or consent of any of the Owners, and so long as the Policy is in full force and effect and the Insurer has not defaulted on its obligations thereunder, adopt Supplements for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provision of the Fiscal Agent Agreement which may be inconsistent with any other provision in the Fiscal Agent Agreement, or to make any other provision with respect to matters or questions arising under the Fiscal Agent Agreement, or in any Supplement, provided that such action shall not have a material adverse effect on the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Fiscal Agent Agreement which are not contrary to or inconsistent with the Fiscal Agent Agreement as theretofore in effect; and

(c) to modify, alter, amend or supplement the Fiscal Agent Agreement in any other respect which is not materially adverse to the Bondowners including, but not limited to, providing for the rating or insuring of the Bonds.

Exclusive of amendments supplemental to the Fiscal Agent Agreement described above, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, and so long as the Policy is in full force and effect and the Insurer has not defaulted on its obligations thereunder the Insurer shall have the right to consent to and approve the adoption by the District of such amendments or orders supplemental to the Fiscal Agent Agreement 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 Fiscal Agent Agreement; provided, however, that nothing in the Fiscal Agent Agreement shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any Bonds, (b) a reduction in the principal amount of, or redemption premium on, any Bonds or the rate of interest thereon, (c) a preference or priority of

any Bonds over any other Bonds, or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplement, without, in the case of (a) or (b), the consent of the affected Owner, or, in the case of (c) or (d), the consent of the Owners of all Bonds then Outstanding.

Fiscal Agent

The Fiscal Agent is appointed and takes authorized actions under the terms of the Fiscal Agent Agreement. The initial Fiscal Agent may be removed or replaced by the District upon 30 days' prior written notice (except during the continuance of an event of default, as further discussed below) or may, upon 60 days' prior written notice, resign in favor of a successor Fiscal Agent, subject to certain consents and approvals of the Insurer. The Fiscal Agent Agreement provides for certain minimum qualifications of the Fiscal Agent and provides for notice and procedures in the event a successor Fiscal Agent is required or appointed.

The duties of the Fiscal Agent are specified within the Fiscal Agent Agreement and include mailing interest payments to the Owners, selecting Bonds for redemption pursuant to the terms of the Fiscal Agent Agreement, giving notice of redemption and meetings of the Owners, maintaining the Bond Register and maintaining and administering the funds and accounts established pursuant to the Fiscal Agent Agreement. The Fiscal Agent also performs all other acts authorized or directed of the Fiscal Agent pursuant to the terms of the Fiscal Agent Agreement.

The Fiscal Agent Agreement provides that the recitals of fact and all promises, covenants and agreements contained therein and in the Bonds are to 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 Fiscal Agent Agreement or the Bonds. The Fiscal Agent Agreement provides for certain protections from liability of the Fiscal Agent except for its own negligence or willful misconduct, as further specified in the Fiscal Agent Agreement.

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 on any Bond when and as the same shall become due and payable, at maturity as therein expressed;

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

(c) default by the District in the observance of any of the other agreements, conditions or covenants on its part in the Fiscal Agent Agreement or in the Bonds, and the continuation of such default for a period of 30 days after the District shall have been given notice in writing of such default by the Fiscal Agent, provided that if within 30 days the District has

commenced curing of the default and diligently pursues elimination thereof, such period shall be extended to permit such default to be eliminated; provided that, any noncompliance with the terms of the Continuing Disclosure Covenant under the Fiscal Agent Agreement (and set forth above) shall not be an event of default under the terms of the Fiscal Agent Agreement.

Remedies of Owners. Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) by mandamus or other suit or proceeding at law or in equity to enforce his or her 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 Fiscal Agent Agreement;

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

(c) upon the happening of an event of default (as defined in the Fiscal Agent Agreement), by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in the Fiscal Agent Agreement, or in the Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as provided in the Fiscal Agent Agreement, out of the Net Taxes pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Fiscal Agent Agreement.

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

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy in the Fiscal Agent Agreement conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to the Fiscal Agent Agreement or now or

hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Insurer's Rights in Event of Default. Notwithstanding anything in the Fiscal Agent Agreement, so long as the Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, upon the occurrence and continuance of an "event of default," the Insurer shall be deemed to be the sole Owner of the 2013 Bonds for all purposes of the Fiscal Agent Agreement, including but not limited to exercising remedies and approving amendments, and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the 2013 Bonds or the Fiscal Agent Agreement for the benefit of the Owners of the 2013 Bonds, and the Fiscal Agent may not waive any "event of default" with respect to the 2013 Bonds without the Insurer's written consent.

Application of Net Taxes After Default. If an Event of Default shall occur and be continuing, all Net Taxes and any other funds thereafter received by the Fiscal Agent under any of the provisions of the Fiscal Agent Agreement shall be applied by the Fiscal Agent as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Fiscal Agent to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Fiscal Agent Agreement;

(b) to the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Fiscal Agent Agreement, as follows:

First: To the payment to the Owners entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Owners entitled thereto, without any discrimination or preference; and

Second: To the payment to the Owners entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Owners entitled thereto, without any discrimination or preference.

(c) to the extent not included in clause (b) above, to the payment of all amounts then due under the Fiscal Agent Agreement to the Insurer.

Any remaining funds shall be transferred by the Fiscal Agent to the Special Tax Fund.

Limitation on Bondowners' Right to Sue. Except as expressly provided for in the Fiscal Agent Agreement, no Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Fiscal Agent Agreement, the Act or any other applicable law with respect to such Bonds, unless (a) such Owner shall have 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 the Bonds then Outstanding shall have made written request upon the Fiscal Agent to exercise the powers granted in the Fiscal Agent Agreement or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Fiscal Agent indemnity 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 60 days after such written request shall have been received by, and such tender of indemnity shall have been made to, the Fiscal Agent.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Fiscal Agent Agreement or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Fiscal Agent Agreement or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Fiscal Agent Agreement, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Fiscal Agent Agreement, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Fiscal Agent Agreement and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Fiscal Agent Agreement.

Defeasance

Any Outstanding Bond(s) shall be deemed to have been paid within the meaning expressed in the Fiscal Agent Agreement if such Bond is paid in any one or more of the following ways:

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

(b) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in trust, at or before maturity, monies which, together with the amounts then on deposit in the Special Tax Fund, the Bond Fund the Redemption Fund and the Reserve Fund and available for such purpose, is fully sufficient to pay the principal of and interest on such Bond as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent, or a designated bank or trust company as escrow holder, in trust, Federal Securities in such amount as certified by a nationally recognized certified public accountant which will, together with the interest to accrue thereon and monies

then on deposit in the Special Tax Fund, the Bond Fund, the Redemption Fund and the Reserve Fund available for such purpose, together with the interest to accrue thereon, be fully sufficient to pay and discharge the principal of and interest and any premium on such Bond as and when the same shall become due and payable;

then, notwithstanding that any such Bond shall not have been surrendered for payment, all obligations of the District under the Fiscal Agent Agreement, and any Supplement, with respect to such Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bonds not so surrendered and paid, all sums due thereon and except for the covenants of the District contained and identified in the Fiscal Agent Agreement.

Miscellaneous

Unclaimed Monies. Anything in the Fiscal Agent Agreement to the contrary notwithstanding, to the extent permitted by law and subject to the applicable escheat laws of the State, any money held by the Fiscal Agent in trust for the payment and discharge of any of the Bonds which remains unclaimed for two years after the date when such Bonds have become due and payable, if such money was held by the Fiscal Agent at such date, or for two years after the date of deposit of such money if deposited with the Fiscal Agent after the date when such monies become due and payable, shall be repaid by the Fiscal Agent to the District, as its absolute property and free from trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners shall look thereafter only to the District for the payment of such Bonds. The Fiscal Agent shall give notice to the District of the amount of any unclaimed monies that are available for transfer to the District. However, before being required to make any such payment to the District, the Fiscal Agent shall, at the expense of the District, cause to be mailed to the registered owners of such Bonds, at their addresses as they appear on the Bond Register, a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Insurer's Rights; Insurer as Third Party Beneficiary

The Fiscal Agent Agreement provides for certain rights of the Insurer in an “event of default,” or certain other events (as set out in the Fiscal Agent Agreement and in certain cases provided that the Insurer is not then in default in its payment and/or other obligations under the Policy) relating to the Policy. These rights as set forth in the Fiscal Agent Agreement include, but are not limited to the right of the Insurer to receive various notices, certificates and documents, to control certain remedies in certain circumstances, to be required to give prior written consent in certain instances, and the right to seek reimbursement(s) of amounts paid under the Policy. The Insurer is recognized and shall be deemed to be an Owner entitled to all notices provided to the Owners and shall be deemed to be a third party beneficiary of the Fiscal Agent Agreement and the 2013 Bonds, and the Insurer may enforce any right, remedy or claim conferred, given or granted under the Fiscal Agent Agreement as if it were a party to the Fiscal Agent Agreement.

If an Insurer Default (defined below) shall occur and be continuing, then, notwithstanding anything in the Fiscal Agent Agreement to the contrary, (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Policy, to the extent of such payment the Insurer shall be treated like any other holder of the 2013 Bonds for all purposes, including giving of consents, and (2) if the Insurer has not made any payment under the Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph (f), "Insurer Default" means: (A) the Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) the Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

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APPENDIX D

ORANGE COUNTY ECONOMIC PROFILE

ORANGE COUNTY ECONOMIC PROFILE

The boundaries of the District are within Orange County (the "County"). The information in this section concerning the County is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the Refunding Bonds are a debt of such entity. The Refunding Bonds are payable from the proceeds of the Special Tax and amounts in certain funds and accounts held under the Fiscal Agent Agreement. See "SECURITY AND SOURCE OF PAYMENT" herein.

The County is one of 58 counties in the State and is located in the southwestern corner of the State.

Based on data compiled by DataQuick Information Systems, the median sale price of a single-family home in the County was \$537,000 in April 2013, an increase of approximately 27.9% from \$420,000 in April 2012. The median sale price of a single-family home in the City of San Clemente was \$735,250 in April 2013, an increase of approximately 12.8% from \$651,750 in April 2012.

Population

The following table displays population data from the 2010 census along with estimated population as of January 1 for the past three years for the County.

Historical Population Orange County

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Orange County	3,010,232	3,028,846	3,057,879	3,081,804

Source: State Department of Finance

Unemployment

The following table contains a summary of the County's unemployment data seasonally unadjusted.

Historical Unemployment Orange County

	<u>Annual 2009</u>	<u>Annual 2010</u>	<u>Annual 2011</u>	<u>Annual 2012</u>	<u>April 2013¹</u>
Total Labor Force	1,588,800	1,591,000	1,603,700	1,618,700	1,630,800
# Employed	1,448,200	1,440,400	1,464,400	1,496,000	1,538,300
# Unemployed	140,600	150,700	139,300	122,700	92,500
Unemployment Rate	8.8%	9.5%	8.7%	7.6%	5.7%

¹Preliminary

Source: State Employment Development Department

Major Employers

The following table provides a listing of 25 major employers in the County, listed by number of employees.

Major Employers Orange County

<u>Rank</u>	<u>Company</u>	<u>Employees in County</u>	<u>Operations in the County</u>
1	Walt Disney Co.	22,000	Disneyland Park, Disney California Adventure Park
2	University of California, Irvine	21,291	University California, Irvine, UCI Medical Center
3	St. Joseph Health System	12,048	St. Joseph Health System Headquarters, St. Joseph Hospital
4	Boeing Co.	7,700	Boeing Defense, Space and Security
5	Bank of America Corp.	6,300	Bank of America credit card servicing center, bank branches
5	Yum Brands Inc.	6,300	Taco Bell headquarters; Taco Bell, KFC, Pizza Hut
7	Kaiser Permanente	5,968	Kaiser Permanente hospitals, medical offices, regional offices
8	Target Corp.	5,527	Target stores, distribution center
9	Cedar Fair LP	5,200	Knott's Berry Farm, Knott's Soak City Water Park
10	California State University, Fullerton	5,173	California State University, Fullerton
11	MemorialCare Health System	5,096	MemorialCare Health System headquarters
12	Supervalu Inc.	5,008	Albertsons, Sav-on Pharmacy, distribution centers
13	Hoag Memorial Hospital Presbyterian	4,923	Hoag Memorial Hospital Presbyterian, Hoag Hospital Irvine
14	Wells Fargo & Co.	4,414	Wells Fargo banks, regional offices
15	Kroger Co.	4,200	Ralphs, Food 4 Less
16	Wal-Mart Stores Inc.	4,000	Wal-Mart, Sam's Club stores
17	UnitedHealth Group Inc.	3,800	PacifiCare, UnitedHealthcare
18	Marriot International Inc.	3,720	Marriott Hotels & Resorts, Ritz-Carlton
19	Allergan Inc.	3,700	Corporate headquarters, R&D
19	Edison International	3,700	Southern California Edison, Edison Mission Energy
21	Tenet Healthcare Corp.	3,650	Fountain Valley Regional Hospital, Garden Grove Hospital
22	Costco Wholesale Corp.	3,637	Costco stores
23	CVS Caremark Corp.	3,600	CVS Pharmacy stores
24	AT&T Inc.	3,500	AT&T, AT&T Wireless
25	Home Depot Inc.	3,500	Home Depot stores, regional offices

Source: 2012 Orange County Business Journal.

Taxable Sales

Total taxable sales reported during the calendar year 2011 in the County were approximately \$51,731,139 an 8.5% increase from the total taxable sales of approximately \$47,667,179,000 reported during calendar year 2010. Data for calendar year 2012 is not yet available.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table, rounded to the nearest thousand.

Taxable Retail Sales Orange County

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Sales Tax Permits	99,088	97,612	90,231	92,047	92,207
Taxable Sales (000's)	\$57,293,471	\$53,606,829	\$45,712,784	\$47,667,179	\$51,731,139

Source: State Board of Equalization

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate"), dated as of July 1, 2013, is by and between David Taussig & Associates, Inc., as dissemination agent (the "Dissemination Agent"), and the Community Facilities District No. 92-1 of the Capistrano Unified School District (the "District").

RECITALS:

WHEREAS, the District has issued its Community Facilities District No. 92-1 of the Capistrano Unified School District Series 2013 Special Tax Refunding Bonds (the "Bonds") in the initial principal amount of \$_____; and

WHEREAS, the Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of July 1, 2013 (the "Fiscal Agent Agreement"), by and between U.S. Bank National Association, as fiscal agent (the "Fiscal Agent") and the District; and

WHEREAS, this Disclosure Certificate is being executed and delivered by the District and the Dissemination Agent for the benefit of the owners and beneficial owners of the Bonds and in order to assist the underwriter of the Bonds in complying with United States Securities and Exchange Commission Rule 15c2-12(b)(5).

AGREEMENT:

NOW, THEREFORE, for and in consideration of the premises and mutual covenants herein contained, and for other consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. In addition to the definitions of capitalized terms set forth in Section 1.02 of the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section or in the Recitals above, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"Annual Report" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including persons holding any Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

"Disclosure Representative" means the Deputy Superintendent, Business and Support Services of the School District, or such person's designee, or such other officer or employee as the District shall designate as the Disclosure Representative hereunder in writing to the Dissemination Agent from time to time.

"Dissemination Agent" means David Taussig & Associates, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the School District a written acceptance of such designation.

“EMMA” or “*Electronic Municipal Market Access*” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

“*Listed Events*” means any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the Official Statement, dated July __, 2013, relating to the Bonds.

“*Participating Underwriter*” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means 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.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District and the Dissemination Agent for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the School District’s fiscal year (which currently ends on June 30), commencing with the report for the 2012-2013 Fiscal Year, which is due not later than March 30, 2014, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School District 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.

(b) *Change of Fiscal Year.* If the School District’s fiscal year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than six months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b) of this Section 3 for providing the Annual Report to EMMA), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance.* If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the School District for the most recently completed fiscal year, prepared in accordance generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, together with the following statement:

THE ANNUAL FINANCIAL STATEMENT OF THE CAPISTRANO UNIFIED SCHOOL DISTRICT ARE PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. NO FUNDS OR ASSETS OF THE CAPISTRANO UNIFIED SCHOOL DISTRICT ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CAPISTRANO UNIFIED SCHOOL DISTRICT IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

If the School District's 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 (if available), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the School District, the Annual Report shall also include the following information:

(i) The most recent annual information required to be provided to the California Debt and Investment Advisory Commission pursuant to Covenant 15(a) of Section 5.02 of the Fiscal Agent Agreement, which shall include, in any event, the principal amount of the Bonds outstanding and the balance in each fund under the Fiscal Agent Agreement as of the immediately preceding June 30.

(ii) Any amendments or changes to the Rate and Method since the last Annual Report.

(iii) An update of the Tables entitled "Projected Debt Service Coverage Ratios" and "Value-to-Debt Burden of Special Tax Bonds Distribution" in the Official Statement for the Bonds based on the assessed values of property within the District and the Special Tax levy, in each case for the most recent Fiscal Year for which such information is available.

(iv) Concerning delinquent parcels:

- the number of parcels delinquent in payment of Special Tax,
- the amount of total delinquency and as a percentage of total Special Tax levy, and
- the status of the District's actions on covenants to pursue foreclosure proceedings upon delinquent properties.

(v) Any change in the application of Orange County's Teeter Plan to the Special Taxes levied in the District since the last Annual Report.

(c) *Cross References.* 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 School District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Events.

(a) *Listed Events.* The District shall, or shall cause the Dissemination Agent (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (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) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), 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) *Material Events*. The District 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) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) 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.
- (6) Appointment of a successor or additional fiscal agent or trustee, or the change of name of a fiscal agent or trustee.

(c) *Time to Disclose*. The District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Fiscal Agent Agreement.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the 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 District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be David Taussig & Associates, Inc.

If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the School District or the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the District for its services provided hereunder as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the School District, the owners of the Bonds or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District and the School District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District and the School District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), 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) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a 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.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Bond owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bond owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bond owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following 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 District. In addition, if the amendment relates 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(c), 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 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bond owner or Beneficial Owner, or the Fiscal Agent or the Participating Underwriter, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders 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 Certificate 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.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Certificate as of the date first above written.

COMMUNITY FACILITIES DISTRICT NO.
92-1 OF THE CAPISTRANO UNIFIED
SCHOOL DISTRICT

By: _____

Its: _____

DAVID TAUSSIG & ASSOCIATES, INC., as
Dissemination Agent

By: _____

Its: _____

_____:J12232

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Community Facilities District No. 92-1 of the Capistrano Unified School District

Name of Bond Issue: Community Facilities District No. 92-1 of the Capistrano Unified School District Series 2013 Special Tax Refunding Bonds

Date of Issuance: _____, 2013

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated as of July 1, 2013, between the Obligor and David Taussig & Associates, Inc., as dissemination agent, and Section 5.03 of the Fiscal Agent Agreement, dated as of July 1, 2013, between the Obligor and U.S. Bank National Association, as fiscal agent. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

DAVID TAUSSIG & ASSOCIATES, INC., as
Dissemination Agent on behalf of the
Community Facilities District No. 92-1 of
the Capistrano Unified School District

By: _____

Its: _____

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the Capistrano Unified School District, expects to render their final approving opinion with respect to the Bonds in substantially the following form:

Board of Trustees
Capistrano Unified School District
33122 Valle Road
San Juan Capistrano, CA 92675

Re: \$_____ Community Facilities District No. 92-1 of the
 Capistrano Unified School District
 Series 2013 Special Tax Refunding Bonds
 Final Opinion of Bond Counsel

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by Community Facilities District No. 92-1 of the Capistrano Unified School District ("District") of \$_____ aggregate principal amount of bonds designated "Community Facilities District No. 92-1 of the Capistrano Unified School District Series 2013 Special Tax Refunding Bonds" ("Bonds"). The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), Resolution No. 1213-53 adopted by the Board of Trustees of the Capistrano Unified School District ("School District") acting in its capacity as the Legislative Body of the District on June 26, 2013, and the Fiscal Agent Agreement executed in connection therewith dated as of July 1, 2013, by and between the District and U.S. Bank National Association ("Fiscal Agent Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Fiscal Agent Agreement.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the formation of the District and the issuance of the Bonds ("District Proceedings"). We have also examined certificates and representations of fact made by public officials and officers of the District and the School District, the Underwriter and others as we have deemed necessary to render this opinion.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the District or the School District other than the record of the District Proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof which has been or may be supplied to

any purchaser of the Bonds. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any matters that come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with the issuance thereof and we disclaim any obligation to update this letter.

As to questions of fact material to our opinion, we have relied upon the representations of fact and certifications referred to above, and we have not undertaken by independent investigation to verify the authenticity or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Fiscal Agent Agreement, the Tax Certificate and other documents related to the District Proceedings, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

In addition, we call attention to the fact that the rights and obligations under the Bonds, the Fiscal Agent Agreement and the Tax Certificate and other documents related to the District Proceedings are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to creditors' rights and remedies, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California ("State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

The Fiscal Agent Agreement, the Tax Certificate and other documents related to the District Proceedings refer to certain requirements and procedures which may be changed and certain actions which may be taken or omitted under the circumstances and subject to terms and conditions set forth in such documents. No opinion is expressed herein as to the effect on any Bond or the interest thereon if any such change is made, or action is taken or omitted, upon the advice or approval of counsel other than ourselves.

Based on and subject to the foregoing, and in reliance thereon, and our consideration of such questions of law as we have deemed relevant to the circumstances, we are of the following opinions:

1. The District has, and the District Proceedings show, full power and authority to issue the Bonds. The Bonds constitute legal, valid and binding obligations of the District, payable in accordance with their terms. The Bonds are limited obligations of the District payable solely from and secured by a pledge of the Net Taxes, and from other funds and accounts pursuant to the Fiscal Agent Agreement, and are not obligations of the School District, the State or any public agency thereof (other than the District). The District has the full right, power and authority to levy and pledge the Net Taxes to the Owners of the Bonds.

2. The Fiscal Agent Agreement has been duly and validly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the District.

3. Interest on the Bonds (including any original issue discount properly allocable to the owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum taxes imposed on individuals and corporations, although it should be noted that, with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations. We express no opinion regarding other tax consequences related to the Bonds or to the accrual or receipt of the interest on the Bonds.

We express no opinion as to any matter other than as expressly set forth above.

Very truly yours,

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY
AND SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal amount
of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. This Policy is being issued under and pursuant to, and shall be construed under and governed by, the laws of the State of New York, without regard to conflict of law provisions. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By _____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-235-5214 (attention: Claims)

SPECIMEN



CALIFORNIA

ENDORSEMENT TO

**MUNICIPAL BOND
INSURANCE POLICY**

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Insurance Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

IN WITNESS WHEREOF, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By _____
Authorized Officer

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MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

Effective Date: _____

BONDS: \$ _____ in aggregate principal
amount of [NAME OF
TRANSACTION] [and maturing
on]

Premium: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above under the Security Documents (as defined in the Debt Service Reserve Agreement), 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.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon such payment, BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Debt Service Reserve Agreement and, as and to the extent secured thereunder, the Security Documents.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such

payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. If the amount payable under this Policy is also payable under another BAM issued policy insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance 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 (as hereinafter defined) are authorized or required by law or executive order to remain closed. “**Debt Service Reserve Agreement**” means the Debt Service Reserve Fund Agreement, dated as of the effective date hereof, in respect of this Policy, as the same may be amended or supplemented from time to time. “**Due for Payment**” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “**Nonpayment**” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “**Notice**” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “**Owner**” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. “**Policy Limit**” means the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Security Documents from time to time (the “Reserve Account Requirement”), but in no event shall the Policy Limit exceed \$_____. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Reserve Account Requirement, as provided in the Security Documents. “**Security Documents**” has the meaning defined in the

Debt Service Reserve Agreement. “**Term**” means the period from and including the Effective Date until the earlier of (i) the maturity date for the Bonds and (ii) the date on which the Bonds are no longer outstanding under the Security Documents .

BAM 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 BAM pursuant to this Policy shall be simultaneously delivered to the Insurer’s Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer’s Fiscal Agent on behalf of BAM. The Insurer’s Fiscal Agent is the agent of BAM only, and the Insurer’s Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer’s Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy is being issued under and pursuant to and shall be construed under and governed by the laws of the State of New York, without regard to conflict of law provisions.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE
COMPANY

By: _____
Authorized Officer

Schedule

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE][PAYING AGENT]
[INSERT ADDRESS]

Reference is made to the Municipal Bond Debt Service Reserve Insurance Policy, Policy No. _____ (the "Policy"), issued by Build America Mutual Assurance Company ("BAM"). The terms which are capitalized herein and not otherwise defined shall have the meanings specified in the Policy, or if not defined therein, in the Debt Service Reserve Agreement.

BAM hereby delivers notice that it is in receipt of payment from the [Issuer], or on its behalf, pursuant to the Debt Service Reserve Agreement and, as of the date hereof, the Policy Limit is \$ _____, subject to reduction as the Reserve Account Requirement for the Bonds is reduced in accordance with the terms set forth in the Security Documents.

BUILD AMERICA MUTUAL ASSURANCE
COMPANY

By: _____
Name: _____
Title: _____

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1228 N Street, Suite 13
Sacramento, CA 95814
(916) 444-5100

