

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2018

NEW ISSUE—BOOK-ENTRY-ONLY

NO RATING

In the opinion of Best Best & Krieger, LLP San Diego, California (“Bond Counsel”), subject to certain qualifications described in this Official Statement, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income tax. See “TAX MATTERS” herein.

\$13,200,000*

CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
IMPROVEMENT AREA NO. 1
2018 SPECIAL TAX BONDS

Dated: Delivery Date

Due: September 1, as shown on the inside cover page

This Official Statement describes bonds that are being issued by Community Facilities District No. 16-I (Millenia) (the “District”) with respect to Improvement Area No. 1 therein (“Improvement Area No. 1”). The City of Chula Vista Community Facilities District No. 16-I (Millenia) Improvement Area No. 1 2018 Special Tax Bonds (the “Bonds”) are being issued by the District to (a) pay the costs of forming the District; (b) pay the cost and expense of acquisition and construction of certain public facilities required in connection with the development of the District; (c) fund capitalized interest on a portion of the Bonds through September 1, 2019; (d) fund a Reserve Fund securing the Bonds; (e) pay costs of issuance of the Bonds; and (f) make an initial deposit to the Administrative Expense Fund.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California), and pursuant to Resolution No. _____ adopted by the City Council of the City of Chula Vista (the “City”), acting as the legislative body of the District and a Bond Indenture, dated as of June 1, 2018 (the “Indenture”), by and between the District and U.S. Bank National Association, as Fiscal Agent (the “Fiscal Agent”).

The Bonds are limited obligations of the District and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on and collected from the owners of parcels within Improvement Area No. 1 subject to the Special Taxes and from certain other funds pledged under the Indenture, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified electors within Improvement Area No. 1. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes.” The City Council of the City is the legislative body of the District.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable semiannually on each March 1 and September 1, commencing September 1, 2018. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Principal of and interest on the Bonds will be paid by the Fiscal Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See “THE BONDS — General Provisions” and APPENDIX H — “BOOK-ENTRY ONLY SYSTEM” herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY OF CHULA VISTA, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES (AS DEFINED HEREIN), NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM SPECIAL TAXES TO BE LEVIED IN IMPROVEMENT AREA NO. 1 OF THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

The Bonds are subject to optional redemption, extraordinary redemption from prepaid Special Taxes, and mandatory sinking fund redemption prior to maturity as set forth herein. See “THE BONDS — Redemption” herein.

THE BONDS ARE NOT RATED BY ANY RATING AGENCY, AND INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS THAT ARE NOT APPROPRIATE FOR CERTAIN INVESTORS. CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE DISTRICT TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “SPECIAL RISK FACTORS” FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California is serving as Disclosure Counsel to the District with respect to the Bonds. Certain legal matters will be passed on for the City and the District by the Office of the City Attorney, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, as counsel to the Underwriter. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about June __, 2018.

[STIFEL LOGO]

Dated: May __, 2018

* Preliminary, subject to change.

\$13,200,000*
CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
IMPROVEMENT AREA NO. 1
2018 SPECIAL TAX BONDS

MATURITY SCHEDULE

Base CUSIP No.[†]: _____

Serial Bonds

<i>Maturity Date</i> <i>(September 1)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.[†]</i>
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Term Bonds

\$ _____ % Term Bonds due September 1, 2048, Yield: _____ % Price: _____ CUSIP No. [†] _____

^{*} Preliminary, subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City, the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. None of the City, the District or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF CHULA VISTA
STATE OF CALIFORNIA**

**CITY COUNCIL
Serving as the Legislative Body of
Community Facilities District No. 16-I (Millenia)**

Mary Casillas Salas, Mayor
John McCann (First District)
Patricia Aguilar (Second District)
Stephen Padilla (Third District)
Mike Diaz (Fourth District)

CITY OFFICIALS

Gary Halbert, City Manager
Maria Kachadoorian, Assistant City Manager
Glen Googins, City Attorney
Kerry K. Bigelow, MMC, City Clerk
David Bilby, Director of Finance/Treasurer

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San Diego, California

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Newport Beach, California

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates Inc.
Irvine, California

SPECIAL TAX CONSULTANT

Willdan Financial Services
Temecula, California

REAL ESTATE APPRAISER

Kitty Siino & Associates, Inc.
Tustin, California

MARKET ABSORPTION ANALYST

Meyers Research, LLC
Solana Beach, California

FISCAL AGENT

U.S. Bank National Association
Los Angeles, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City and the District. No dealer, broker, salesperson or other person has been authorized by the City, the District, the Fiscal Agent or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the District, the Fiscal Agent or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City or the District. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the City for further information. While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "IMPROVEMENT AREA NO. 1" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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\$13,200,000*
CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
IMPROVEMENT AREA NO. 1
2018 SPECIAL TAX BONDS

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by Community Facilities District No. 16-I (Millenia) (the “District”) of its Community Facilities District No. 16-I (Millenia) Improvement Area No. 1 2018 Special Tax Bonds (the “Bonds”) in the aggregate principal amount of \$13,200,000*. The proceeds of the Bonds will be used to (a) pay the costs of forming the District; (b) pay the cost and expense of acquisition and construction of certain public facilities required in connection with the development of the District; (c) fund capitalized interest on a portion of the Bonds through September 1, 2019; (d) fund a Reserve Fund securing the Bonds; (e) pay costs of issuance of the Bonds; and (f) make an initial deposit to the Administrative Expense Fund (as defined herein). See “ESTIMATED SOURCES AND USES OF FUNDS.”

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and pursuant to Resolution No. _____ adopted by the City Council of the City of Chula Vista (the “City Council”), acting as the legislative body of the District, on May 15, 2018 and a Bond Indenture dated as of June 1, 2018 (the “Indenture”), by and between the District and U.S. Bank National Association, as Fiscal Agent (the “Fiscal Agent”).

The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as defined herein) levied on parcels within Improvement Area No. 1 (as defined and further described below) of the District and all moneys in the funds and accounts (other than the Project Fund, the Rebate Fund and the Administrative Expense Fund) established under and as described in the Indenture. See “SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds are being issued and delivered pursuant to the provisions of the Act, Ordinance No. 2730 adopted by the City Council (the “CFD Ordinance”) and the Indenture. The Bonds are being sold to the Underwriter pursuant to a Bond Purchase Agreement between the Underwriter and the District. See “THE BONDS — General Provisions” and “UNDERWRITING” herein.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — DEFINITIONS” herein.

The District and Improvement Area No. 1

General. The District is located in the eastern portion of the City of Chula Vista (the “City”), approximately 8 miles southeast of the City of San Diego, within the master planned community known as “Otay Ranch.” The District consists of approximately 67 gross acres of which 42 acres are within Improvement Area No. 1 (“Improvement Area No. 1”) therein and 25 acres are within Improvement Area No. 2 (“Improvement Area No. 2”) therein. The District is a portion of a larger development within Otay Ranch known as “Millenia.” The Millenia project is located south of Birch Road, east of State Route 125, and west of Eastlake Parkway. The Millenia project covers approximately 230 gross acres and is planned for a mixed-use development consisting of

* Preliminary, subject to change.

both rental and for-sale residential units and a maximum of 3.4 million square feet of commercial uses, including a hotel, retail space and a business district of up to two million square feet of office space. The Millenia project is expected to be served by a number of parks and a civic core including library facilities, an elementary school and a City fire station. Existing developments within Millenia include apartments, attached and detached condominiums and a hotel, which is under construction. See “IMPROVEMENT AREA NO. 1 — General Description of Millenia, the District and Improvement Area No. 1” for a description of the completed and active developments within the Millenia community as a whole.

Improvement Area No. 1 of the District is made up of six separate project areas, four of which are planned for residential uses and two of which are planned for commercial uses. 393 residential units and over 1 million square feet of commercial development are planned within Improvement Area No. 1. Approximately 42 acres of property in Improvement Area No. 1 are expected to be subject to the Special Tax (as defined herein) at build-out.

SLF – IV Millenia LLC, a Delaware limited liability company (“SLF”), is the master developer within the District. SLF has contracted with Meridian Development (“Meridian”), a land development and homebuilding company, to manage the development of the property within Millenia, including the District. SLF and Meridian are not affiliated entities. Meridian does not own any property within Improvement Area No. 1. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Formation Proceedings. The District was formed and Improvement Area No. 1 and Improvement Area No. 2 were designated therein, by the City pursuant to the Act and the CFD Ordinance. The District constitutes a governmental entity separate and apart from the City.

The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district or any improvement area designated therein to repay such indebtedness. The City Council adopted the CFD Ordinance to make certain provisions applicable to the formation of a community facilities district in addition to those set forth in the Act.

Pursuant to the Act and the CFD Ordinance, on August 2, 2016, the City Council adopted Resolution No. 2016-154 (the “Resolution of Intention”), stating its intention to form the District, designate Improvement Area No. 1 and Improvement Area No. 2 therein, and to authorize the levy of a special tax on the taxable property within each of Improvement Area No. 1 and Improvement Area No. 2. On August 2, 2016, the City Council also adopted Resolution No. 2016-155, stating its intention to incur bonded indebtedness in an aggregate principal amount, with respect to Improvement Area No. 1, not to exceed \$20,000,000, for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of certain public facilities to serve the area within the District and its neighboring areas. See “IMPROVEMENT AREA NO. 1 — Description of Authorized Facilities.”

Subsequent to a noticed public hearing, the City Council adopted Resolution Nos. 2016-184 and 2016-185 on September 13, 2016 (the “Resolution of Formation” and the “Resolution to Incur Debt,” respectively) which established the District, designated Improvement Area No. 1 and Improvement Area No. 2 therein, authorized the levy of a special tax within each of Improvement Area No. 1 and Improvement Area No. 2, determined the necessity to incur bonded indebtedness within the District with respect to each of Improvement Area No. 1 and Improvement Area No. 2, and called an election within each of Improvement Area No. 1 and Improvement Area No. 2 on the propositions of incurring bonded indebtedness, levying a special tax and setting an appropriations limit within the District.

On September 13, 2016, an election was held within Improvement Area No. 1 at which the landowners within Improvement Area No. 1 eligible to vote approved the issuance of bonds for the District with respect to Improvement Area No. 1 in an amount not to exceed \$20,000,000. A Notice of Special Tax Lien for Improvement Area No. 1 was recorded in the office of the County Recorder of the County of San Diego (the “County”) on September 22, 2016 as Document No. 2016-0502330. On September 20, 2016, the City Council, acting as the legislative body of the District, adopted Ordinance No. 3375 (the “Special Tax Ordinance”) which authorizes the levy within Improvement Area No. 1 of a special tax pursuant to the Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 approved at the September 13, 2016 election (the “Rate and Method”), a copy of which is attached hereto as APPENDIX A.

For a summary of the Rate and Method, including certain circumstances under which the Special Tax may be prepaid, in whole or in part for a parcel, see “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes.” If Special Taxes are prepaid, such prepayments would be applied to the redemption of Bonds in accordance with the Indenture. See “THE BONDS — Redemption — *Extraordinary Redemption from Special Tax Prepayments.*”

Property Ownership and Development Status

The District and Improvement Area No. 1 therein encompasses a portion of the Millenia project within the Otay Ranch master planned community of the City. The area within the Millenia project has been divided into separate project areas, six of which are included in Improvement Area No. 1. Four of the project areas within Improvement Area No. 1 are planned for for-sale market-rate residential projects totaling 393 residential units and two are planned for commercial uses. The project areas within Improvement Area No. 1 originally consisted of six separate assessor’s parcels, certain of which have been further subdivided in accordance with the development plans for such parcels as further described herein.

SLF has conveyed three of the four original assessor’s parcels within Improvement Area No. 1 planned for residential development to Shea Homes Limited Partnership, a California limited partnership (“Shea Homes”), CalAtlantic Group, Inc., a Delaware corporation (“CalAtlantic”) and KB HOME California LLC, a Delaware limited liability company (“KB Home California”), respectively.

There are two project areas within Improvement Area No. 1 planned for commercial uses. LMC Millenia Investment Company, L.P. (“LMC Millenia Company”) has acquired one parcel corresponding with one of such commercial project areas from SLF and is under contract to purchase the second from SLF (which sale is expected to close in July 2018).

The remaining project area in Improvement Area No. 1 is owned by SLF and is planned for 60 residential units, which SLF expects to convey to a residential builder by the end of 2018. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

The major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by SLF to serve the property within Improvement Area No. 1 is substantially complete. The major arterial roads which border the Millenia project are Birch Road and Eastlake Parkway. The roads within the Millenia project from which the property included in Improvement Area No. 1 can be accessed are complete. The property within Improvement Area No. 1 varies from mass-graded land to completed homes. The remaining in-tract improvements are expected to be constructed by the homebuilders and the commercial property developer as development within their respective projects is completed.

SLF is responsible for constructing six parks within the Millenia project pursuant to the Park Agreement (as defined herein) with the City. The issuance of certificates of occupancy for the residential projects being constructed by Shea Homes and KB Home California are limited to certain thresholds until certain requirements with respect to construction of two of these park sites are satisfied. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development — *Infrastructure Requirements and SLF Financing Plan.*”

As of February 1, 2018, the status of the residential developments owned by homebuilders within Improvement Area No. 1 were as follows: (i) Shea Homes had completed and conveyed 53 homes within Improvement Area No. 1 to individual homeowners, owned six completed model homes, had 34 homes under construction (seven of which were over 95% complete) and owned 83 finished lots; (ii) KB Home California owned two completed model homes, had six homes under construction and owned 71 partially finished lots; and (iii) CalAtlantic owned one assessor's parcel planned for 78 attached townhomes for which grading had commenced. As of such date, the assessor's parcel owned by LMC Millenia Company had been finish graded, including the below-grade excavation for a proposed parking structure. Such assessor's parcel is planned for an office campus with two buildings totaling approximately 318,000 square feet of leasable space, an amenity building of approximately 6,100 square feet and a parking garage of approximately 401,760 square feet.

As of February 1, 2018, SLF owned one assessor's parcel under contract to be sold to LMC Millenia Company planned for commercial use (which sale is expected to close in July 2018) and one assessor's parcel planned for a development of 60 residential units, which SLF expects to convey to a homebuilder by the end of 2018. As of such date, such parcels owned by SLF were in a mass graded condition. The assessor's parcel under contract to be sold to LMC Millenia Company by SLF is expected to be developed into an office campus with four buildings with approximately 700,000 square feet of leasable space.

Between February 1, 2018 and April 1, 2018, additional homes were sold and closed, sold and placed in escrow and under construction. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT" herein.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions "IMPROVEMENT AREA NO. 1," "PROPERTY OWNERSHIP AND THE DEVELOPMENT" and APPENDIX B-1 — "APPRAISAL REPORT" and APPENDIX B-2 — "SUPPLEMENT TO APPRAISAL REPORT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Sources of Payment for the Bonds

Limited Obligations. The Bonds and any Parity Bonds (as defined herein) are not general or special obligations of the City nor general obligations of the District, but are special obligations of the District payable solely from Net Taxes (as defined herein) and certain amounts held under the Indenture as more fully described herein. The interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from the Net Taxes (as defined herein), and amounts on deposit in certain funds and accounts under the Indenture, including, to the extent necessary, from the moneys on deposit in the Reserve Fund. As described herein, the Special Taxes are collected along with *ad valorem* property taxes on the tax bills mailed to property owners by the Office of the Treasurer-Tax Collector of the County. Although the Special Taxes will constitute a lien on the property subject to taxation in Improvement Area No. 1, they will not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to

pay the annual Special Taxes or that they will pay such taxes even if they are financially able to do so. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds and any Parity Bonds.

Special Tax. As used in this Official Statement, the terms “Special Tax” and “Special Taxes” is the “Improvement Area No. 1 Special Tax,” which term is defined in the Indenture as the Special Tax authorized to be levied in Improvement Area No. 1 pursuant to the Act and the Rate and Method. Under the Indenture, the District will pledge to repay the Bonds and any Parity Bonds from the “Net Improvement Area No. 1 Special Tax Revenues” (referred to in this Official Statement as the “Net Taxes”), which term is defined in the Indenture to mean the Improvement Area No. 1 Special Tax Revenues minus amounts applied annually to fund the Administrative Expense Requirement. The term “Improvement Area No. 1 Special Tax Revenues” is defined in the Indenture as: (a) the proceeds of the Special Tax levied by the District within Improvement Area No. 1 of the District pursuant to the Rate and Method and received by the District, and (b) the Delinquency Proceeds. “Delinquency Proceeds” is defined in the Indenture as amounts collected from the redemption of delinquent Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Tax resulting from the delinquency. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The Special Taxes are the primary security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the Fiscal Agent in the funds and accounts under the Indenture (other than the Project Fund, the Rebate Fund and the Administrative Expense Fund). See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund.”

Foreclosure Proceeds. The District will covenant in the Indenture for the benefit of the owners of the Bonds and Parity Bonds that it will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) properties under common ownership with delinquent Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of the Fiscal Year in which the Special Taxes were due, and (ii) against all properties with delinquent Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of any Fiscal Year if the amount of the Reserve Fund is less than the Reserve Requirement.

The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Fund at the Reserve Requirement or to avoid a default in payment on the Bonds and any Parity Bonds. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” herein and APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — COVENANTS AND WARRANTY — Covenants — Commence Foreclosure Proceedings.” There is no assurance that the property within Improvement Area No. 1 can be sold at foreclosure for the appraised value described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current landowners or future landowners within Improvement Area No. 1. See “SPECIAL RISK FACTORS — Property Values” and APPENDIX B-1 — “APPRAISAL REPORT” and APPENDIX B-2 — “SUPPLEMENT TO APPRAISAL REPORT.”

Special Taxes Are Not Within Teeter Plan. Section 4701 *et seq.* of the California Revenue and Taxation Code allows a county to adopt a tax distribution procedure which distributes taxes to taxing agencies on the basis of the amount of the tax levy, rather than on the basis of actual tax collections. This mechanism is known as a “Teeter Plan.” The Special Taxes are not subject to the County’s Teeter Plan. The amount of Special Taxes available to pay debt service on the Bonds will depend on actual tax collections.

Parity Bonds and Liens. Under the terms of the Indenture, the District may issue additional bonds secured by the Net Taxes on a parity with the Bonds (the “Parity Bonds”) for the purpose of refunding the Bonds. Parity Bonds may be issued so long as the issuance of such Parity Bonds results in a reduction in each Bond Year on the Annual Debt Service on the Bonds when combined with the Debt Service on Parity Bonds following the issuance of such Parity Bonds. See “SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds

for Refunding Only.” Parity Bonds may be issued by means of a supplemental indenture and without any requirement for the consent of any Bondowners. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — COVENANTS.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes have been levied and may also be levied in the future on the property within Improvement Area No. 1 which could adversely affect the willingness of the property owners to pay the Special Taxes when due. See “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments” herein.

Appraisal Report and Supplement to Appraisal Report

An appraisal of the land and existing improvements within Improvement Area No. 1 was prepared by Kitty Siino & Associates, Inc., Newport Beach, California (the “Appraiser”). The appraisal is dated April 11, 2018, and entitled “Appraisal Report Community Facilities District No. 16-I Improvement Area No. 1 (Millenia) Otay Ranch, Chula Vista” (the “Appraisal Report”). See APPENDIX B-1 — “APPRAISAL REPORT.” The Appraisal Report provides an estimate of the approximate minimum market value of the property in Improvement Area No. 1 subject to the levy of Special Taxes, assuming that development of the property as currently planned will consist of 393 residential units and the commercial projects described therein. Based on the assumptions and limiting conditions in the Appraisal Report, the Appraiser concluded that the market value of all of the parcels within Improvement Area No. 1 subject to the Special Tax was \$62,228,054 as of February 1, 2018 (the “Date of Value”).

The Appraiser has prepared a Supplement to Appraisal Report (the “Appraisal Supplement”) dated April 30, 2018. In the Appraisal Supplement, the Appraiser concludes that the estimated market value of the property within Improvement Area No. 1 subject to the levy of Special Taxes as of April 1, 2018, was not less than the concluded value set forth in the Appraisal Report. See APPENDIX B-2 — “SUPPLEMENT TO APPRAISAL REPORT.”

The Appraisal Report and the Appraisal Supplement are based upon a variety of assumptions and limiting conditions that are described in APPENDIX B-1 and APPENDIX B-2. The District makes no representation as to the accuracy of the Appraisal Report or the Appraisal Supplement. See “IMPROVEMENT AREA NO. 1 — Appraisal Report and Supplement to Appraisal Report” and “— Appraised Value-to-Lien Ratios.” There is no assurance that property within Improvement Area No. 1 can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by a property owner. See “IMPROVEMENT AREA NO. 1,” “SPECIAL RISK FACTORS — Property Values” and APPENDIX B-1 — “APPRAISAL REPORT” and APPENDIX B-2 — “SUPPLEMENT TO APPRAISAL REPORT” herein.

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See APPENDIX H — “BOOK-ENTRY ONLY SYSTEM.”

Principal of, premium, if any, and interest on the Bonds is payable by the Fiscal Agent to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Fiscal Agent, all as described in the Indenture. See

APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — GENERAL AUTHORIZATION AND BOND TERMS” herein.

The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. See “THE BONDS — Redemption.” For a more complete descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE BONDS” and APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE” herein.

Tax Exemption

In the opinion of Bond Counsel, subject to certain qualifications described in this Official Statement, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income tax. Set forth in APPENDIX C is the form of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain other tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see “TAX MATTERS.”

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will act as Fiscal Agent under the Indenture. Stifel, Nicolaus & Company, Incorporated is the Underwriter (the “Underwriter”) of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Best Best & Krieger LLP, San Diego, California, Bond Counsel, and Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel to the District in connection with the issuance of the Bonds. Certain legal matters will be passed on for the District and the City by the Office of the City Attorney, for the Underwriter, by Jones Hall, A Professional Law Corporation, San Francisco, California, as counsel to the Underwriter and for the Fiscal Agent by its counsel. Other professional services have been performed by Kitty Siino & Associates, Inc., Tustin, California, as the Appraiser, Meyers Research, LLC, Solana Beach, California as Market Absorption Analyst, Fieldman, Rolapp & Associates, Inc., Irvine, California as municipal advisor to the City and Willdan Financial Services, Temecula, California, as Special Tax Consultant.

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see “FINANCIAL INTERESTS” herein.

Continuing Disclosure

The District has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission (the “SEC”) certain financial information and operating data on an annual basis (the “District Reports”). The District has further agreed to provide, in a timely manner, notice of certain events with respect to the Bonds (the “Listed Events”). These covenants have been made in order to assist the Underwriter in complying with the Rule. The District Reports will be filed with the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”) available on the Internet at <http://emma.msrb.org>. Notices of Listed Events will also be filed with the MSRB. The District has not entered into any prior continuing disclosure obligations. The City will assist the District in preparing the District Reports. Within the last five years, the City and certain related entities have failed to comply in certain respects with prior continuing disclosure undertakings as described under the caption “CONTINUING DISCLOSURE.”

The Underwriter does not consider any of SLF, LMC Millenia Company or the current homebuilders within Improvement Area No. 1 to be an “obligated person” with respect to the Bonds for purposes of the Rule. However, to assist in the marketing of the Bonds, SLF, LMC Millenia Company and the homebuilders within Improvement Area No. 1 have agreed to provide, or cause to be provided on EMMA, updated information with respect to their respective development within Improvement Area No. 1 (the “Developer Reports”), on a semiannual basis and notices of certain Listed Events until certain development milestones have been reached. The termination of such reporting requirements varies between each continuing disclosure undertaking. See “CONTINUING DISCLOSURE” herein and APPENDIX F and APPENDIX G hereto for a description of the specific nature of the reports to be filed by the District, SLF, LMC Millenia Company and the current homebuilders within Improvement Area No. 1 and notices of Listed Events and a copy of the continuing disclosure undertakings pursuant to which such reports are to be made.

Bond Owners’ Risks

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves significant risks, and the Bonds are not appropriate investments for certain investors. See “SPECIAL RISK FACTORS” herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture, the Appraisal Report, the Appraisal Supplement and other documents and information are available for inspection and (upon request and payment to the District of a charge for copying, mailing and handling) for delivery from the City Clerk at 276 Fourth Avenue, Chula Vista, California 91910.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds and Special Tax revenues collected by the District.

Sources of Funds:

Principal Amount of Bonds
Plus/Less Net Original Issue Premium/Discount
Total Sources

Uses of Funds:

Project Fund
Capitalized Interest Sub-Account⁽¹⁾
Administrative Expense Fund
Costs of Issuance⁽²⁾
Reserve Fund
Total Uses

⁽¹⁾ Amounts deposited to pay a portion of the interest on the Bonds through September 1, 2019.

⁽²⁾ Includes Bond Counsel fees, Disclosure Counsel fees, Appraiser fees, Special Tax Consultant fees, Municipal Advisor fees, Fiscal Agent fees, Underwriter's discount, printing costs and other issuance costs.

Source: The Underwriter.

THE BONDS

General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing on September 1, 2018 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest on a portion of the Bonds through September 1, 2019 will be paid from a portion of the proceeds of the Bonds.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; 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 date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

As used herein, Record Date means the fifteenth calendar day of the month immediately preceding an Interest Payment Date, regardless of whether such day is a Business Day.

Interest on any Bond will be paid to the person whose name appears in the Registration Books as the Owner of such Bond as of the close of business on the Record Date. Principal of the Bonds and any premium due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Fiscal Agent in Los Angeles, California.

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be

paid to the Beneficial Owners in accordance with DTC’s procedures and the procedures of DTC’s Participants. See APPENDIX H — “BOOK-ENTRY-ONLY SYSTEM.”

In the event the Bonds are not held in book-entry form, interest on the Bonds will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to the Bondowner at its address on the Registration Books. In addition, with respect to any Bonds owned by the District and upon a request in writing received by the Fiscal Agent on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds, payment will be made by wire transfer in immediately available funds to an account in the United States designated by such Owner.

Debt Service Schedule

The following table presents the annual debt service on the Bonds (including mandatory sinking fund redemption), assuming there are no optional or extraordinary redemptions. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE BONDS — Redemption.”

<i>Date</i> <i>(September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
Total			

Source: The Underwriter.

Redemption

Optional Redemption.* The Bonds may be redeemed at the option of the District prior to maturity as a whole, or in part on any [Interest Payment Date] from such maturities as are selected by the District, and by lot within a maturity, from any source of funds, at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
	103%
	102
	101
	100

Extraordinary Redemption from Special Tax Prepayments.* The Bonds are subject to extraordinary mandatory redemption on any Interest Payment Date, prior to maturity, as a whole or in part on as nearly as practicable a pro rata basis among maturities of authorized denominations from amounts deposited to the Redemption Fund in connection with a prepayment of Special Taxes pursuant to the Rate and Method. Such extraordinary mandatory redemption of the Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
Any Interest Payment Date from September 1, 2018 through March 1, 2026	103%
September 1, 2026 and March 1, 2027	102
September 1, 2027 and March 1, 2028	101
September 1, 2028 and any Interest Payment Date thereafter	100

Mandatory Sinking Fund Redemption.* The Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 20__ at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

<i>Sinking Fund Redemption Date</i> <i>(September 1)</i>	<i>Sinking Fund Payments</i>
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(maturity)

In the event of a partial optional redemption or extraordinary redemption from Special Tax prepayments of the Bonds maturing on September 1, 20__, each of the remaining mandatory sinking fund payments for the applicable maturity of the Bonds so redeemed will be reduced, as nearly as practicable, on a pro rata basis in integral multiples of \$5,000.

Notice of Redemption. So long as the Bonds are held in book-entry form by the Depository, or its Nominee, notice of redemption should be given to the Depository in such manner as is set forth in the procedures

* Preliminary, subject to change.

of the Depository, at least thirty (30) days but not more than forty-five (45) days prior to the redemption date. It is the responsibility of DTC Participants to provide such notice. See APPENDIX H — “BOOK-ENTRY ONLY SYSTEM.”

If the Bonds are no longer registered to the Depository, or its Nominee, the Fiscal Agent is required to mail, at least thirty (30) days but not more than forty-five (45) days prior to the date of redemption, notice of redemption, by first-class mail, postage prepaid, to the original purchaser of the Bonds and the respective registered Owners of the Bonds at the addresses appearing on the Registration Books. The notice of redemption shall state: (a) the redemption date; (b) the redemption price; (c) the bond registration numbers, dates of maturity and CUSIP numbers of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part, the respective principal portions to be redeemed; provided, however, that whenever any call includes all Bonds of a maturity, the numbers of the Bonds of such maturity need not be stated; (d) that such Bonds must be surrendered at the principal corporate trust office of the Fiscal Agent; (e) that further interest on such Bonds will not accrue from and after the designated redemption date; (f) the date of the issue of the Bonds as originally issued; (g) the rate of interest borne by each Bond being redeemed; and (h) that any other descriptive information needed to identify accurately the Bonds being redeemed as the District shall direct.

Each notice of redemption shall be sent at least 2 days before the notice of redemption is mailed to the Bondholders by registered or certified mail or overnight delivery service to the Securities Depositories and to at least one of the Information Services that disseminate notice of redemption of obligations similar to the Bonds or, in accordance with the then-current guidelines of the SEC, such other services providing information on called bonds, or no such other services, as District may determine in its sole discretion.

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

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

So long as notice has been provided as set forth in the Indenture, the actual receipt by the Owner of any Bond of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for redemption of such Bonds or the cessation of interest on the date fixed for redemption.

Effect of Redemption. When notice of redemption has been given substantially as provided for in the Indenture, and when the amount necessary for the redemption of the Bonds called for redemption is set aside for that purpose in the Debt Service Fund or the Redemption Fund, as provided for in the Indenture, the Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, said Bonds shall be redeemed and paid at the redemption price out of the Debt Service Fund or the Redemption Fund and no interest will accrue on such Bonds or portions of Bonds called for redemption from and after the redemption date specified in said notice, and the Owners of such Bonds so called for redemption after such redemption date shall

look for the payment of principal and premium, if any, of such Bonds or portions of Bonds only to the Debt Service Fund or the Redemption Fund, as applicable.

All Bonds redeemed shall be canceled forthwith by the Fiscal Agent and shall not be reissued. Upon surrender of Bonds redeemed in part, a new Bond or Bonds of the same maturity shall be registered, authenticated and delivered to the registered Owner at the expense of the District, in the aggregate principal amount of the unredeemed portion. All unpaid interest payable at or prior to the date fixed for redemption shall continue to be payable to the respective Owners of such Bonds or their order, but without interest thereon.

Purchase in lieu of Redemption. In lieu of such an optional, extraordinary mandatory or mandatory sinking fund redemption, the District may elect to purchase such Bonds at public or private sale at such prices as the District may in its discretion determine; provided, that, unless otherwise authorized by law, the purchase price (including brokerage and other charges) thereof shall not exceed the principal amount thereof, plus the applicable premium, if any, stated above, plus accrued interest to the purchase date.

Registration, Transfer and Exchange

Registration. The Fiscal Agent will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond registration books held by the Fiscal Agent. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — GENERAL AUTHORIZATION AND TERMS.”

Transfer or Exchange. Whenever any Bond or Bonds shall be surrendered for registration of transfer or exchange, the Fiscal Agent shall authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Fiscal Agent shall not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date of any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Indenture and from no other sources.

In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in the funds and accounts established in the Indenture (including the investment earnings thereon) with the exception of the Project Fund, the Rebate Fund and the Administrative Expense Fund.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM SPECIAL TAXES TO BE LEVIED IN IMPROVEMENT AREA NO. 1 AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act and the CFD Ordinance, the City established the District and designated Improvement Area No. 1 therein on September 13, 2016, for the

purpose of financing various public improvements required in connection with the proposed development within the District. On September 13, 2016, an election was held within Improvement Area No. 1 at which the landowners eligible to vote approved the issuance of bonds for Improvement Area No. 1 in an amount not to exceed \$20,000,000, and the levy of the Special Taxes on property within Improvement Area No. 1 to repay such bonds and to finance the Facilities (as defined below). The landowner within Improvement Area No. 1 also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District with respect to Improvement Area No. 1, including the Bonds.

The District will covenant in the Indenture that it will comply with all requirements of the Act so as to assure the timely collection of the Special Taxes in an amount sufficient to pay the Annual Debt Service on the Bonds when due, Administrative Expenses, and any amounts to replenish the Reserve Fund to the Reserve Requirement.

The Special Taxes are collected in the manner and at the same time as *ad valorem* property taxes are collected and are subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The “Net Taxes” pledged by the District to secure the repayment of the Bonds (and any Parity Bonds) are the Special Tax Revenues minus amounts applied annually to fund the Administrative Expense Requirement.

As used in this Official Statement, the term “Special Tax Revenues” refers to the “Improvement Area No. 1 Special Tax Revenues,” which is defined in the Indenture as: (a) the proceeds of the Special Tax levied by the District within Improvement Area No. 1 of the District pursuant to the Rate and Method and received by the District, and (b) the Delinquency Proceeds. “Delinquency Proceeds” is defined in the Indenture as amounts collected from the redemption of delinquent Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Tax resulting from the delinquency.

The District will, no later than the tenth Business Day after which Special Tax Revenues have been received by the District, and in any event not later than February 15th and August 15th of each year, transfer such Special Tax Revenues to the Fiscal Agent. Except for Prepayments which shall be deposited to the Redemption Fund and the Administrative Expense Fund, as set forth in written instructions from the District in accordance with the Indenture, the Fiscal Agent will deposit the Special Tax Revenues received in the Special Tax Fund. The Special Tax Revenues deposited in the Special Tax Fund shall be held in trust and deposited in the following accounts of the Special Tax Fund or transferred to the following other funds and accounts on the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

- (1) The Fiscal Agent will each Fiscal Year transfer to the Administrative Expense Fund from the Special Tax Revenues received by the Fiscal Agent during such Fiscal Year an amount equal to the Administrative Expense Requirement;
- (2) The Fiscal Agent will transfer to the Interest Account of the Debt Service Fund, on each Interest Payment Date and date for redemption of the Bonds, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date;
- (3) The Fiscal Agent will transfer to the Principal Account of the Debt Service Fund, on each September 1, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such September 1, whether at maturity or by mandatory sinking fund payments on Term Bonds;

- (4) On or after September 2 of each year after making the deposits and transfers to the Administrative Expense Fund and the Debt Service fund described above, the Fiscal Agent shall transfer the amount, if any, necessary to replenish the amount then on deposit in the Reserve Fund to an amount equal to the Reserve Requirement;
- (5) On or after September 2 of each year after making the deposits and transfers required to the Administrative Expense Fund, the Debt Service Fund and the Reserve Fund described above, upon receipt of written instructions from the District, the Fiscal Agent will transfer from the Special Tax Fund to the Rebate Fund the amount specified in such request;
- (6) On or after September 2 of each year after making the deposits and transfers required to the Administrative Expense Fund, the Debt Service Fund, the Reserve Fund and the Rebate Fund described above, upon receipt of a written request of the District, the Fiscal Agent will transfer from the Special Tax Fund to the Administrative Expense Fund the amounts specified in such request to pay those Administrative Expenses which the District reasonably expects will become due and payable during such Fiscal Year or the cost of which Administrative Expenses have previously been incurred and paid by the District from funds other than the Administrative Expense Fund in excess of the Administrative Expense Requirement for such Fiscal Year; and
- (7) If, on or after September 2 of each year, after making the deposits and transfers required to the Administrative Expense Fund, the Debt Service Fund, the Reserve Fund and the Rebate Fund described above, monies remain in the Special Tax Fund, such monies shall be transferred to the Project Fund until the Project Fund is closed.

The Fiscal Agent will, upon receipt of Special Tax Revenues representing Prepayments, immediately transfer Prepayments to the Redemption Fund and utilize such funds to redeem Bonds pursuant to the Indenture (see “Redemption — *Extraordinary Redemption from Special Tax Prepayments*” above) as set forth in written instructions to be delivered to the Fiscal Agent by the District; provided, however, that any portion of a Prepayment constituting Administrative Expenses shall be deposited into the Administrative Expense Fund as set forth in such written instructions.

See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE.”

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption “*Limitation on Special Tax Levy and Potential Impact on Coverage*” below and “SPECIAL RISK FACTORS — Insufficiency of Special Taxes” herein.

Rate and Method of Apportionment of Special Tax. The District is legally authorized and will covenant in the Indenture to cause the levy of the Special Taxes in an amount determined according to the Rate and Method. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in Improvement Area No. 1 as more particularly described below.

The following is a synopsis of the provisions of the Rate and Method for Improvement Area No. 1, which should be read in conjunction with the complete text of the Rate and Method which is attached as APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The meaning of the defined terms used in this section are as set forth in APPENDIX A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX A.

Assignment to Land Use Categories. Under the Rate and Method, Improvement Area No. 1 is classified into three tax zone areas (each a “Zone”). Each Fiscal Year, commencing Fiscal Year 2018-19, all Taxable

Property within Zone A through C of Improvement Area No. 1 shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property shall further be classified as Developed Property, Undeveloped Property or Provisional Property, and all such Taxable Property shall be subject to the levy of Special Taxes determined pursuant to Sections 3 and 4 of the Rate and Method. The Assigned Special Tax for an Assessor's Parcel of Residential Property shall be based on the Zone in which the Assessor's Parcel is located and the Building Square Footage of the dwelling units located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Zone in which the Assessor's Parcel is located and the Acreage of the Assessor's Parcel.

For Assessor's Parcels of Non-Residential Property developed with Condominiums (e.g., office or industrial condos), the Acreage applicable to each such Condominium for purposes of levying Special Taxes shall be computed from the Acreage of the legal lot created by the Final Map upon which such Condominiums are entitled to be developed, with the Acreage of such lot allocated to each Condominium on a pro-rata basis using the Building Square Footage of such Condominium relative to the total Building Square Footage of all Condominiums entitled to be developed on such lot. The determination of Building Square Footage for each non-residential Condominium shall be made by reference to the applicable Building Permit, and to the extent a Building Permit has not been issued for all Condominiums to be located on the applicable legal lot, the building square footage attributable to any such Condominiums shall be determined from the recorded condominium plan, or applicable site plan, plot plan, or other appropriate records kept by the City as reasonably determined by the City. In the event the City takes ownership of a Condominium within Improvement Area No. 1 and such property in all other respects meets the definition of Public Property as set forth in Section 1 of the Rate and Method, such property shall be exempt from Special Taxes pursuant to Section 5 of the Rate and Method.

Exemptions. No Special Tax shall be levied on Assessor's Parcels of Public Property, Property Owner Association Property, Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, and Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement.

Notwithstanding the foregoing, no property within Improvement Area No. 1 will be classified as Exempt Property if such classification would reduce the sum of all Taxable Property in Improvement Area No. 1 to less than 9.53 Acres for Zone A, 12.67 Acres for Zone B, or 17.09 Acres for Zone C. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in Improvement Area No. 1 to less than the foregoing acreages for each Zone shall be classified as Provisional Property and will continue to be subject to the Improvement Area No. 1 Special Taxes. Under the Rate and Method, classification of Exempt Property will be assigned by the City in the chronological order in which property becomes eligible for classification as Exempt Property.

Maximum Special Tax, Assigned Annual Special Tax and Backup Special Tax.

Maximum Special Tax. The Maximum Special Tax for each Assessor's Parcel classified as Developed Property within a particular Zone shall be the greater of (i) the amount derived by application of the Assigned Special Tax for such Zone or (ii) the amount derived by application of the Backup Special Tax for such Zone. For Fiscal Year 2018-19, the Maximum Special Tax for an Assessor's Parcel of Provisional Property and Undeveloped Property within each Zone will be \$28,613 per Acre for Zone A, \$30,231 per Acre for Zone B, and \$6,571 per Acre for Zone C.

Section 3F of the Rate and Method provides for the process by which the District may, upon the receipt of a request from SLF prior to the issuance of the Bonds, reduce the Assigned Special Tax rates, the Backup Special Tax rates and the Maximum Special Tax (as such terms are defined in the Rate and Method) rates to a level which will provide not less than the sum of estimated the Administrative Expense Requirement and one hundred ten percent (110%) of the estimated debt service with respect to the amount of Bonds requested to be issued in such written request. No request has been made or is expected to be made prior to the issuance of the

Bonds to reduce the Assigned Special Tax rates, the Backup Special Tax rates or the Maximum Special Tax rates pursuant to Section 3F of the Rate and Method.

Assigned Special Tax. The Assigned Special Tax for each Land Use Class within each Zone is shown in Tables 1 through 3 of the Rate and Method attached as APPENDIX A, which rates increase by two percent on each July 1, commencing July 1, 2017. Assigned Special Tax rates have been established for Residential Property and Non-Residential Property in the three Zones. The number of units/acres projected in each Zone is as follows:

<i>Zone</i>	<i>Projected Residential Development (Units)</i>	<i>Projected Non-Residential Development (Acreage)</i>
A	176	--
B	217	--
C	--	<u>17.99</u>
Total	<u>393</u>	<u>17.99</u>

The Assigned Special Tax levied against Developed Property that is Residential Property will generally correlate with the residential square footage of the unit in question. For a detailed description of Assigned Special Taxes for Residential Property in the Zones, see the Rate and Method attached as APPENDIX A.

The Assigned Special Tax levied against Non-Residential parcels of Developed Property within each Zone will generally be determined on a per acre basis. For a detailed description of Assigned Special Taxes for Non-Residential Property that is Developed Property, see the Rate and Method attached as APPENDIX A.

Multiple Land Use Classes. In some instances an Assessor’s Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax that may be levied on such an Assessor’s Parcel shall only be levied on the Residential Property Land Use Class located on such Assessor’s Parcel.

Backup Special Tax. For each Assessor’s Parcel of Residential Property or for each Assessor’s Parcel of Undeveloped Property to be classified as Residential Property upon its development within the Final Map area, the Backup Special Tax is calculated based on a formula that is a function of a per acre rate, multiplied by the number of acres within such Assessor’s Parcel, divided by the number of lots which are classified or to be classified as Residential Property. In Fiscal Year 2018-19, the per acre rates for Zones A, B and C will be \$28,613, \$30,231 and \$6,571, respectively.

For each Assessor’s Parcel of Developed Property classified as Non-Residential Property or for each Assessor’s Parcel of Undeveloped Property to be classified as Non-Residential Property within the Final Map area, the Backup Special Tax shall be determined by multiplying the per-acre Backup Special Tax rates as set forth above for Residential Property by the total Acreage of any such Assessor’s Parcel.

Annual Increases. On each July 1, the Assigned Special Tax and the Backup Special Tax for each Assessor’s Parcel of Taxable Property within Improvement Area No. 1 will be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

Method of Apportionment of Special Tax. Commencing with Fiscal Year 2018-19 and for each following Fiscal Year, the District shall levy the Special Tax on all Taxable Property in order to satisfy the Special Tax Requirement in accordance with steps 1 through 4 below. The Rate and Method defines the Special Tax Requirement as that amount required in any Fiscal Year to: (i) pay regularly scheduled Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property; and (vi) pay for reasonably anticipated delinquent Special Taxes based on (a) the average delinquency rate for special taxes levied in the previous Fiscal

Year in all community facilities districts within the portion of the City commonly known as Otay Ranch for the first Fiscal Year in which Special Taxes are levied and (b) the delinquency rate for Special Taxes levied in the previous Fiscal Year within IA1 for all subsequent Fiscal Years in which Special Taxes are levied; less (vii) a credit for funds available to reduce the Annual Special Tax levy, as determined by the CFD Administrator pursuant to the Fiscal Agent Agreement:

Step 1: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax to satisfy the Special Tax Requirement;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement after Step 1 has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax amount determined in Step 1 shall be increased Proportionately on each Assessor's Parcel of Developed Property up to 100% of the Maximum Special Tax for Developed Property.

Step 4: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Property up to 100% of the Maximum Special Tax for Provisional Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year against 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 (10%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 1. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on all other Assessor's Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

Prepayment of Annual Special Taxes. The Annual Special Tax obligation for an Assessor's Parcel may be prepaid in full, or in part, provided that the terms set forth under the Rate and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Prepayment Amount, the Defeasance Amount, the Prepayment Administrative Fees and Expenses and less a credit for the resulting reduction in the Reserve Requirement for the Bonds (if any) and less capitalized interest (if any), all as specified in Section 8 of the Rate and Method attached as APPENDIX A. Prepayments of Special Taxes will be applied to effect an extraordinary redemption of Bonds and Parity Bonds. Where the total tax burden exceeds 2.0% of the actual sales price of a home when first sold by a homebuilder, the Special Tax must be prepaid to the extent described herein. See "THE BONDS — Redemption — *Extraordinary Redemption from Special Tax Prepayments*" and "IMPROVEMENT AREA NO. 1 — Expected Tax Burden."

Estimated Debt Service Coverage. In order to size the Bonds, the District evaluated the maximum Assigned Special Taxes that could be levied based on projected build out of Improvement Area No. 1. Assuming an Administrative Expense Requirement of \$75,000 and build out within Improvement Area No. 1 as planned, Net Taxes would not be less than 110% of debt service on the Bonds in each Bond Year which begins in a Fiscal Year.

While the maximum Special Tax rates, if levied in accordance with the Rate and Method, would produce coverage levels of Net Taxes which are higher than 110% of debt service in certain circumstances, because of the limitations imposed by Section 53321(d) of the Government Code, investors should assume that the maximum amount that could be levied in any Fiscal Year is the amount that would produce Net Taxes equal to 110% of debt service due on the Bonds in the corresponding Bond Year.

Government Code Section 53321(d) provides that 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 by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults.

Potential Application of Backup Special Tax as a Result of Development Timing. Depending upon how the homebuilders time the issuance of building permits with the recording of final condominium plans for the residential projects, it may be necessary to levy the Backup Special Tax which would increase the rates above the Assigned Special Tax rates for developed residential parcels. KB Home California and CalAtlantic have obtained building permits for several units but have not yet recorded final condominium plans for their parcels, which allows for separate assessor's parcel numbers to be assigned to individual units. In such a scenario, although there may be several residential units under construction on a parcel, only one assessor's parcel number exists for each parcel. Under the Rate and Method, when at least one building permit has been issued for a parcel, the entire parcel is classified as Developed Property thereby reducing amount of Undeveloped Property subject to the Special Tax levy by an amount that could trigger the levy of the Backup Special Tax in future years if the condominium plans are not recorded. It is possible that the homebuilder which purchases the remaining parcel owned by SLF planned for residential development could also pull building permits without recording a condominium plan.

KB Home California and CalAtlantic expect to record final condominium plans for their projects in May 2018 and June 2018, respectively. Interest on a portion of the Bonds will be capitalized through September 1, 2019 which reduces the likelihood of a need to levy the Special Taxes on Developed Property at the Backup Special Tax rates during the initial development period. However, the levy of the Backup Special Tax may be necessary beginning in Fiscal Year 2019-20 if the condominium plans are not recorded by KB Home California and CalAtlantic, as planned.

Collection of Special Taxes. The Special Taxes are levied and collected by the Treasurer Tax-Collector of the County in the same manner and at the same time as *ad valorem* property taxes. The District may, however, collect the Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

The District will make certain covenants in the Indenture for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District will covenant that, to the maximum extent that the law permits it to do so, the District will not initiate proceedings to reduce the Maximum Special Tax rates (as set forth in the Rate and Method), unless, in connection therewith, (i) the District receives a certificate from one or more Special Tax Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in Improvement Area No. 1 as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Rate and Method) of taxable property on which a completed structure is located in each Fiscal Year will equal at least 110% of the largest sum of the Annual Debt Service on the Bonds to remain Outstanding and the Debt Service on any Parity Bonds outstanding ("Maximum Debt Service") after the reduction is approved and will not reduce the Maximum Special Tax payable from parcels on which a completed structure is located or to be located at buildout of Improvement Area No. 1 as proposed to less than 110% of the Maximum Debt Service, and (ii) the City Council, acting as the legislative body of the District, finds pursuant to the Indenture that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds.

The District will also covenant that, in the event that any initiative is adopted by the qualified electors which purports to reduce the Maximum Special Tax below the levels authorized pursuant to the Rate and Method or to limit the power or authority of the District to levy the Special Taxes pursuant to the Rate and Method, the District shall, from funds available under the Indenture, commence and pursue legal action in order to preserve the authority and power of the District to levy the Special Taxes pursuant to the Rate and Method.

The District will further covenant that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting tender of Bonds in full payment or partial payment of any Special Taxes unless it first receives a certificate of a Special Tax Consultant that accepting such tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Bonds when due. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE.”

Although the Special Taxes constitute liens on taxed parcels within Improvement Area No. 1, they do not constitute a personal indebtedness of the owners of property within Improvement Area No. 1. In addition to the obligation to pay Special Taxes, properties in Improvement Area No. 1 are subject to other assessments and special taxes as set forth in Table 1 herein. These other special taxes and assessments are co-equal to the lien for the Special Taxes. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in Improvement Area No. 1. See “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments” herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled “SPECIAL RISK FACTORS.”

Special Taxes Are Not Within Teeter Plan. Section 4701 *et seq.* of the California Revenue and Taxation Code allows a county to adopt a tax distribution procedure which distributes taxes to taxing agencies on the basis of the amount of the tax levy, rather than on the basis of actual tax collections. This mechanism is known as a “Teeter Plan.” The Special Taxes are not subject to the County’s Teeter Plan. The amount of Special Taxes available to pay debt service on the Bonds will depend on actual tax collections.

Proceeds of Foreclosure Sales. The amounts collected from the redemption of delinquent Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Special Tax resulting from the delinquency in the payment of Special Taxes due and payable on such property, are included within the Special Tax Revenues pledged to the payment of principal and interest on the Bonds under the Indenture.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the City Council of the City, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant for the benefit of the Owners of the Bonds that it will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) properties under common ownership with delinquent Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of the Fiscal Year in which the Special Taxes were due, and (ii) against all properties with delinquent Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of any Fiscal Year if the amount of the Reserve Fund is less than the Reserve Requirement.

See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — MISCELLANEOUS CONDITIONS — Covenants” herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See “SPECIAL RISK FACTORS — Bankruptcy and Foreclosure” herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See “SPECIAL RISK FACTORS — Property Values” herein. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued

to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Reserve Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Fund an amount equal to the Reserve Requirement and thereafter to levy Special Taxes to maintain in the Reserve Fund an amount equal to the Reserve Requirement. The Indenture provides that the amount to be maintained in the Reserve Fund as the Reserve Requirement shall, as of any date of calculation, equal the lesser of: (i) Maximum Annual Debt Service for the Bonds, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Bonds; (iii) ten percent (10%) of the original issue price of the Bonds calculated in accordance with Treasury Regulations Section 1.148-2(f)(1); or (iv) \$_____, the initial Reserve Requirement.

Subject to the limits on the maximum annual Special Tax which may be levied within Improvement Area No. 1 in accordance with the Rate and Method, the District will covenant to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Fund at the Reserve Requirement. Amounts in the Reserve Fund are to be applied to (i) pay debt service on the Bonds and any Parity Bonds, to the extent other moneys in the Interest Account and the Principal Account are insufficient therefor; and (ii) redeem the Bonds and any Parity Bonds in whole or in part. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — FUNDS AND ACCOUNTS — Reserve Fund” herein.

Issuance of Parity Bonds for Refunding Only

The District will not issue any other obligations payable from the Special Taxes which have, or purport to have, any lien upon the Special Taxes superior to or, except for Parity Bonds, on a parity with the lien of the Bonds. Nothing in the Indenture prevents the District from issuing and selling, pursuant to law, Parity Bonds payable from and having a first lien upon the Special Taxes on a parity with the Outstanding Bonds so long as the issuance of such Parity Bonds results in a reduction in each Bond Year on the Annual Debt Service on the Bonds when combined with the Debt Service on the Parity Bonds following the issuance of such Parity Bonds.

IMPROVEMENT AREA NO. 1

General Description of the District and Improvement Area No. 1

The District is located in eastern portion of the City, approximately 8 miles southeast of the City of San Diego, within the master planned community known as “Otay Ranch.” The District is located within a development of Otay Ranch known as “Millenia.” For a description of the Millenia project and the ongoing development activity surrounding the District, see “PROPERTY OWNERSHIP AND THE DEVELOPMENT — General Description of the Development.”

The District consists of separate project areas within the Millenia project totaling approximately 67 gross acres. Improvement Area No. 1 of the District consists of approximately 42 gross acres and includes six of the project areas within the Millennia development. Four of the project areas are planned for for-sale market-rate residential projects totaling 393 units and two are planned for commercial uses and is expected to include over 1 million square feet of office space. The project areas within Improvement Area No. 1 originally consisted of six separate assessor’s parcels, certain of which have been further subdivided in accordance with the development plans for such parcels as further described herein.

The District was formed and Improvement Area No. 1 was designated therein in 2016 by the City Council under the Act and the CFD Ordinance to provide for the financing of public improvements to meet the

needs of new development. SLF, as the qualified elector of Improvement Area No. 1, authorized the District to incur bonded indebtedness for Improvement Area No. 1 to finance certain public facilities to meet the needs of new development within the District and approved the Rate and Method for Improvement Area No. 1 and authorized the levy of the Special Tax.

At build-out, approximately 42 acres of property in Improvement Area No. 1 are expected to be developed for residential and commercial uses and be subject to the Special Tax levy. SLF has conveyed three of the four original assessor's parcels within Improvement Area No. 1 planned for residential projects to CalAtlantic, Shea Homes and KB Home California and the remaining assessor's parcel owned by SLF is planned to include 60 residential units. SLF expects to convey such parcel to a homebuilder by the end of 2018.

There are two project areas within Improvement Area No. 1 planned for commercial uses. LMC Millenia Company has acquired one parcel corresponding with one of such commercial project areas from SLF and is under contract to purchase the second from SLF (which sale is expected to close in July 2018). The parcel currently owned by LMC Millenia Company is planned for an office campus with two buildings totaling approximately 318,000 square feet of leasable space, an amenity building of approximately 6,100 square feet and a parking garage of approximately 401,760 square feet. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development — *Entitlements for the Overall Millenia Planned Community*" for a description of the potential for a public library to be located within the property currently owned by LMC Millenia Company. The parcel which is under contract to be sold by SLF to LMC Millenia Company is expected to be developed into an office campus with four buildings totaling approximately 700,000 square feet of leasable space. Under the Rate and Method, all Non-Residential Property which is not Exempt Property (as such terms are defined in the Rate and Method) will be subject to the Special Tax levy on a per-acre basis.

The major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by SLF to serve the property within Improvement Area No. 1 is substantially complete. The major arterial roads which border the Millenia project are Birch Road and Eastlake Parkway. The roads within the Millenia project from which the property included in Improvement Area No. 1 can be accessed are complete. The property within Improvement Area No. 1 varies from a mass-graded state to completed homes. In-tract improvements are expected to be constructed by the homebuilders and the commercial property developer as development within their respective projects is completed. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT." A detailed description of the status of the construction and ownership as of the date of the Appraisal Report is included in APPENDIX B-1 — "APPRAISAL REPORT."

Water and sewer service to the property is provided by the Otay Water District and the City, respectively. Electricity and natural gas is supplied by San Diego Gas and Electric, and police and fire services are provided by the City.

Description of Authorized Facilities

The expected total cost of the facilities eligible to be financed with the proceeds of the bonds to be issued by the District (the "Facilities"), which includes the Bonds and any bonds issued by the District for Improvement Area No. 2, based on the current estimated cost of the Facilities, is approximately \$90,000,000. The Facilities consist of street and bridge improvements, curbs and gutters, sidewalks, trails, medians, traffic signalization and signage, street lights, utilities, storm water drainage, on and off-site detention and treatment facilities, and landscaping and irrigation related thereto, sewer collection and conveyance facilities, land and facilities for parks and recreational uses, fire facilities and equipment, library facilities and equipment, transit facilities, fiber optic telecommunication facilities, general government office, administrative and meeting facilities, bus and rapid transit facilities and land, rights of way and easements necessary for any of such facilities.

The estimated cost of the Facilities necessary to serve the property within Improvement Area No. 1, based on current estimates, will exceed the amount of proceeds of the Bonds and bonds to be issued by the District for Improvement Area No. 2 available to finance such Facilities. The costs of the Facilities in excess of

available proceeds from the sale of the Bonds and any bonds to be issued for Improvement Area No. 2 of the District are expected to be paid for by SLF. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development — *Infrastructure Requirements and SLF Financing Plan*” below.

The District currently expects that a portion of the proceeds of the Bonds will be used to acquire the land for all or a portion of the six parks planned within the Millenia project as discrete components of the parks in accordance with the Development Agreement and that certain Acquisition/Financing Agreement dated as of February 6, 2018, by and among the City, the District and SLF (the “Acquisition Agreement”).

Direct and Overlapping Indebtedness

The ability of an owner of land within Improvement Area No. 1 to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments consist of the direct and overlapping debt in Improvement Area No. 1 and are set forth in Table 1 below (the “Debt Report”). The Debt Report sets forth those entities which have issued debt and does not include entities which only levy or assess fees, charges, *ad valorem* taxes or special taxes. See “—Expected Tax Burden” below for information regarding other entities levying taxes, assessments or other charges on property in Improvement Area No. 1. The Debt Report includes the principal amount of the Bonds. The Debt Report has been derived from data assembled and reported to the District by Willdan Financial Services as of February 1, 2018. None of the District, the City, or the Underwriter has independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

In addition to the direct and overlapping debt shown in Table 1 below, the qualified electors within Community Facilities District No. 18 of the Chula Vista Elementary School District (the “Elementary School District CFD”) and Community Facilities District No. 18 of the Sweetwater Union High School District (the “High School District CFD” and together with the Elementary School District CFD, the “School District CFDs” and each a “School District CFD”) have authorized bonded indebtedness in the maximum principal amounts of \$40,000,000 and \$100,000,000, respectively. The boundaries of the School District CFDs are conterminous with the boundaries of the Millenia project which includes property outside of the District. Each School District CFD may issue debt payable from special taxes levied by such School District CFD and may covenant in accordance with the Act to foreclose upon property which is delinquent in the payment of such special taxes. If a School District CFD issues such debt, a portion of such debt would be payable from special taxes levied on property within Improvement Area No. 1.

It is not known how much of the authorized debt the School District CFDs might issue or when. However, assuming buildout of the property within the Millenia project to the levels described herein, approximately 10.625% of the amount of the Elementary School District CFD debt issued would be paid from special taxes levied within Improvement Area No. 1 and 7.00% of the amount of the High School District CFD debt would be paid from special taxes levied within Improvement Area No. 1. Assuming the issuance of the maximum authorized amounts, this would be approximately \$4,250,000 of Elementary School District CFD debt and \$7,000,000 High School District CFD debt.

As discussed under “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments,” the property within Improvement Area No. 1 may be subject to additional taxes and assessments imposed by other public agencies in the future. Table 1 below does not include the authorized School District CFDs’ debt or any authorized and unissued debt of other agencies.

**TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
(IMPROVEMENT AREA NO. 1)
OVERLAPPING DEBT SUMMARY**

<i>Overlapping District⁽¹⁾</i>	<i>Total Fiscal Year 2017-18 Levy⁽²⁾</i>	<i>Amount of Levy on Parcels in Improvement Area No. 1⁽²⁾</i>	<i>Percent of Levy on Parcels in Improvement Area No. 1</i>	<i>Total Debt Outstanding⁽³⁾</i>	<i>Improvement No. 1 Share of Total Debt Outstanding⁽⁴⁾</i>
Metropolitan Water District	\$16,165,942	\$ 688	0.004%	\$ 74,905,000	\$ 538
Otay Water District, I.D. No. 27	536,191	787	0.147	3,390,000	4,912
Southwestern Community College District	25,808,472	9,796	0.038	454,043,676	167,009
Sweetwater Union High School District	22,334,763	10,140	0.045	384,955,090	168,926
Chula Vista Elementary School District	5,122,982	3,316	0.065	44,495,000	28,073
Chula Vista Elementary School District SFID No. 1	2,770,944	3,753	0.135	81,375,000	106,144
				Estimated Share of Overlapping Debt Allocable to Improvement Area No. 1	\$ 475,602
				Plus the Bonds	<u>13,200,000*</u>
				Estimated Share of Direct and Overlapping Debt Allocable to Improvement Area No. 1	\$13,675,602*

* Preliminary, subject to change.

(1) Does not include authorized and unissued debt of the School District CFDs or other entities. See Table 2 below.

(2) Based on actual Fiscal Year 2017-18 levy.

(3) Represents overlapping general obligation indebtedness as of February 1, 2018.

(4) General obligation debt is allocated based on the assessed value within Improvement Area No. 1 as a percentage of the total assessed valuation of within the respective taxing jurisdiction.

Source: Willdan Financial Services; California Municipal Statistics, Inc.

Expected Tax Burden

Table 2 below sets forth the estimated total effective tax rates for the average residential unit size for each residential project currently being developed within Improvement Area No. 1. Table 2 below does not include the remaining project area owned by SLF within Improvement Area No. 1 that is planned for residential uses. SLF expects to sell such property to a residential homebuilder by the end of 2018. The expected tax burden of the Special Taxes and other taxes and assessments on individual parcels located within Improvement Area No. 1 will vary among parcels. Actual amounts charged and the effective tax rates may vary and may increase or decrease in future years.

In accordance with City policies, each homebuilder within Improvement Area No. 1 is required to prepay a portion of the Special Tax at the time a completed home is sold, if, based on the actual sales price of such home, the annual total effective tax rate on such parcel would exceed 2.00% of the actual sales price. If the 2.00% threshold is exceeded, the homebuilder is required to prepay that amount of the Special Tax obligation necessary to reduce the effective tax rate to 2.00% or less of the actual sales price. In determining the overall effective tax rate, special taxes levied by the City for maintenance and services are excluded, but all other special taxes, assessments and *ad valorem* property taxes are included. As of April 1, 2018, no prepayment of the Special Tax has been required in connection with homes that have closed to individual homeowners to reduce the effective tax rate thereof to 2.00% or less. Based on the base sales prices of the homes to be constructed by the current homebuilders as described herein, the District does not expect that any prepayments of Special Taxes will be required; however, if base prices were to be reduced in the future, it is possible that some prepayments could occur. Such prepayments, if any, would be applied to the redemption of Bonds in accordance with the Indenture. See “THE BONDS — Redemption — *Extraordinary Redemption from Special Tax Prepayments.*”

TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
(IMPROVEMENT AREA NO. 1)
ESTIMATED TAX OBLIGATION⁽¹⁾

<i>Assessed Value and Property Taxes</i>	<i>Percent of Total Assessed Valuation</i>	<i>Z at Millenia (Shea Homes) A</i>	<i>Element at Millenia (Shea Homes) A</i>	<i>Skylar at Millenia (KB Home California) B</i>	<i>Boulevard at Millenia (CalAtlantic) B</i>
Zone		A	A	B	B
Average Unit Size (square feet) ⁽²⁾		1,432	2,027	2,631	1,857
Value ⁽³⁾		\$428,660	\$571,063	\$647,598	\$493,997
AD VALOREM PROPERTY TAXES ⁽⁴⁾					
Basic Levy	1.00000%	\$4,286.60	\$5,710.63	\$6,475.98	\$4,939.97
Metropolitan Water District General Obligation Bonds	0.00350	15.00	19.99	22.67	17.29
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	0.00400	17.15	22.84	25.90	19.76
Southwestern Community College District General Obligation Bonds	0.04981	213.52	284.45	322.57	246.06
Sweetwater Union High School District General Obligation Bonds	0.05156	221.02	294.44	333.90	254.70
Chula Vista City School District General Obligation Bonds	0.01686	72.27	96.28	109.19	83.29
Chula Vista City School District School Facilities Improvement District No. 1 General Obligation Bonds	<u>0.01908</u>	<u>81.79</u>	<u>108.96</u>	<u>123.56</u>	<u>94.25</u>
Total Ad Valorem Property Taxes	1.14481%	\$4,907.34	\$6,537.59	\$7,413.77	\$5,655.33
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES					
City of Chula Vista CFD 14M ⁽⁵⁾		\$267.70	\$267.70	\$267.70	\$267.70
City of Chula Vista CFD 97-2 ⁽⁶⁾		28.71	40.64	52.75	37.23
CWA Water Availability ⁽⁷⁾		10.00	10.00	10.00	10.00
Mosquito Surveillance ⁽⁸⁾		2.28	2.28	2.28	2.28
Vector Disease Control ⁽⁹⁾		7.07	7.07	7.07	7.07
Otay Water Availability ⁽¹⁰⁾		10.00	10.00	10.00	10.00
MWD Water Standby Charge ⁽¹¹⁾		11.50	11.50	11.50	11.50
Sweetwater Union High School District CFD No. 18 ⁽¹²⁾		894.86	1,266.67	1,644.11	1,160.44
Sweetwater Union High School District General Obligation Bonds Credit ⁽¹³⁾		(221.02)	(294.44)	(333.90)	(254.70)
Chula Vista Elementary School CFD No. 18 ⁽¹⁴⁾		510.36	722.42	937.69	661.83
Chula Vista Elementary School District General Obligation Bonds Credit ⁽¹³⁾		(72.27)	(96.28)	(109.19)	(83.29)
City of Chula Vista CFD No. 16-I⁽¹⁵⁾		<u>1,406.62</u>	<u>1,728.10</u>	<u>1,715.62</u>	<u>1,509.62</u>
Total Assessments, Special Taxes and Parcel Charges		\$2,855.81	\$3,675.67	\$4,215.63	\$3,339.68
PROJECTED TOTAL PROPERTY TAXES		\$7,763.16	\$10,213.26	\$11,629.40	\$8,995.01
Projected Total Effective Tax Rate (as percentage of Average Sales Price)		1.81%	1.79%	1.80%	1.82%

* Preliminary, subject to change.

(1) Table does not include the remaining project area owned by SLF within Improvement Area No. 1 that is planned for residential uses. SLF expects to sell such property to a residential homebuilder by the end of 2018.

(2) Based on the expected average unit size within each residential project.

(3) Based on average base sales prices within each residential project.

(4) Based on Fiscal Year 2017-18 *ad valorem* rates.

(5) Based on Fiscal Year 2017-18 community facilities district special tax levy for services maximum rate of \$267.70 per dwelling unit.

(6) Based on Fiscal Year 2017-18 community facilities district special tax levy for services maximum rate of \$0.02 per building square foot.

(Footnotes continued on following page)

(Continued from previous page)

- (7) Based on Fiscal Year 2017-18 rate of \$10.00 per parcel or per acre, whichever is greater.
- (8) Based on the actual Fiscal Year 2017-18 levy of \$2.28 per parcel.
- (9) Based on the actual Fiscal Year 2017-18 levy of \$7.07 per single family equivalent benefit unit.
- (10) Based on Fiscal Year 2017-18 rate of \$10.00 per parcel (less than one acre).
- (11) Based on the actual Fiscal Year 2017-18 levy of \$11.50 per parcel or per acre, whichever is greater.
- (12) Based on the Fiscal Year 2017-18 maximum rate of \$0.6249 per building square foot.
- (13) Credit for school districts' *ad valorem* general obligation levy per mitigation agreements between the applicable school district and the developer. Pursuant to the mitigation agreements, such credits are to be provided until the final maturity of the general obligation bonds which are payable from such *ad valorem* general obligation levy.
- (14) Based on the Fiscal Year 2017-18 maximum rate of \$0.3564 per building square foot.
- (15) Based on the Fiscal Year 2018-19 Assigned Special Tax rates.

Source: Willdan Financial Services.

Market Absorption Study

In order to determine the projected absorption of the planned residential and non-residential property within Improvement Area No. 1, the City engaged Meyers Research, LLC (the "Market Absorption Analyst") to perform a comprehensive analysis of the product mix characteristics as well as the macroeconomic and microeconomic factors that are expected to influence the absorption of the forthcoming products within Improvement Area No. 1. The Market Absorption Analyst delivered its Market Absorption Study titled "Market Absorption Analysis Chula Vista CFD 16-I (Millenia IA No. 1) (the "Market Absorption Study").

With respect to the planned residential developments within Improvement Area No. 1, the Market Absorption Study concludes that the attached and detached condominiums are comparable to other projects within the south County area, which the Market Absorption Study reports are selling well. The Market Absorption Study states that new home sales in the region where Improvement Area No. 1 is located have increased by approximately 108% from 2016 to 2017. The Market Absorption Analyst's estimated calendar year sales for the residential units within Improvement Area No. 1 is set forth in the table below.

With respect to the proposed commercial projects within Improvement Area No. 1, the Market Absorption Analyst concludes that the projects are supportable. The Market Absorption Study states that office vacancy rates within the County and the Southbay area (including the City) have decreased from approximately 15.2% in 2009 to approximately 9.6% in the fourth quarter of 2017. In addition, the Market Absorption Study notes that office market absorption within the same region has outpaced deliveries in seven of the last eight years. The Market Absorption Study estimates an average annual absorption rate of 87,800 square feet of leasable space within the Millenia project as a whole. With respect to the property currently owned by LMC Millenia Company, which is planned to include approximately 318,000 square feet of leasable office space, the Market Absorption Study estimates full absorption within approximately four years from the time such property is made available to the market.

Based on the assumptions and limiting conditions set forth in the Market Absorption Study, the Market Absorption Analyst has estimated the calendar year sales for the residential units and the demand for commercial office space as set forth in the table below. With respect to the estimated absorption of the leasable square footage of commercial space, the table below shows the estimated demand for such space in the market in which Improvement Area No. 1 is located. LMC Millenia Company expects to commence construction of the office buildings on the property that it owns within Improvement Area No. 1 in October 2018 and to complete construction in January 2020. The Market Absorption Analyst concludes that, with pre-leasing efforts of the planned office space within Improvement Area No. 1, there could be enough demand for such office space to absorb the square footage per the schedule in the table below prior to construction completion, with occupancy to begin when completion occurs. LMC Millenia Company expects to pre-lease office space prior to construction completion, however, no assurances can be made that any leases will be executed. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — LMC Millenia Company Development and Financing Plan."

PROJECTED FUTURE ABSORPTION

<i>Year</i>	<i>Residential Homes⁽¹⁾</i>	<i>Commercial Property (Square Feet)⁽²⁾</i>
2018	114	77,197
2019	107	77,197
2020	76	77,197
2021	12	77,197
2022	--	90,225
2023	--	90,225
2024	--	90,225
2025	--	90,225
2026	--	90,225
2027	--	90,295
2028	--	90,295
2029	--	90,295
Total	309	1,018,000

⁽¹⁾ Excludes actual sales of 84 homes which occurred prior to 2018. As of April 1, 2018, there were 57 homes sales which had closed to individual homeowners.

⁽²⁾ Reflects estimated demand for office space in the market in which Improvement Area No. 1 is located. The office campus planned to be constructed on the property owned by LMC Millenia Company is not expected to be complete until January 2020 but has began pre-leasing activities. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT — LMC Millenia Company Development and Financing Plan.”

Source: The Market Absorption Analyst.

The Market Absorption Analyst notes that actual absorption rates will differ from projections in the Market Absorption Study. Such differences could be material. Factors which may influence the pace of absorption of the residential and non-residential products within Improvement Area No. 1 include economic downturn, a sudden spike in mortgage rates, tax reform policies relating to housing, and competition from developments within the vicinity of Improvement Area No. 1. See “SPECIAL RISK FACTORS — Risks of Real Estate Secured Investments Generally” and “—Tax Cuts and Jobs Act.” An executive summary of the Market Absorption Study is attached hereto as APPENDIX I.

Appraisal Report and Supplement to Appraisal Report

The estimated assessed value of the property within Improvement Area No. 1, as shown on the City’s assessment roll for Fiscal Year 2017-18, is approximately \$19,297,732. However, as a result of the requirements of Article XIII A of the California Constitution, a property’s assessed value is not necessarily indicative of its market value. In order to provide information with respect to the minimum market value of the property within Improvement Area No. 1, the City engaged Kitty Siino & Associates, Inc., the Appraiser, to prepare the Appraisal Report. The Appraiser has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City, the District, or the owners of the land within Improvement Area No. 1 other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with County-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as APPENDIX B-1 — “APPRAISAL REPORT” to this Official Statement.

The purpose of the Appraisal Report was to estimate the minimum market value of the property within Improvement Area No. 1 subject to the lien of the Special Taxes. The estimate of market value takes into consideration and assumes the improvements to be funded with the proceeds of the Bonds have been installed and

that the remaining costs to develop each of the projects within Improvement Area No. 1 provided to the Appraiser by SLF and each of the builders are correct. As a result, the value conclusions are based upon a hypothetical condition that the Bonds have been sold with proceeds available for construction of improvements of approximately \$11,000,000. The Appraiser also assumes that SLF will commence construction of Orion Park and Strata Park at such time so as to not limit the ability of Shea Homes and KB Home California to obtain certificates of occupancy above the thresholds set forth in the Park Agreement. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development — *Infrastructure Requirements and SLF Financing Plan.*”

Subject to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of the Date of Value (February 1, 2018), the market value of the Taxable Property within Improvement Area No. 1 was \$62,228,054. In valuing the property within Improvement Area No. 1, the Appraiser used a sales comparison approach for the property to be developed and, with respect to the builder-owned models and production units more than 95% complete, a discounted cash flow analysis was applied. The discounted cash flow analysis accounts for remaining development costs, marketing and carrying costs, developer profit and a discount rate through the estimated absorption period for such models and production units. To arrive at the absorption schedule for the models and production units, the Appraiser reviewed both the actual sales made to date and the projection set forth in the Market Absorption Study. For the 53 individual homes that had closed escrow as of the Date of Value, the Appraiser used a mass appraisal technique identifying the base prices for each model.

The Appraiser has prepared the Appraisal Supplement dated April 30, 2018. In the Appraisal Supplement, the Appraiser concludes that the estimated minimum market value of the property within Improvement Area No. 1 subject to the levy of Special Taxes as of April 1, 2018, was not less than the concluded value of \$62,228,054 set forth in the Appraisal Report. In the Appraisal Supplement, the Appraiser states that subsequent to the Date of Value, within Improvement Area No. 1, there were additional homes closings and homes in escrow and additional homes have been constructed. In connection with the preparation of the Appraisal Supplement, the Appraiser inspected the property within Improvement Area No. 1 and was provided information with respect to the additional home closings, sales and construction activity by the homebuilders and commercial builder within Improvement Area No. 1.

Tables 3A and 3B below show the appraised value of the various parcels owned by SLF, the builders and the individual homeowners within Improvement Area No. 1 as set forth in the Appraisal Report as of the Date of Value. In the aggregate, the estimated appraised value of the property owned by SLF as of the Date of Value is \$6,030,000. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” below.

TABLE 3A
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
(IMPROVEMENT AREA NO. 1)
SUMMARY OF APPRAISED VALUES FOR RESIDENTIAL DEVELOPMENTS

<i>Owner⁽¹⁾</i>	<i>Lot Number⁽²⁾</i>	<i>Parcel Count as of the Date of Value⁽³⁾</i>	<i>Projected Number of Units at Build-Out⁽⁴⁾</i>	<i>Appraised Value</i>
SLF	11	1	60	\$ 2,490,000
CalAtlantic	17	1	78	3,900,000
KB Home California	14	1	79	8,750,000
Shea Homes	9	123	123	14,520,500
Individual Homeowners	9	<u>53</u>	<u>53</u>	<u>25,027,554</u>
Total Appraised Value		<u>179</u>	<u>393</u>	<u>\$54,688,054</u>

(1) Based on ownership as of the Date of Value set forth in the Appraisal Report. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” below.

(2) Lot numbers correspond to those shown on the Site Map on page ___ hereof.

(3) Based on the number of assessor’s parcels as of the Date of Value. As of the Date of Value the final condominium plan and the final tract map for the property owned by CalAtlantic and KB Home California, respectively, had not been recorded. Individual assessor’s parcels will be assigned by the County reflecting the projected number of units at buildout for such property when the applicable map is recorded. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” below.

(4) Based on the total number of units expected to be developed by the current homebuilders and on Lot 11 owned by SLF, which SLF expects to convey to a homebuilder. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” below.

Source: The Appraiser.

TABLE 3B
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
(IMPROVEMENT AREA NO. 1)
SUMMARY OF APPRAISED VALUES FOR COMMERCIAL DEVELOPMENTS

<i>Owner⁽¹⁾</i>	<i>Lot Number⁽²⁾</i>	<i>Parcel Count as of the Date of Value</i>	<i>Projected Leasable Square Footage at Build-Out⁽³⁾</i>	<i>Appraised Value⁽⁴⁾</i>
SLF	1	1	700,000	\$3,540,000
LMC Millenia Company	7	<u>1</u>	<u>318,000</u>	<u>4,000,000</u>
Total Appraised Value		<u>2</u>	<u>1,018,000</u>	<u>\$7,540,000</u>

(1) Based on ownership as of the Date of Value set forth in the Appraisal Report. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” below.

(2) Lot numbers correspond to those shown on the Site Map on page ___ hereof.

(3) Based on the estimated leasable square footage of the proposed commercial developments on such property. Excludes the square footage associated with the parking garage and amenity building expected to be constructed on the property owned by LMC Millenia Company. Pursuant to the Rate and Method, Non-Residential Property (as such term is defined in the Rate and Method) is taxed on a per-acre basis. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” below.

(4) The Appraiser used a sales comparison approach to arrive at the estimated appraised value of the property planned for commercial use in Improvement Area No. 1. The total estimated appraised value for each parcel was determined by multiplying the estimated value per square foot by the total square footage within the applicable parcel.

Source: The Appraiser.

Reference is made to APPENDIX B-1 for a complete list of the Appraiser’s assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser’s opinions. In the

event that any of the assumptions and limiting conditions are not actually realized, the value of the property within Improvement Area No. 1 may be less than the amount reported in the Appraisal Report. In any case, there can be no assurance that any portion of the property within Improvement Area No. 1 would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report is a statement of the Appraiser's opinion as to the market value of the taxable property in Improvement Area No. 1 as of the date and under the conditions specified therein. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser's opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future. See "SPECIAL RISK FACTORS — Property Values."

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the District a certification to the effect that, nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal Supplement that would cause the Appraiser to believe that the value of the property in Improvement Area No. 1 is less than the value reported in the Appraisal Report. However, the Appraiser notes that acts and events may have occurred since the date of the Appraisal Supplement which could result in both positive and negative effects on market value within Improvement Area No. 1. The Appraiser has reviewed the homebuilder base prices as of the date of this Official Statement and concluded that those base prices do not cause it to believe that the value of property listed for any owner in Table 3A above would be reduced.

Appraised Value-To-Lien Ratios

Table 4 below incorporates the values assigned to parcels in the Appraisal Report, the estimated principal amount of the Bonds allocable to each category of parcels and the estimated appraised value-to-lien ratios for various categories of parcels based upon the values and property ownership in Improvement Area No. 1 as of Date of Value as set forth in the Appraisal Report. Based on the principal amount of the Bonds, the estimated appraised value-to-lien ratio of the Taxable Property within Improvement Area No. 1 is 4.71-to-1*. This ratio does not include other overlapping debt within Improvement Area No. 1. See "— Direct and Overlapping Indebtedness" above. Taking that overlapping debt into account, the ratio of the aggregate appraised value of the Taxable Property within Improvement Area No. 1 to the total principal amount of the Bonds and such overlapping general obligation debt for Improvement Area No. 1 is approximately 4.55-to-1*.

The share of Bonds set forth in Table 4 below is allocated based on each property's share of the estimated Fiscal Year 2018-19 Special Tax levy based on land use and ownership as of the Date of Value. In the District Reports to be provided pursuant to the District Continuing Disclosure Agreement, Table 4 will not be updated based on appraised value, but similar information will be provided based on current assessed value. Based on the Fiscal Year 2017-18 assessed value of \$19,297,732, the assessed value-to-lien ratio, taking the Bonds and the overlapping debt in Table 1 into account, is approximately 1.41-to-1*.

* Preliminary, subject to change.

TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
(IMPROVEMENT AREA NO. 1)
APPRAISED VALUE-TO-LIEN RATIOS⁽¹⁾

<i>Property Classification / Owner⁽²⁾</i>	<i>Estimated Fiscal Year 2018-19 Number of Units/Lots⁽²⁾</i>	<i>City of Chula Vista CFD No. 16-I Improvement Area No. 1 Estimated Fiscal Year 2018-19 Special Tax Levy⁽³⁾</i>	<i>Percentage of Estimated Fiscal Year 2018-19 Special Tax Levy</i>	<i>City of Chula Vista CFD No. 16-I Improvement Area No. 1 Bonds^{(4)*}</i>	<i>Appraised Value⁽⁵⁾</i>	<i>Estimated Appraised Value-to-Lien Ratios⁽⁶⁾⁽⁷⁾</i>
Developed Property						
KB Home California ⁽⁸⁾	16	\$ 27,450	4.86%	\$ 641,884	\$ 8,750,000	13.63
Shea Homes	123	188,096	33.32	4,398,404	14,520,500	3.30
Individually Owned	<u>53</u>	<u>84,557</u>	<u>14.98</u>	<u>1,977,277</u>	<u>25,027,554</u>	<u>12.66</u>
Subtotal	192	\$ 300,103	53.16%	\$ 7,017,565	\$ 48,298,054	6.88
Undeveloped Property						
CalAtlantic ⁽⁹⁾	1	\$ 93,828	16.62%	\$ 2,194,052	\$ 3,900,000	1.78
SLF-IV Millenia, LLC	2	133,065	23.57	3,111,560	6,030,000	1.94
LMC-Millenia Investment Co.	<u>1</u>	<u>37,497</u>	<u>6.64</u>	<u>876,823</u>	<u>4,000,000</u>	<u>4.56</u>
Subtotal	4	\$ 264,389	46.84%	\$ 6,182,435	\$ 13,930,000	2.25
Total	196	\$ 564,493	100.00%	\$ 13,200,000	\$ 62,228,054	4.71

* Preliminary, subject to change.

(1) Total may not sum due to rounding.

(2) Based on ownership status as of February 1, 2018 and development status as of March 1, 2018, as provided by SLF, Shea Homes, KB Home California, CalAtlantic and LMC Millenia Company. Homebuilders within Improvement Area No. 1 have obtained additional building permits for their projects after March 1, 2018. Such property will be classified as Developed Property under the Rate and Method beginning with the Fiscal Year 2019-20 Special Tax levy.

(3) Based on development status as of March 1, 2018. In Fiscal Year 2018-19, the District expects to levy Special Taxes on Developed Property at the Assigned Special Tax rates and on Undeveloped Property at approximately 80.83% of the Maximum Special Tax rates for Undeveloped Property. Interest on a portion of the Bonds due through September 1, 2019 will be paid from proceeds of the Bonds.

(4) Allocated based on the projected Fiscal Year 2018-19 Special Tax levy.

(5) Based on the Appraisal Report as of the Date of Value.

(6) Calculated by dividing the Appraised Value column by the Chula Vista CFD No. 16-I Improvement Area No. 1 Bonds column.

(7) Does not include overlapping general obligation bonded debt. The property within Improvement Area No. 1 is located within the School District CFDs. Such community facilities districts have not yet issued any bonded indebtedness but are levying special taxes on property classified as developed property under its rate and method of apportionment of special tax. See “— Direct and Overlapping Indebtedness” above.

(8) KB Home California expects to record the final condominium plan for the 79 units in its project in May 2018 in which case an assessor’s parcel number will be assigned to each unit within such project and be subject to the Fiscal Year 2019-20 Special Tax levy. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — Potential Necessity for Application of Backup Special Tax as a Result of Development Timing.”

(9) See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — Potential Necessity for Application of Backup Special Tax as a Result of Development Timing” for a discussion on the potential need for the application of the Backup Special tax rates on Developed Property.

Source: Willdan Financial Services.

Largest Taxpayers

Table 5 below lists the taxpayers within Improvement Area No. 1 based on ownership as of February 1, 2018 and development status as of March 1, 2018, measured by the percentage of the projected Fiscal Year 2018-19 Special Tax levy. As shown in Table 5 below, based on the ownership status as of February 1, 2018 provided in the Appraisal Report and the number of building permits issued as of March 1, 2018, assuming no additional conveyance of property by SLF or any transfer of property by homebuilders to individual homeowners, for Fiscal Year 2018-19, the largest taxpayer within Improvement Area No. 1 will be Shea Homes. See “SPECIAL RISK FACTORS — Concentration of Ownership.”

**TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
(IMPROVEMENT AREA NO. 1)
ESTIMATED FISCAL YEAR 2018-19 LARGEST TAXPAYERS**

<i>Zone</i>	<i>Owner⁽¹⁾</i>	<i>Estimated Fiscal Year 2018-19 Number of Units⁽²⁾</i>	<i>Estimated Fiscal Year 2018-19 Taxable Acreage⁽²⁾</i>	<i>Fiscal Year 2018-19 Land Use Class⁽²⁾</i>	<i>Estimated Fiscal Year 2018-19 Special Tax Levy⁽³⁾</i>	<i>Percent of Total Levy</i>
A	Shea Homes	123	N/A	Developed	\$ 188,096	33.32%
A	Individual Owners	53	N/A	Developed	84,557	14.98
B	KB Home California	16	N/A	Developed	27,450	4.86
B	CalAtlantic	N/A	3.84	Undeveloped	93,828	16.62
C	LMC-Millenia Investment Co.	N/A	7.06	Undeveloped	37,497	6.64
B	SLF-IV Millenia, LLC	N/A	3.07	Undeveloped	75,013	13.29
C	SLF-IV Millenia, LLC	N/A	10.93	Undeveloped	58,051	10.28
	SLF-IV Millenia, LLC Subtotal		14.00		\$ 133,064	23.57%
	Total	192	24.90		\$ 564,493	100.00%

* Preliminary, subject to change.

(1) Based on Appraisal Report as of the Date of Value. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT — Builders in Improvement Area No. 1” below.

(2) Based on the number of units and acreage as provided by SLF, Shea Homes, KB Home California, CalAtlantic and LMC Millenia Company. Residential Property that is classified as Developed Property under the Rate and Method will be taxed on a per-residential unit basis. Property that is classified as Undeveloped Property under the Rate and Method will be taxed per acre. See APPENDIX A attached hereto.

(3) Total may not sum due to rounding.

Source: Willdan Financial Services.

Delinquency History

Fiscal Year 2018-19 will be the first fiscal year in which Special Taxes are levied within Improvement Area No. 1.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

General Description of the Development

The District is located in eastern portion of the City, approximately 8 miles southeast of the City of San Diego, within the master planned community known as “Otay Ranch.” The District is located within a development of Otay Ranch known as “Millenia.” The Millenia project is located south of Birch Road, east of State Route 125, and west of Eastlake Parkway.

The Millenia project is a mixed-use development compassing approximately 230 gross acres. Pursuant to the EUC Sectional Planning Area (as defined and described below under “The Development — *Entitlements for the Overall Millenia Planned Community*”) the area within the Millenia project is organized into districts with different predominant uses such as residential, civic, office/commercial and retail. As a whole, the Millenia project is entitled for up to 2,983 multi-family residential units and a maximum of 3.4 million square feet of commercial uses including a hotel, retail space and a business district of up to two million square feet of office space. The Millenia project, including the property within Improvement Area No. 1, is expected to be served by a number of parks and a civic core including library facilities, an elementary school and a City fire station. Millenia is accessed via entries along the arterial roads which bound the development, and access to the individual districts (i.e. the residential neighborhoods and commercial and civic centers) is via interior streets. Existing developments within the Millenia community include apartments, attached and detached condominiums and a hotel, which is under construction.

In addition to the active developments within Improvement Area No. 1, development within Millenia is ongoing. A 273-unit apartment project called “Pulse Millenia” and a 210-unit apartment project called “Duetta and Volta at Millenia” are complete and fully occupied. Two additional apartment projects consisting of a 309-unit project marketed as “Alexan Millenia” and a 253-unit project marketed as “Esplanade” by Trammel Crow Residential are under construction. A condominium project spanning three neighborhoods being developed and marketed by Meridian as “Metro, Trio and Evo” is under construction. Commercial developments within Millenia under construction include a 130,000 square foot retail development by Sudberry Properties, planned for shops and restaurants, and a 135-room hotel by Ayres Group. With respect to the public facilities planned within Millenia, one of the six parks has been completed, construction of the second park is expected to begin in mid-2018, and the City fire station is under design with construction expected to begin in 2019. Construction of a pedestrian bridge crossing Eastlake Parkway to link the Millenia project to the surrounding developments is expected to begin in late-2018. The foregoing developments are outside of Improvement Area No. 1 and are not subject to the Special Tax levy.

The District consists of property located within the Millenia project. The area within the Millenia project has been divided into separate project areas, six of which are included in Improvement Area No. 1. Four of the project areas within Improvement Area No. 1 are planned for for-sale market-rate residential projects totaling 393 residential units and two are planned for commercial uses. The project areas within Improvement Area No. 1 originally consisted of six separate assessor’s parcels, certain of which have been further subdivided in accordance with the development plans for such parcels.

SLF has conveyed three of the four original assessor’s parcels within Improvement Area No. 1 planned for residential projects to homebuilders. SLF plans to sell the remaining project area within Improvement Area No. 1 that is planned for a residential project to a homebuilder by the end of 2018.

There are two project areas within Improvement Area No. 1 planned for commercial uses. LMC Millenia Company has acquired one parcel corresponding with one of such commercial project areas from SLF and is under contract to purchase the second from SLF (which sale is expected to close in July 2018). The parcel currently owned by LMC Millenia Company is planned for an office campus with two buildings totaling approximately 318,000 square feet of leasable space, an amenity building of approximately 6,100 square feet and a parking garage of approximately 401,760 square feet. The parcel which is under contract to be sold by SLF to LMC Millenia Company is expected to be developed into an office campus with four buildings totaling approximately 700,000 square feet of leasable space. SLF expects to convey the remaining parcel planned for residential development (which is expected to include 60 homes) to a homebuilder by the end of 2018.

Approximately 42 acres of property in Improvement Area No. 1 are expected to be subject to the Special Tax at build-out.

The major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by SLF to serve the property within Improvement Area No. 1 is substantially complete.

As of the Date of Value, the status of the residential developments owned by homebuilders within Improvement Area No. 1 were as follows: (i) Shea Homes had completed and conveyed 53 homes within Improvement Area No. 1 to individual homeowners, owned six completed model homes, had 34 homes under construction (seven of which were over 95% complete) and owned 83 finished lots; (ii) KB Home California owned two completed model homes, had six homes under construction and owned 71 partially finished lots; and (iii) CalAtlantic owned one assessor's parcel planned for 78 attached townhomes for which grading had commenced. As of such date, the assessor's parcel owned by LMC Millenia Company, which is planned for commercial uses, had been graded with a basement area for a proposed parking structure. The remaining property owned by SLF is in a mass graded condition. A description of the progress made by the residential homebuilders within Improvement Area No. 1 is set forth below.

SLF and the Contracted Project Manager

SLF. The master developer of the Millenia project including the property within Improvement Area No. 1, is SLF IV-Millenia, LLC, a Delaware limited liability company (previously defined herein as SLF), formerly known as SLF IV / McMillin Millenia JV, LLC, a Delaware limited liability company. Membership interests in SLF were formerly held by SLF IV Millenia Investor, LLC, a Texas limited liability company (as successor to Stratford Land Fund IV, L.P.) and The Corky McMillin Real Estate Group, LLC. In 2014, SLF IV Millenia Investor, LLC purchased The Corky McMillin Real Estate Group, LLC's interest in SLF and became the sole member of SLF. The membership interest in SLF purchased by SLF IV Millenia Investor, LLC included the title, rights and obligations with respect to the property within the Millenia project, including the rights and obligations under the Development Agreement (as defined below). In 2015, SLF IV / McMillin Millenia JV, LLC changed its name to SLF IV-Millenia, LLC.

SLF is an entity funded by an investment fund of Stratford Land ("Stratford"). Established in 1983 and based in the United States, Stratford is a real estate investment manager focusing on high growth corridors in the "Sunbelt" region from North Carolina to Florida and across to Texas, Arizona and southern California. Stratford has brokered land transactions in excess of \$1.5 billion and invested in approximately \$800 million of land acquisitions and development. Until 1998, Stratford formed and managed a series of 19 separate single-asset partnerships to invest in land. Since 1998, Stratford's primary investment management vehicles include 5 funds that have invested in land investments (equity and debt) such as the Millenia project.

The Contracted Project Manager. Pursuant to a contract with SLF, Meridian manages the development of the Millenia project, including the property within Improvement Area No. 1. Founded in 2014, Meridian is a land development and homebuilding company led by former longstanding senior executives of The Corky McMillin Companies. Since 2015, Meridian has been contracted to manage all aspects of development of the Millenia project for SLF. Meridian Development does not own any property within Improvement Area No. 1.

History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy

Each of SLF, Shea Homes, KB Home California, CalAtlantic and LMC Millenia Company has made certain representations to the District, which, among others, include the following: a) such entity has not intentionally failed to pay when due any property taxes, special taxes, or assessments levied or assessed against its property within Improvement Area No. 1 or failed to cure such delinquencies within forty-five days of becoming aware of such delinquencies; b) there are no events of monetary default or events which with the passage of time would constitute a monetary default under any loan or similar credit arrangement to which such entity is a party the result of which could have a material adverse effect on the development and sale of the property that it owns within Improvement Area No. 1 as described in this Official Statement or its ability to pay Special Taxes related to such property prior to delinquency; c) such entity has not been adjudicated as bankrupt or discharged from any or all of its debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of its debts in the past 10 years; and d) such entity does not have any proceedings pending (with service of process having been accomplished) or, to the actual knowledge of the

individual providing the representations on behalf of such entity, threatened in which such entity may be adjudicated as bankrupt, become the debtor in a bankruptcy proceeding, be discharged from any or all of its debts or obligations, be granted an extension of time to pay its debts or obligations, or be granted a reorganization or readjustment of its debts or obligations.

The Development

Infrastructure Requirements and SLF Financing Plan. As of the Date of Value, the backbone infrastructure improvements to serve the parcels within Improvement Area No. 1 have been substantially completed. The only remaining improvements to be completed by SLF to serve the parcels within Improvement Area No. 1 are the installation of two traffic signals on Millenia Avenue and the final lift of paving on several streets in the second phase of street improvements. SLF estimates that the cost to complete this work is approximately \$500,000. These improvements are expected to be completed by August 2018 and are not prerequisites to the issuance of building permits in Improvement Area No. 1.

Pursuant to the “Agreement Regarding Construction of Parks in a Portion of Otay Ranch Eastern Urban Center,” dated as of September 15, 2009, by and between the City and SLF (as successor in interest thereunder to McMillin Otay Ranch LLC), as amended (the “Park Agreement”), SLF is required to: (i) commence construction of Orion Park prior to the occupancy of the 100th home within Shea Homes’ development in Improvement Area No. 1, and (ii) commence construction of Strata Park prior to the occupancy of the 65th home within KB Home California’s development in Improvement Area No. 1. SLF expects to commence construction of Orion Park in June 2018 and expects to commence construction of Strata Park in late-2018, which, in each case, is expected to be prior to the occupancy thresholds of each builder’s project described in the preceding sentence. The issuance of certificates of occupancy for the residential projects being constructed by Shea Homes and KB Home California will be limited to such thresholds until SLF commences construction of such parks.

Sidewalks, landscape and irrigation improvements (the “Pedestrian Corridor Improvements”) which front the two parcels owned by SLF and the parcel owned by CalAtlantic remain to be completed. The builders are responsible for completing the Pedestrian Corridor Improvements. With respect to the assessor’s parcel currently under contract to be sold to LMC Millenia Company, however, SLF will reimburse LMC Millenia Company for the costs of the Pedestrian Corridor Improvements. The costs of the Pedestrian Corridor Improvements for the remaining assessor’s parcel owned by SLF that is planned for residential development is expected to be borne by the purchaser of such parcel.

Within the overall Millenia project, as of the Date of Value, mass grading had been completed and approximately 75% of the project infrastructure had been installed. As of the Date of Value, SLF expects to spend approximately \$41,000,000 in additional site development costs on improvements within the overall Millenia project, including the third and final phase of street and infrastructure development, construction of five parks, a fire station, and pedestrian bridge improvements.

Through February 1, 2018, for the Millenia project, SLF has financed its land acquisition costs, various site development and costs related to home construction participation interests with respect to certain property in Millenia which is outside of Improvement Area No. 1, through internally generated funds, third-party loans, and related party loans. SLF expects to use land sales revenue, home sales revenue from SLF’s homebuilding participation in projects in Millenia outside of Improvement Area No. 1, internal funding, revenue from the sale of City development impact fee credits, proceeds from bonds issued by the District (including the Bonds), and various loans to complete its development activities in Millenia. However, land sale revenue from SLF’s property in Improvement Area No. 1 and proceeds of bonds issued by the District paid to acquire public facilities from SLF will not be segregated and set aside for the payment of costs required to complete its activities in Improvement Area No. 1. Such funds along with land sales revenue, home sales revenue (from SLF’s homebuilding participation in projects outside of Improvement Area No. 1) and fee credit sales revenues from all projects is accumulated and used to pay costs of operations for SLF and its

subsidiaries, to pay debt service on outstanding debt and for other project purposes, and may be diverted to pay costs other than the costs of completing SLF's activities in Improvement Area No. 1 at the discretion of SLF's management. Notwithstanding the foregoing, SLF believes that it will have sufficient funds available to complete its development activities within the Millenia project, including the infrastructure for which it is responsible in order to allow for buildout of the property within Improvement Area No. 1, commensurate with the development timing described in this Official Statement.

Although SLF expects to have sufficient funds available to complete its development activities in Improvement Area No. 1 in accordance with the development timing described in this Official Statement, there can be no assurance, that amounts necessary to finance the remaining development costs will be available from SLF or any other source when needed. SLF has no legal obligation to the Bondowners to expend funds for the development of the property within Improvement Area No. 1 or the payment of *ad valorem* property taxes or the Special Taxes. SLF has posted improvement bonds for the costs of the backbone infrastructure required for Improvement Area No. 1. SLF expects to provide improvement bonds for the costs to complete Orion Park and Strata Park prior to the commencement of construction of each park.

Entitlements for the Overall Millenia Planned Community. The Millenia project is located within the Otay Ranch General Development Plan (the "Otay Ranch GDP") approved by the City Council. The Otay Ranch GDP groups the land within Otay Ranch into villages and established community-wide land use policies which governs the developments within Otay Ranch. The Otay Ranch GDP is implemented through the subdivision of land into "Sectional Planning Areas." Each Sectional Planning Area that is approved by the City implements the policies and objectives of the Otay Ranch GDP by defining land uses, development standards, design criteria and the type and amount of development permitted.

The Millenia project comprises the Otay Ranch Eastern Urban Center Sectional Planning Area (the "EUC Sectional Planning Area"). On October 6, 2009, the City Council adopted an ordinance which found that the EUC Sectional Planning Area plans were consistent with the City's general plan and the Otay Ranch GDP. Pursuant to the EUC Sectional Planning Area, the Millenia project is entitled for up to 2,983 multi-family residential units, up to 3.4 million square feet of commercial uses, and a civic core with public facilities such as a library, museum and multipurpose venues. In 2009, the City approved and entered into a development agreement with McMillin Otay Ranch LLC (the "Development Agreement"), which provided for the vesting of rights to develop the Millenia Project consistent with the terms of the Development Agreement, the EUC Sectional Planning Area plan, the Park Agreement and the Final EIR (as defined below). Other than the construction of Orion Park and Strata Park, which is required prior to certain residential occupancy levels within the Shea Homes and KB Home California developments, SLF has fulfilled the requirements necessary to achieve buildout within Improvement Area No. 1 consistent with the EUC Sectional Planning Area plan. See "The Development — *Infrastructure Requirements and SLF Financing Plan*" above.

SLF is in the process of amending the EUC Sectional Planning Area plans with respect to certain land uses and building heights in the Millenia project. Such amendments include reducing the square footage of commercial uses from 3.4 million square feet to 3.1 million square feet, modifying the minimum average building height from five stories to four stories in six project areas, and revising the amount and distribution of commercial uses in the main commercial district within Millenia. The proposed amendments do not affect the currently active or planned developments within Improvement Area No. 1, however, such amendments, if approved, would reduce the minimum building height on the lot owned by SLF that is planned for residential development from five stories to four stories, which allows for more flexibility in building design. Such amendments are tentatively scheduled for consideration by the City's planning commission in June 2018 and by the City Council in July 2018.

The Development Agreement requires that SLF provide land and/or space within a building located in the Millenia project for a public library to be owned and operated by the City. Pursuant to a Consent to Partial Assignment and Transfer of Development Agreement dated February 9, 2016 (the "Library Transfer Agreement"), by and among the City, SLF and LMC Millenia Company, SLF transferred to LMC Millenia

Company the obligation under the Development Agreement to provide land and/or space for the public library. The Library Transfer Agreement provides that such public library will be located on the property currently owned by LMC Millenia Company within Improvement Area No. 1. However, the City and LMC Millenia Company are currently discussing potential sites for the library facility, which may include a location outside of Improvement Area No. 1.

Pursuant to the Development Agreement, the library facility may be located on property to be transferred to the City or in space to be leased by the City. Based on estimates provided by LMC Millenia Company, if the library were to be located on the property currently owned by LMC Millenia Company within Improvement Area No. 1, it would require a site of approximately 0.67 acres. In such event, LMC expects to subdivide such assessor's parcel that it currently owns within Improvement Area No. 1 to create a separate assessor's parcel for the library site. Upon transfer of ownership to the City, the library site would be classified as Exempt Property under the Rate and Method and would not be subject to the Special Tax levy unless the classification as Exempt Property would reduce the acreage of Taxable Property in a Zone below a certain threshold. In such event, the library site would be classified as Provisional Property and be subject to the Special Tax levy, if necessary, to meet the District's obligations with respect to Improvement Area No. 1, including debt service on the Bonds. Based on the current estimate of the size of the library site provided by LMC Millenia Company, the classification of such site as Exempt Property in and of itself, would not reduce the acreage within Zone C (the Zone in which such property is located) below the threshold which would require Exempt Property within Zone C to be classified as Provisional Property. See SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Rate and Method of Apportionment of Special Tax*" and Appendix A hereto.

Rather than becoming the owner of the library site and facility, the City may instead elect to lease space within a building for the library facility. Pursuant to the Development Agreement, the City would be required to pay market-rate rental if the City elects to lease space within a building for the library facility. In such case, the property on which such building is located would be classified as Non-Residential Property under the Rate and Method and remain subject to the Special Tax levy, payable by the owner of such parcel. See SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Assignment to Land Use Categories*" and Appendix A hereto.

Environmental Impact Report. In 1993, the City Council and the County Board of Supervisors approved the final environmental impact report for the Otay Ranch development. In 2009, a Second-Tier environmental impact report was prepared for the proposed Millenia project within the EUC Sectional Planning Area (the "Final EIR"). The possible use of pesticides in connection with the prior agricultural use of portions of the land within Improvement Area No. 1 was noted in the original environmental report for the Otay Ranch development and the Final EIR. Such issues were addressed during the grading of the land and included special handling and reuse of soil on-site pursuant to a soil reuse plan. In 2009, the City Council adopted an ordinance finding that the proposed Millenia project would have no new effects that were not examined in the Final EIR.

Builders in Improvement Area No. 1

The property in Improvement Area No. 1 is planned for four for-sale residential developments and two developments consisting of for-lease office space. The following table summarizes the planned developments and the status of the active developments within Improvement Area No. 1.

TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
(IMPROVEMENT AREA NO. 1)
SUMMARY OF DEVELOPMENTS

<i>Builder</i>	<i>Project Name</i>	<i>Product Type⁽¹⁾</i>	<i>Number of Units⁽²⁾</i>	<i>Number of Models Complete/Under Construction⁽³⁾</i>	<i>Number of Building Permits Issued⁽⁴⁾</i>
Shea Homes	Element	Residential – Detached	70	4	70
Shea Homes	Z	Residential – Attached	106	4	106
KB Home California	Skylar	Residential – Detached	79	2	16
CalAtlantic	Boulevard	Residential – Attached	78	0	0
LMC Millenia Company ⁽⁵⁾	N/A	Office Park	N/A	N/A	0
SLF ⁽⁶⁾	N/A	Office Park	N/A	N/A	0
SLF ⁽⁷⁾	N/A	Residential	<u>60</u>	<u>0</u>	<u>0</u>
TOTAL			393	10	192

⁽¹⁾ All active residential developments are planned for detached and attached condominiums.

⁽²⁾ Reflects number of units projected at buildout.

⁽³⁾ Based on development status as of the Date of Value.

⁽⁴⁾ As of March 1, 2018.

⁽⁵⁾ Lot is planned for an office campus with two buildings totaling approximately 318,000 leasable square feet, an amenity building of approximately 6,100 square feet and a parking garage of approximately 401,760 square feet.

⁽⁶⁾ Lot is under contract to be sold by SLF to LMC Millenia Company. Planned development on such lot is for an office campus with four buildings totaling approximately 700,000 square feet of leasable space.

⁽⁷⁾ Lot is planned for residential use with 60 homes at buildout. SLF expects to sell such property to a homebuilder by the end of 2018.

Source: SLF, Shea Homes, KB Home California, CalAtlantic, LMC Millenia Company.

[INSERT SITE MAP]

Shea Homes Development and Financing Plan

General. Shea Homes Limited Partnership (previously defined herein as Shea Homes) (as part of the Shea family of companies) builds homes in California, Arizona, Colorado, Florida, Nevada, North Carolina, South Carolina, Texas and Washington. Although Shea Homes is a privately held company, it produces quarterly disclosures similar to a publicly held company for its bondholders and other interested parties which are available at Shea Homes' website at www.sheahomes.com. Such Internet address is included for reference only, and the information on such Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement.

Development Plan. In 2016, Shea Homes purchased Lot 1 of Tract No. 16150 (totaling approximately 10 acres) within Improvement Area No. 1 from SLF for a purchase price of \$10,350,000. Shea Homes plans to develop this property to include 176 condominiums in two neighborhoods being marketed as "Element at Millenia" and "Z at Millenia." As of February 1, 2018, Shea Homes had completed and conveyed 53 homes within Improvement Area No. 1 to individual homeowners. As of such date, Shea Homes owned six completed model homes, seven homes over 95% complete (four of which were in escrow), 27 homes under construction (22 of which were in escrow) and 83 finished lots (five of which were in escrow). As shown in the tables below, between February 1, 2018 and April 1, 2018, Shea Homes has conveyed additional homes to individual homeowners and has commenced construction of additional homes within Improvement Area No. 1. Shea Homes expects to complete construction and convey all homes within both neighborhoods to individual homeowners by the end of 2020.

The commencement of construction of Orion Park by SLF (as described above under "The Development — *Infrastructure Requirements and SLF Financing Plan*") is required prior to the occupancy of the 100th home within the Shea Homes projects. Shea Homes' projects will be limited to 100 certificates of occupancy until the commencement of construction of Orion Park. Other than the foregoing, all approvals and permits required for development of property within the Shea Homes' projects within Improvement Area No. 1 have been secured except for the issuance of building permits for residential construction and other approvals required in the normal course of development. Final condominium plans for the Element at Millenia and Z at Millenia projects were recorded on June 27, 2017, and June 26, 2017, respectively. As of February 1, 2018, in-tract improvements which remain to be completed within Shea Homes' projects consisted primarily of street paving, curbs, gutters and landscaping. Shea Homes expects to begin home construction on the remaining finished lots that it owns within Improvement Area No. 1 once the remaining in-tract infrastructure for such lots is complete.

Shea Homes' Element at Millenia project is planned to consist of 70 detached condominiums. The Z at Millenia project is planned to consist of 106 attached condominiums. The tables below summarize, as of April 1, 2018, the product mix and development status of the Shea Homes projects within Improvement Area No. 1.

TABLE 7
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
(IMPROVEMENT AREA NO. 1)
SHEA HOMES
ELEMENT AT MILLENNIA

<i>Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of April 1, 2018</i>	<i>Completed Homes/Homes Under Construction ⁽¹⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow</i>	<i>Base Home Prices⁽²⁾</i>
1	18	1,775	8	10	0	6	\$489,000
2	16	1,915	8	8	0	6	523,000
3	18	2,157	7	11	0	5	554,246
4	<u>18</u>	2,248	<u>8</u>	<u>10</u>	<u>0</u>	<u>4</u>	587,000
Total	70		31	39	0	21	

⁽¹⁾ Includes four completed model homes and homes over 95% complete. Excludes homes which have closed to individual homeowners.

⁽²⁾ Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions.

Source: Shea Homes.

TABLE 8
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
(IMPROVEMENT AREA NO. 1)
SHEA HOMES
Z AT MILLENNIA

<i>Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of April 1, 2018</i>	<i>Completed Homes/Homes Under Construction ⁽¹⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow</i>	<i>Base Home Prices⁽²⁾</i>
1	14	1,288	4	4	6	2	\$386,000
2	44	1,430	10	13	21	9	409,000
3	<u>48</u>	1,475	<u>12</u>	<u>10</u>	<u>26</u>	<u>9</u>	426,000
Total	106		26	27	53	20	

⁽¹⁾ Includes two completed model homes and homes over 95% complete. Excludes homes which have closed to individual homeowners.

⁽²⁾ Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions.

Source: Shea Homes.

Financing Plan. Through March 1, 2018, Shea Homes has spent approximately \$41,712,294 on land acquisition, design and construction costs on its projects within Improvement Area No. 1. Shea Homes expects to spend approximately \$31,876,260 in additional site development, permit and impact fees, and direct and indirect construction costs between March 1, 2018 and full build-out of the homes proposed to be constructed, which is expected to occur by the end of 2020.

Through March 1, 2018, Shea Homes has financed its land acquisition costs and various site development and home construction costs related to its property within Improvement Area No. 1 through internally generated funds. Shea Homes expects to use internal funding to complete its development activities within Improvement Area No. 1. If necessary, Shea Homes may access additional funding from a revolving credit facility, as described below.

Shea Homes has a \$175 million unsecured revolving credit facility (the “Shea Homes Revolving Facility”), which matures on April 1, 2020. The Shea Homes Revolving Facility is not secured by Shea Homes’ property in Improvement Area No. 1. The Shea Homes Revolving Facility has an accordion feature that allows the facility to be increased by up to an additional \$125 million, for a total of \$300 million. The Shea Homes Revolving Facility contains certain covenants and conditions that may limit Shea Homes’ ability to increase the maximum amount available to be drawn and the amount that Shea Homes may borrow or have outstanding at any time. As of December 31, 2017 Shea Homes has no outstanding borrowings and \$20.6 million of issued letters of credit under the Shea Homes Revolving Facility leaving \$154.4 million of available borrowing capacity at that date. Shea Homes’ ability to renew the Shea Homes Revolving Facility in the future is dependent upon a number of factors including the state of the commercial lending environment, the willingness of banks to lend to homebuilders and Shea Homes’ financial condition and strength.

The following table shows Shea Homes’ estimated sources and uses of funds for developing the property that it owns within Improvement Area No. 1.

TABLE 9
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
(IMPROVEMENT AREA NO. 1)
SHEA HOMES ESTIMATED CASH FLOW

	<i>Total Budget</i>	<i>Through March 1, 2018</i>	<i>March 1, 2018 to December 31, 2018</i>	<i>January 1, 2019 to December 31, 2019</i>	<i>January 1, 2019 Through Build-Out</i>
Sources of Funds					
Shea Homes Corporate (Internal Funds)	\$73,588,543	\$41,712,294	\$20,653,867	\$9,229,305	\$1,993,088
Total Sources of Funds	\$73,588,543	\$41,712,294	\$20,653,867	\$9,229,305	\$1,993,088
Uses of Funds					
Land	\$10,354,265	\$10,354,265	--	--	--
Common Costs/Land Planning/Other	1,995,402	1,478,744	\$ 437,835	\$ 59,124	\$ 19,708
Site Construction (In-tracts)	9,544,850	6,347,125	2,961,756	235,969	--
Direct Construction	30,174,506	15,347,043	8,460,150	5,566,301	801,014
Fees & Permits	8,815,097	3,809,537	3,891,590	1,113,970	--
Service & Warranty	1,085,239	78,407	756,486	157,605	92,741
Field Expenses	2,879,382	1,304,382	855,000	540,000	180,000
Selling & Marketing	4,393,489	1,394,883	1,700,078	817,485	481,044
General & Administrative	3,594,673	1,141,268	1,390,973	668,851	393,581
Property Taxes & Other	751,640	456,640	200,000	70,000	25,000
Total Uses of Funds	\$73,588,543	\$41,712,294	\$20,653,867	\$9,229,305	\$1,993,088

Source: Shea Homes.

Although Shea Homes expects to have sufficient funds available to complete its development activities in Improvement Area No. 1 in accordance with the development timing described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development and home construction costs will be available from Shea Homes or any other source when needed. For example, borrowings under the Revolving Facility may not be available, and home sales revenue, which is accumulated daily for use in operations by Shea Homes, including to fund costs of other direct and indirect subsidiaries, to pay debt service on outstanding debt and for other corporate purposes, may be diverted to pay costs other than the costs of completing Shea Homes’ activities in Improvement Area No. 1 at the discretion of Shea Homes’ management. Shea Homes, its lenders, or any of their related entities are not under any legal obligation of any kind to expend funds for the development of and construction of homes on Shea Homes’ property in Improvement Area No. 1. Any contributions by Shea Homes to fund the costs of such development and home construction are entirely voluntary.

KB Home California Development and Financing Plan

General. KB HOME California LLC (previously defined as KB Home California), is a wholly-owned subsidiary of KB Home, a Delaware corporation (“KB Home”), whose principal executive offices are located in Los Angeles, California. KB Home is a publicly traded company listed on the New York Stock Exchange (the “NYSE”) under the ticker symbol “KBH.” KB Home files annual, quarterly and current reports, proxy statements and other information with the SEC. KB Home’s SEC filings are available to the public at the SEC’s website at www.sec.gov, and at KB Home’s website at www.kbhome.com. Such Internet address is included for reference only, and the information on such Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement.

Founded in 1957, KB Home constructs and sells homes through its operating divisions under the name KB Home. KB Home’s ongoing principal operations are in seven states, including California, Arizona, Nevada, Colorado, Texas, Florida, and North Carolina within 36 major markets. KB Home first developed homes in California in 1963. KB Home’s homebuilding operations offer a variety of homes designed primarily for first-time, move-up and active adult homebuyers, including attached and detached single-family homes, townhomes and condominiums.

Development Plan. In 2017, KB Home California purchased Lot 14 of Tract No. 16081 (totaling approximately 7.3 acres) within Improvement Area No. 1 from SLF for a purchase price of \$7,265,000. KB Home California plans to develop this property to include 79 detached condominiums in a neighborhood being marketed as “Skylar at Millenia.” As of February 1, 2018, KB Home California owned two completed model homes, six homes under construction (one of which was in escrow) and 71 partially finished lots (two of which were in escrow). As shown in the table below, between February 1, 2018 and April 1, 2018, KB Home California commenced construction of additional homes within Improvement Area No. 1. KB Home California expects to complete construction and convey all homes within its development to individual homeowners by the end of 2019.

The commencement of construction of Strata Park by SLF (as described above under “The Development — *Infrastructure Requirements and SLF Financing Plan*”) is required prior to the occupancy of the 65th home within KB Home California’s project. KB Home California’s project will be limited to 65 certificates of occupancy until the commencement of construction of Strata Park. Other than the foregoing, all approvals and permits required for development of property within the KB Home California’s project within Improvement Area No. 1 have been secured and except for the issuance of building permits for residential construction and other approvals required in the normal course of development. KB Home California recorded the final condominium plan for the Skylar at Millenia in late May 2018. As of February 1, 2018, in-tract improvements remaining to be completed within KB Home California’s development consisted primarily of street paving, curbs, gutters, dry utilities and landscaping. KB Home California expects to begin home construction on the remaining finished lots that it owns within Improvement Area No. 1 once the remaining in-tract infrastructure for such lots is complete.

KB Home California’s Skylar at Millenia project is planned to consist of 79 detached condominiums. The table below summarizes, as of April 1, 2018, the product mix and development status of KB Home California’s Skylar at Millenia project within Improvement Area No. 1.

TABLE 10
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
(IMPROVEMENT AREA NO. 1)
KB HOME CALIFORNIA
SKYLAR AT MILLENIA

<i>Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of April 1, 2018</i>	<i>Homes Under Construction⁽¹⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow</i>	<i>Base Home Prices⁽²⁾</i>
1	39	2,602	0	8	31	5	\$596,490
2	40	2,659	0	10	30	7	613,490
Total	79		0	18	61	12	

⁽¹⁾ Includes two completed model homes.

⁽²⁾ Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions.

Source: KB Home California.

Financing Plan. Through March 1, 2018, KB Home California had spent approximately \$12,814,646 on land acquisition, design and construction costs on its project within Improvement Area No. 1. KB Home California expects to spend approximately \$33,742,348 in additional site development, permit and impact fees, and direct and indirect construction costs between March 1, 2018 and full build-out of the homes proposed to be constructed (exclusive of internal financing repayment, sales and marketing, corporate overhead and other carrying costs), which is expected to occur by the end of 2019.

To date, KB Home California has financed its land acquisition costs and various site development and home construction costs related to its property within Improvement Area No. 1 through internally generated funds. KB Home California expects to use internal funding (which may include home sales revenues from its project within Improvement Area No. 1) to complete its development activities within Improvement Area No. 1. The following table shows KB Home California's estimated sources and uses of funds for developing the property that it owns within Improvement Area No. 1:

TABLE 11
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
(IMPROVEMENT AREA NO. 1)
KB HOME CALIFORNIA ESTIMATED CASH FLOW

	<i>Total Budget</i>	<i>Through March 1, 2018</i>	<i>March 1, 2018 to December 31, 2018</i>	<i>January 1, 2019 Through Buildout</i>
Sources of Funds				
KB Home Corporate (Internal Funds)	\$ 46,556,994	\$ 12,814,646	\$ 22,872,372	\$ 10,869,977
Uses of Funds				
Land	\$ 7,265,000	\$ 7,265,000	--	--
Site Construction (In-tracts)	3,242,937	2,000,000	\$ 1,242,937	\$ 1,000,000
Direct Construction	21,236,000	1,173,717	12,741,600	7,320,683
Fees & Technical & Permits	5,033,327	1,286,000	3,019,996	727,331
Service & Warranty	432,867		259,720	173,147
Field Expenses	1,200,000	290,194	720,000	189,806
Selling & Marketing	509,000	50,000	305,400	153,600
General & Administrative	2,800,000	677,001	1,680,000	442,999
Property Taxes & Other	4,837,864	72,734	2,902,715	1,862,411
Total Uses of Funds	\$ 46,556,994	\$ 12,814,646	\$ 22,872,372	\$ 10,869,977

⁽¹⁾ KB Home California does not anticipate obtaining any loan financing for its project in Improvement Area No. 1.

Source: KB Home California.

Although KB Home California expects to have sufficient funds available to complete its development activities in Improvement Area No. 1 in accordance with the development timing described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development and home construction costs will be available from KB Home California or any other source when needed. For example, home sales revenue, which is accumulated daily for use in operations by KB Home California, including to fund costs of other direct and indirect subsidiaries, to pay debt service on outstanding debt and for other corporate purposes, may be diverted to pay costs other than the costs of completing KB Home California's activities in Improvement Area No. 1 at the discretion of KB Home California's management. KB Home California, its lenders, or any of their related entities are not under any legal obligation of any kind to expend funds for the development of and construction of homes on KB Home California's property in Improvement Area No. 1. Any contributions by KB Home California to fund the costs of such development and home construction are entirely voluntary.

CalAtlantic Development and Financing Plan

General. CalAtlantic Group, Inc., a Delaware corporation (previously defined as CalAtlantic), merged with Lennar Corporation, a Delaware corporation ("Lennar Corporation") in February 2018 and operates as a wholly-owned subsidiary of Lennar Corporation. CalAtlantic does not expect that its merger with Lennar Corporation will have an adverse material impact on CalAtlantic's development in Improvement Area No. 1 as described herein.

Lennar Corporation, founded in 1954 and publicly traded under the symbol "LEN" since 1971, is one of the nation's largest home builders, operating under a number of brand names, including Lennar Homes and U.S. Home. The company primarily develops residential communities both within the Lennar family of builders and through consolidated and unconsolidated partnerships in which the company maintains an interest.

Lennar Corporation is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements and other information with the SEC. Such filings, particularly the Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such filings set forth, among other things, certain data relative to the consolidated results of operations and financial position of Lennar and its subsidiaries (including CalAtlantic). Such files can also be accessed over the internet at the SEC's website at www.sec.gov. Copies of Lennar Corporation's Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Lennar Corporation's website at www.lennar.com. *The foregoing internet addresses are included for reference only and the information on the internet sites are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet sites.*

Development Plan. In 2017, CalAtlantic purchased Lot 17 of Tract No. 16081 (totaling approximately 3.7 acres) within Improvement Area No. 1 from SLF for a purchase price of \$3,510,000. CalAtlantic plans to develop this property to include 78 attached townhomes in a neighborhood expected to be marketed as "Boulevard at Millenia." CalAtlantic expects to record the final condominium plan for the Boulevard at Millenia project by June 2018. All approvals and permits required for development of property within CalAtlantic's project in Improvement Area No. 1 have been secured, and except for the issuance of building permits for residential construction and other approvals required in the normal course of development.

As of February 1, 2018, CalAtlantic had begun grading the lot that it owns within Improvement Area No. 1 and in March 2018, CalAtlantic commenced construction of the in-tract improvements on its property, which include street grading and paving, curbs, gutters, wet and dry utilities and landscaping. Initial trenching for model homes and the first phase of production homes began in March and April 2018, respectively.

CalAtlantic projects that it will complete and convey 25 homes in 2018, 40 homes in 2019, and the final 13 homes in 2020.

CalAtlantic's Boulevard at Millenia project is expected to include three floor plans with home sizes ranging from approximately 1,681 square feet to 2,046 square feet with initial base sales prices projected to range from approximately \$408,000 to \$453,000. Actual base sales prices may vary from the foregoing prices.

Financing Plan. Through March 1, 2018, CalAtlantic had spent approximately \$4,807,000 in land acquisition, site improvement costs, indirect construction costs, permit and impact fees, and other indirect construction and finance costs on its development within Improvement Area No. 1. As of such date, CalAtlantic estimated that it would spend approximately \$27,305,000 in additional site improvement costs, direct and indirect construction costs, permit and impact fees, finance costs, sales general and administrative costs, and other carrying costs (including the payment of property taxes and warranty expense) between March 1, 2018 and full buildout of the homes proposed to be constructed in Improvement Area No. 1, which is expected to occur by the end of 2020.

Through March 1, 2018, CalAtlantic had financed its land acquisition costs and various site development costs related to its property within Improvement Area No. 1 through internally generated funds. CalAtlantic expects to use internal funding (which may include home sales revenues from its project within Improvement Area No. 1) to complete its development activities within Improvement Area No. 1.

The following table shows CalAtlantic's estimated sources and uses of funds for developing the property that it owns within Improvement Area No. 1:

TABLE 12
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
(IMPROVEMENT AREA NO. 1)
CALATLANTIC BUDGET AND COSTS INCURRED
AS OF MARCH 1, 2018

	<i>Total Budget</i>	<i>Actual Costs Incurred Through March 1, 2018</i>	<i>Projected March 1, 2018 Through December 31, 2018</i>	<i>Projected January 1, 2019 Through Build-Out</i>
Sources of Funds				
CalAtlantic Corporate (Internal Funding)	\$32,112,000	\$4,807,000	\$9,978,000	\$17,326,000
Uses of Funds				
Land	\$3,560,000	\$3,537,000	\$23,000	--
Site Improvements	3,902,000	360,000	2,834,000	708,000
Permits & Fees	3,792,000	532,000	978,000	2,282,000
Indirect Construction	1,271,000	273,000	299,000	699,000
Direct Construction & Option Costs	14,704,000	--	4,411,000	10,293,000
Finance Costs	699,000	105,000	178,000	416,000
Property Taxes	139,000	--	42,000	97,000
Warranty	113,000	--	34,000	79,000
Sales, General & Admin.	3,932,000	--	1,180,000	2,752,000
Total Uses of Funds	\$32,112,000	\$4,807,000	\$9,978,000	\$17,326,000

⁽¹⁾ CalAtlantic expects to fund future costs from internal working capital funds and homes sales proceeds. CalAtlantic does not anticipate obtaining any loan financing for its project in Improvement Area No. 1.

Source: CalAtlantic.

Although CalAtlantic expects to have sufficient funds available to complete its development activities in Improvement Area No. 1 in accordance with the development timing described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development and home

construction costs will be available from CalAtlantic or any other source when needed. Neither CalAtlantic, nor any of its related entities are under any legal obligation of any kind to expend funds for the development of and construction of homes on CalAtlantic's property in Improvement Area No. 1. Any contributions by CalAtlantic to fund the costs of such development and home construction are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, is inadequate to pay the costs to complete the planned development by CalAtlantic within Improvement Area No. 1 and other financing by CalAtlantic is not put into place, there could be a shortfall in the funds required to complete the planned development by CalAtlantic within Improvement Area No. 1.

LMC Millenia Company Development and Financing Plan

General. LMC-Millenia Investment Company, L.P. (previously defined as LMC Millenia Company), is a limited partnership with LMC-Millenia GP, LLC as its sole general partner. Both entities are solely owned and controlled by Lee M. Chesnut. Mr. Chesnut is a San Diego-based investor/developer, specializing in the development and management of commercial real estate. Over the last 25 years, Mr. Chesnut has acquired, repositioned and/or constructed commercial properties totaling over 1.25 million square feet.

Development Plan. In 2016, LMC Millenia Company purchased Lot 7 of Tract No. 16081 (totaling approximately 7 acres) within Improvement Area No. 1 from SLF for a purchase price of \$2,586,633. LMC Millenia Company plans to develop this property into a "Class A" (generally regarded as buildings with higher-end finishes and above-average rental prices for its market) office campus consisting of two four-story office buildings, an amenity building and a parking garage. The two office buildings are expected to include approximately 150,000 square feet and 168,000 square feet of leasable space, respectively. The campus is also expected to include an amenity building of approximately 6,100 square feet. A parking garage, contained in a separate structure, totaling approximately 401,760 square feet is expected to serve the office campus.

As of February 1, 2018, the parcel owned by LMC Millenia Company had been finish graded, including the below-grade excavation for a proposed parking structure. LMC Millenia Company expects to commence vertical construction of the office campus buildings in late 2018 and expects to complete construction in early 2020. LMC Millenia Company expects to pre-lease office space prior to completion of construction, however, no assurances can be made that any leases will be executed. As of April 1, 2018, no leases have been entered into for such office space, however, LMC Millenia Company had entered into a non-disclosure agreement with a potential lessee of one of the planned office buildings.

See "The Development — *Entitlements for the Overall Millenia Planned Community*" for information with respect to the potential of a library site which may be owned by the City and located on the property currently owned by LMC Millenia Company.

Financing Plan. Through March 1, 2018, LMC Millenia Company had spent approximately \$7.0 million in land acquisition, site improvement and design costs on its development within Improvement Area No. 1. As of such date, LMC Millenia Company expected that it would spend approximately \$130,000,000 in additional site development, permit and impact fees, and direct and indirect construction costs until full build-out of the project proposed to be constructed on its property within Improvement Area No. 1 (exclusive of internal financing repayment, sales and marketing, corporate overhead and other carrying costs).

The following table shows LMC Millenia Company's estimated sources and uses of funds for developing the property that it owns within Improvement Area No. 1. LMC Millenia Company is currently considering financing options for a portion of its remaining costs to develop the property that it owns within Improvement Area No. 1. Such sources may be loans from banks and/or private investors. Such financing sources have not been secured and LMC Millenia Company can make no assurances as to the availability or the timing that such financing sources will be available.

TABLE 13
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
(IMPROVEMENT AREA NO. 1)
LMC MILLENIA COMPANY CASH FLOW

	<i>Total Budget</i>	<i>Through March 1, 2018</i>	<i>March 1, 2018 to December 31, 2018</i>	<i>January 1, 2019 to December 31, 2019</i>	<i>January 1, 2020 Through Build-Out</i>
Sources of Funds					
LMC Millenia Company (Internal Funding)	\$ 14,089,973	\$ 3,023,340	--	--	\$ 11,066,633
SD Private Bank ⁽¹⁾	1,300,000	1,300,000	--	--	--
Trinity Mortgage ⁽¹⁾	3,000,000	3,000,000	--	--	--
Financing Source – Building 1 ⁽²⁾	62,000,000		\$ 32,014,147	\$ 29,985,853	--
Financing Source – Balance ⁽²⁾	49,466,530			39,847,404	9,619,126
Total Sources of Funds	\$ 129,856,503	\$ 7,323,340	\$ 32,014,147	\$ 69,833,257	\$ 20,685,759
Uses of Funds					
Land	\$ 2,608,467	\$ 2,608,467	--	--	--
Site Construction (In-tracts)	350,000	350,000	--	--	--
Roadway and Frontage (Water Included)			--	--	--
Direct Construction	\$ 105,878,197	--	\$ 28,189,791	\$ 57,688,406	\$ 20,000,000
Soft Costs	5,200,000	--	2,000,000	3,200,000	--
Fees & Permits	157,920	157,920	--	--	--
Service & Warranty	3,285,483	3,285,483	--	--	--
Selling & Marketing	5,280,853	405,853	--	4,875,000	--
General & Administrative	450,970	450,970	--	--	--
Property Taxes & Other	6,644,613	64,647	1,824,356	4,069,851	685,759
Total Uses of Funds	\$ 129,856,503	\$ 7,323,340	\$ 32,014,147	\$ 69,833,257	\$ 20,685,759

⁽¹⁾ The SD Private Bank loan has been paid off. As of April 1, 2018, the outstanding balance under the Trinity Mortgage was approximately \$1 million, which secured by a first deed of trust on LMC Millenia Company's property within Improvement Area No. 1.

⁽²⁾ LMC Millenia Company is currently considering financing options for a portion of its remaining costs to develop the property that it owns within Improvement Area No. 1. LMC Millenia Company has not secured such financing and no assurances can be made as to the availability or the timing that such financing sources will be available.

Source: LMC Millenia Company.

Although LMC Millenia Company expects to have sufficient funds available to complete its development activities in Improvement Area No. 1 in accordance with the development timing described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development and home construction costs will be available from LMC Millenia Company or any other source when needed. LMC Millenia Company, its lenders, or any of their related entities are not under any legal obligation of any kind to expend funds for the development of and construction of homes on LMC Millenia Company's property in Improvement Area No. 1. Any contributions by LMC Millenia Company to fund the costs of such development and home construction are entirely voluntary.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate investments for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area No. 1 to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could

adversely affect the value of the property in Improvement Area No. 1. See “—Property Values” and “—Limited Secondary Market.”

Risks of Real Estate Secured Investments Generally

The Bond owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of Improvement Area No. 1, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

No assurance can be given that SLF, the builders or any future homeowners within Improvement Area No. 1 will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “— Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the City’s ability to pursue judicial proceedings with respect to delinquent parcels.

Tax Cuts and Jobs Act

H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Code. For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes. These changes could increase the cost of home ownership within Improvement Area No. 1 and could slow the pace of home sales by Shea Homes, KB Home California and CalAtlantic and the builder selected for the final residential site or result in price reductions from the current expected levels. However, neither the City nor the District can predict the effect that the Tax Act may have on the cost of home ownership or the price of homes in Improvement Area No. 1, the pace at which homes in Improvement Area No. 1 are sold to individual homeowners by the builders within Improvement Area No. 1, or the ability or willingness of homeowners to pay Special Taxes or property taxes.

Concentration of Ownership

Based on the ownership status of the property within Improvement Area No. 1 as of February 1, 2018 and the number of building permits issued as of March 1, 2018, assuming no additional conveyance of property by SLF or any transfer of property by homebuilders to individual homeowners within Improvement Area No. 1, approximately 23.57% of the Special Taxes estimated to be levied in Fiscal Year 2018-19 would be payable by SLF, approximately 33.32% would be payable by Shea Homes, approximately 4.86% would be payable by KB Home California, approximately 16.62% would be payable by CalAtlantic and approximately 6.64% would be payable by LMC Millenia Company. See Table 5 above. Failure of SLF, any of the builders, or any of their successors, to pay the annual Special Taxes when due could result in a draw on the Reserve Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that SLF, the builders or any of their successors, will complete the remaining intended construction and development in Improvement Area No. 1 or to pay their Special Taxes when due. See “— Failure to Develop Properties.”

In Fiscal Year 2018-19, the District will levy Special Taxes on property within Improvement Area No. 1 classified as Undeveloped Property which is owned by SLF, CalAtlantic and LMC Millenia Company. Undeveloped Property is defined in the Rate and Method as property not classified as Developed Property or Provisional Property. In the event that SLF, entities affiliated with SLF, or any of the builders fail to complete the remaining intended construction and development in Improvement Area No. 1, Special Taxes will continue

to be levied on Undeveloped Property and the risk of concentration of ownership would continue. LMC Millenia Company expects to retain ownership of its commercial property so it is expected that it will continue to be a taxpayer within Improvement Area No. 1 beyond the development period. No assurance can be given that SLF, the builders, or any successors, will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “— Bankruptcy and Foreclosure” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

The Bonds and interest thereon are not payable from the general funds of the City. Except with respect to the Special Taxes, neither the faith and credit nor the taxing power of the District or the City is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Indenture, no owner of the Bonds may compel the exercise of any taxing power by the District or the City or force the forfeiture of any County or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City’s or the District’s property or upon any of the City’s or the District’s income, receipts or revenues, except the Net Taxes and other amounts pledged under the Indenture.

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in Improvement Area No. 1 will generally be based on the land use class to which a parcel of Developed Property is assigned. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Rate and Method of Apportionment of Special Tax.*”

In order to pay debt service on the Bonds, it is necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District will establish and fund upon the issuance of the Bonds a Reserve Fund in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund.” The District will covenant to maintain in the Reserve Fund an amount equal to the Reserve Requirement subject, however, to the limitation that the District may not levy the Special Tax in Improvement Area No. 1 in any fiscal year at a rate in excess of the maximum amounts permitted under the Rate and Method. As a result, if a significant number of delinquencies occurs, the District could be unable to replenish the Reserve Fund to the Reserve Requirement due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Reserve Fund could be depleted and a default on the Bonds could occur.

The District will covenant in the Indenture that, under certain conditions, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*” for provisions which apply in the event of such foreclosure and which the District is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds (if the Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in Improvement Area No. 1, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Reserve Fund to an amount equal to the Reserve Requirement and to pay all current expenses; provided, however, that the Act and the Rate and

Method provide that under no circumstances will the Special Tax levied in a Fiscal Year against 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 (10%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 1. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in Improvement Area No. 1 will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the maximum Special Tax rates. See "—Bankruptcy and Foreclosure" for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on public property, property owner association property, property which is used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, and parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement; provided however, that no such classification of tax-exempt status shall reduce the sum of all Taxable Property in Improvement Area No. 1 to less than 9.53 Acres for Zone A, 12.67 Acres for Zone B, or 17.09 Acres for Zone C. See Section 5 of APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." See "The Development — *Entitlements for the Overall Millenia Planned Community*" for information with respect to the potential of a library site which may be owned by the City and located on the property currently owned by LMC Millenia Company.

If for any reason property within Improvement Area No. 1 becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within Improvement Area No. 1. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Act provides that, if any property within Improvement Area No. 1 not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within Improvement Area No. 1 was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Failure to Develop Properties

Development of property within Improvement Area No. 1 may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of SLF, the builders, or any property owner to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in Improvement Area No. 1 is also subject to the availability of water. Finally, development of land is subject to economic considerations.

SLF reports that the major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by SLF to serve the property within Improvement Area No. 1 is substantially complete. In-tract improvements are expected to be constructed by the current homebuilders and LMC Millenia Company as development within their respective projects is completed.

A majority of the property owned by SLF and the builders within Improvement Area No. 1 is in a mass graded or a finished lot condition. No assurance can be given that the remaining proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. The failure to complete development of the required infrastructure for development in Improvement Area No. 1 as planned, or substantial delays in the completion of the development or the required infrastructure for the development due to litigation or other causes may reduce the value of the property within Improvement Area No. 1 and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within Improvement Area No. 1 to pay the Special Taxes when due.

There can be no assurance that land development operations within Improvement Area No. 1 will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bondowners should assume that any event that significantly impacts the ability to develop land in Improvement Area No. 1 would cause the property values within Improvement Area No. 1 to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within Improvement Area No. 1 to pay the Special Taxes when due.

The District will levy Special Taxes on Undeveloped Property for Fiscal Year 2018-19 and expects to levy Special Taxes on Undeveloped Property in future fiscal years until the Special Taxes levied on Developed Property are sufficient to fund the Special Tax Requirement. Undeveloped Property is less valuable per unit of area than Developed Property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The Undeveloped Property also provides less security to the Bondowners should it be necessary for the District to foreclose on Undeveloped Property due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within Improvement Area No. 1 as currently proposed will make the Bondowners dependent upon timely payment of the Special Taxes levied on Undeveloped Property. A slowdown or stoppage in the continued development of Improvement Area No. 1 could reduce the willingness and ability of SLF, the builders, or any successors, to make Special Tax payments on Undeveloped Property and could greatly reduce the value of such property in the event it has to be foreclosed upon. See “—Property Values.”

Natural Disasters

Improvement Area No. 1, like all California communities, may be subject to unpredictable seismic activity, fires, floods, or other natural disasters. No known active or potentially active faults, as defined in the Alquist-Priolo Earthquake Fault Zone Act, cross the property within Improvement Area No. 1, and Improvement Area No. 1 is not located in an Alquist-Priolo Earthquake Study Zone. However, Southern California is a seismically active area; and active faults exist within the vicinity of Improvement Area No. 1. Seismic activity represents a potential risk for damage to buildings, roads, and property within Improvement

Area No. 1. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. Improvement Area No. 1 is not located in a flood plain area.

In recent years, wildfires have caused extensive damage throughout the State, including within the County. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances entire neighborhoods have been destroyed. Several fires which occurred in 2017 damaged or destroyed property in areas that were not previously considered to be at risk from such events. Some commentators believe that climate change will lead to even more frequent and damaging wildfires in the future. The Millenia project, including the property within Improvement Area No. 1, is not located in an area which the Department of Forestry and Fire Protection of the State of California has designated as a very high fire hazard severity zone. However, vacant areas which are adjacent to the Millenia project with brush that is not controlled could pose a fire risk to the development within the Millenia project.

In the event of a severe earthquake, wildfire, flood or other natural disaster, there may be significant damage to both property and infrastructure in Improvement Area No. 1. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in Improvement Area No. 1 could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Endangered/Threatened Species

During the 1990s, there was an increase in activity at the State and federal level related to the possible listing of certain plant and animal species found in the Southern California area as endangered or threatened species. In response to this activity, several large landowners began an effort to move away from “species by species” entitlement to multiple species entitlement, in order to minimize the risk of future species listings and maximize the certainty of development. The Final EIR found that mitigation measures would reduce all potentially direct and indirect impacts of the Millenia project to plant and wildlife to less than significant. All open space dedications for the property in Improvement Area No. 1 have been completed.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.

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

The value of the taxable property within Improvement Area No. 1, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. Although due to the use of pesticides in connection with the prior agricultural use of portions of the land within Improvement Area No. 1, the grading of the land included special handling and reuse of soil on site pursuant to a soil reuse plan, SLF has represented to the District that it is not aware of any hazardous substance condition of the property within Improvement Area No. 1. The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within Improvement Area No. 1 has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

Payment of the Special Tax is not a Personal Obligation of the Property Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the property owner.

Property Values

The value of the property within Improvement Area No. 1 is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See "IMPROVEMENT AREA NO. 1 — Appraised Value-to-Lien Ratios."

The Appraiser has estimated, on the basis of certain definitions, contingencies, assumptions and limiting conditions contained in the Appraisal Report that as of February 1, 2018, the market value of the land and improvements within Improvement Area No. 1 was approximately \$62,228,054. The Appraisal Report is based on a number of assumptions and limiting conditions as stated in APPENDIX B-1 — "APPRAISAL REPORT." The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within Improvement Area No. 1, the listing of endangered species or the determination that habitat for endangered or threatened species exists within Improvement Area No. 1, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within Improvement Area No. 1 could be sold for the amount stated in the Appraisal Report at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value, the Appraiser assumes that any property will be sold in a competitive market after a reasonable exposure time, and assuming that neither the buyer or seller is under duress, which is not always present in a foreclosure sale. See APPENDIX B-1 — "APPRAISAL REPORT" for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land within Improvement Area No. 1 from that estimated by the Appraiser.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County Assessor, generally not to exceed an

increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — COVENANTS AND WARRANTY — Covenants — Commence Foreclosure Proceedings.”

See “IMPROVEMENT AREA NO. 1 — Expected Tax Burden” for a description the requirement for a homebuilder prepay a portion of the Special Tax at the time a completed home is sold, if, based on the actual sales price of such home, the annual total effective tax rate on such parcel would exceed 2.00% of the actual sales price. Such prepaid Special Taxes would be applied to redeem Bonds. See “THE BONDS — Redemption — *Extraordinary Redemption from Special Tax Prepayments*”

Parity Taxes and Special Assessments

Property within Improvement Area No. 1 is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within Improvement Area No. 1. See “IMPROVEMENT AREA NO. 1 — Direct and Overlapping Indebtedness” for a description of the public agencies that have issued debt secured by taxes and assessments levied on property within Improvement Area No. 1 and the School District CFDs, which may issue debt secured by special taxes levied on property within Improvement Area No. 1 in the future.

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied 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 Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation or other federal agencies. See “— FDIC/Federal Government Interest in Properties” and “— Bankruptcy and Foreclosure.”

Neither the District nor the City has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within Improvement Area No. 1. In addition, the landowners within Improvement Area No. 1 may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for the property within Improvement Area No. 1 described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “IMPROVEMENT AREA NO. 1— Direct and Overlapping Indebtedness” and “— Appraised Value to Lien Ratios.”

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel 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 City has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County against each parcel. 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 Improvement Area No. 1 or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a special tax under the Act of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within Improvement Area No. 1 on the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — MISCELLANEOUS CONDITIONS — Covenants” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See “— Bankruptcy and Foreclosure” for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District’s ability to foreclosure on the lien of the Special Taxes in certain circumstances.

FDIC/Federal Government Interests in Properties

General. The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within Improvement Area No. 1 but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“FNMA”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special

Taxes within Improvement Area No. 1, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within Improvement Area No. 1 is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes under the Act.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within Improvement Area No. 1 in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Proceeds of Foreclosure Sales*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the Bankruptcy Code might prevent moneys on deposit in the Acquisition and Construction Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were

brought by or against a landowner or other party and if the court found that the landowner or other party had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the “Bankruptcy Reform Act”) included a provision which exempts from the Bankruptcy Code’s automatic stay provisions, “the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court].” This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as “administrative expenses,” rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court’s ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy court. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture, an owner is given the right for the equal benefit and protection of all owners of the Bonds similarly situated to pursue certain remedies described in APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — EVENTS OF DEFAULT” and “— Limitations on Rights and Remedies of Owners.”

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Indenture with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the District has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. See “CONTINUING DISCLOSURE.” Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

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

“Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels within Improvement Area No. 1 other than as authorized under the Indenture. The District will also covenant that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of Article XIIC and Article XIID will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “SPECIAL RISK FACTORS — Limitations on Remedies.”

Shapiro Decision

The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997) (the “San Diego Decision”). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego (“San Diego”). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIII A, Section 4 thereof and Article XIIC, Section 2 thereof require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The election held in Improvement Area No. 1 had less than 12 registered voters at the time of the election to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the Special Tax election in Improvement Area No. 1. Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought.

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations or on the ability of SLF or the builders within Improvement Area No. 1 to complete the remaining proposed development within Improvement Area No. 1.

Limitations on Remedies

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners.

CONTINUING DISCLOSURE

District Continuing Disclosure

Pursuant to a Continuing Disclosure Agreement (the "District Continuing Disclosure Agreement"), the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) website, or other repository authorized under Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, certain annual financial information and operating data concerning Improvement Area No. 1. The District Reports are to be filed not later than March 31 of each year, beginning March 31, 2019. The District Reports will include the audited financial statements of the District, if any are prepared. The District does not currently prepare audited financial statements and does not anticipate doing so in the future. The full text of the District Continuing Disclosure Agreement is set forth in APPENDIX F — "FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT."

Notwithstanding any provision of the Indenture, failure of the District to comply with the District Continuing Disclosure Agreement shall not be an event of default under the Indenture. However, any Owner or Beneficial Owner of the Bonds may take such action as is necessary and appropriate, including seeking mandate or a judgment for specific performance, to cause the District to comply with its obligations with respect to the District Continuing Disclosure Agreement.

The District has not entered into any prior continuing disclosure obligations. During the last five years, the City and certain of its related entities, have failed to comply in certain respects described below with continuing disclosure undertakings related to outstanding bonded indebtedness.

The City and certain other entities related to the City, including the former Redevelopment Agency of the City of Chula Vista (“Former Agency”), various community facilities districts and joint powers authorities (together, the “City Entities”), have entered into previous undertakings pursuant to the Rule. Within the last five years, the City and certain of the City Entities have failed to comply with their respective prior undertakings in the following respects: (i) pursuant to the undertakings for certain of the community facilities districts, such community facilities districts were twelve days late in filing the City’s audited financial statements in 2013; (ii) pursuant to the undertaking for one series of the Former Agency’s bonds, the Former Agency’s Fiscal Year 2012 annual report due in February 2013 was not filed until March 2013, 27 days late; (iii) notice of certain ratings changes relating to several issues resulting from changes in ratings on municipal bond insurance companies were not promptly filed and one notice of an underlying rating change was filed 37 days after the rating change occurred; and (iv) in certain cases information was timely filed on EMMA under the applicable base CUSIP number for the issuer but not linked to all of the individual CUSIP numbers for a series of bonds.

The City has adopted policies and procedures regarding compliance with undertakings made by the City and the City Entities pursuant to the Rule and has retained the services of outside consultants to assist in the reporting process. The City’s Finance Department has assigned a specific person to coordinate with the outside consultants and to monitor compliance.

Developer Continuing Disclosure

To provide updated information with respect to the developments within Improvement Area No. 1, each of SLF, Shea Homes, KB Home California, CalAtlantic and LMC Millenia Company will enter into a Continuing Disclosure Agreement (the “Developer Continuing Disclosure Certificates”), and will covenant to provide separate annual reports not later than March 31 of each year beginning March 31, 2019, and semiannual reports on each September 30, beginning September 30, 2019, until satisfaction of certain conditions set forth in the applicable Developer Continuing Disclosure Certificate. Such periodic reports to be provided by such entities will contain updates regarding their respective development within Improvement Area No. 1 as outlined in Section 4 of each Developer Continuing Disclosure Certificate attached as APPENDIX G. In addition to the periodic reports, each of such entities will agree to provide notices of certain events set forth in its Developer Continuing Disclosure Certificate. The termination of such reporting requirements varies among such continuing disclosure undertakings. See APPENDIX G hereto.

TAX MATTERS

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax.

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

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

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals are announced from time to time which generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

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

A copy of the proposed form of Bond Counsel opinion is attached hereto as APPENDIX C.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

LEGAL MATTERS

The legal opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, approving the validity of the Bonds in substantially the form set forth as APPENDIX C hereto, will be made available to purchasers at the time of original delivery. Certain legal matters will be passed upon for the District by

Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, as counsel to the Underwriter. Bond Counsel expresses no opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to do so.

ABSENCE OF LITIGATION

No litigation is pending or, to the knowledge of the District, threatened concerning the validity of the Bonds and a certificate of the District to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds. Neither the City nor the District is aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the District to levy and collect the Special Taxes or to issue and retire the Bonds.

NO RATING

The District has not made and does not contemplate making application to any rating agency for the assignment of a rating to the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$_____ (being \$_____ aggregate principal amount thereof, plus/less net original issue premium/discount of \$_____ and less Underwriter's discount of \$_____). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

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

FINANCIAL INTERESTS

The fees being paid to the Underwriter, the Municipal Advisor to the City, the Fiscal Agent and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to Bond Counsel, Disclosure Counsel, the Appraiser, to the Market Absorption Analyst and to the Special Tax Consultant are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Bonds.

PENDING LEGISLATION

The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District to pay the principal of and interest on the Bonds when due.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and

their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The execution and delivery of this Official Statement by the Director of Finance/Treasurer has been duly authorized by the City Council of the City of Chula Vista acting in its capacity as the legislative body of the District.

COMMUNITY FACILITIES DISTRICT NO. 16-I
(MILLENIA)

By: _____
Director of Finance/Treasurer

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA) IMPROVEMENT AREA NO. 1

A Special Tax shall be levied on all Taxable Property within the boundaries of Improvement Area No. 1 of Community Facilities District No. 16-I (Millenia) of the City of Chula Vista (“IA1”) and collected each Fiscal Year commencing in Fiscal Year 2016-17, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within IA1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

1. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“**Acre**” or “**Acreage**” means the land area of an Assessor’s Parcel as shown on an Assessor’s Parcel Map, or if the land area is not shown on an Assessor’s Parcel Map, the land area shown on the applicable Final Map. An Acre means 43,560 square feet of land. If the preceding maps for a land area are not available, the Acreage of such land area shall be determined by the City Engineer.

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

“**Administrative Expense Requirement**” means an annual amount equal to \$75,000, or such lesser amount as may be designated by written instruction from an authorized representative of the City to the Fiscal Agent, to be allocated as the first priority of Special Taxes received each Fiscal Year for the payment of Administrative Expenses.

“**Administrative Expenses**” means the following actual or reasonably estimated costs related to the administration of IA1 including, but not limited to: the costs of preparing and computing the Annual Special Tax (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City, the County or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Fiscal Agent Agreement; the costs to the City, CFD No. 16-I, or any designee thereof complying with arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations; the costs to the City, CFD No. 16-I, or any designee thereof complying with disclosure or reporting requirements of the City or CFD No. 16-I, associated with applicable federal and State laws; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 16-I, or any designee thereof related to an appeal of the Special Tax; and the City’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 16-I for any other administrative purposes of CFD No. 16-I, including attorney’s fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

“**Annual Special Tax**” means the Special Tax actually levied in any Fiscal Year on any Assessor’s Parcel.

“**Assessor**” means the Assessor of the County of San Diego.

“**Assessor’s Parcel**” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel Number.

“Assessor’s Parcel Map” means an official map of the Assessor designating parcels by Assessor’s Parcel Number.

“Assessor’s Parcel Number” means the number assigned to an Assessor’s Parcel by the County for purposes of identification.

“Assigned Special Tax” means the Special Tax of that name described in Section 3.A below.

“Backup Special Tax” means the Special Tax of that name described in Section 3.B below.

“Bonds” means any bonds or other debt of CFD No. 16-I issued or incurred for IA1, whether in one or more series, secured by the levy of Special Taxes.

“Building Permit” means a building permit for construction of a Residential Unit or non-residential structure within IA1 issued by the City.

“Building Square Footage” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of Building Square Footage shall be made by the CFD Administrator by reference to the Building Permit(s) issued for such Assessor’s Parcel and/or by reference to appropriate records kept by the City. Building Square Footage for a Residential Unit will be based on the Building Permit(s) issued for such Residential Unit prior to it being classified as Occupied Residential Property, and shall not change as a result of additions or modifications made to such Residential Unit after such classification as Occupied Residential Property.

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

“CFD Administrator” means an authorized representative of the City, or designee thereof, responsible for determining the Special Tax Requirement, for preparing the Annual Special Tax roll and/or calculating the Backup Special Tax.

“CFD No. 16-I” means the Community Facilities District No. 16-I (Millenia) of the City of Chula Vista.

“City” means the City of Chula Vista, California.

“City Council” means the City Council of the City acting as the legislative body of CFD No. 16-I under the Act.

“Condominium” means a unit, whether attached or detached, meeting the statutory definition of a condominium contained in the California Civil Code Section 4285.

“County” means the County of San Diego, California.

“Debt Service” means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“Developed Property” means for each Fiscal Year, all Taxable Property, exclusive of Provisional Property, for which a Building Permit was issued prior to March 1 of the previous Fiscal Year. An Assessor’s Parcel classified as Developed Property but for which the Building Permit that caused such Assessor’s Parcel to be classified as Developed Property has been cancelled and/or voided prior to the Fiscal Year for which Special Taxes are being levied shall be reclassified as Undeveloped Property, provided that the levy of the Annual Special Tax after such reclassification shall not be less than 1.1 times the annual Debt Service less Administrative Expenses on all Outstanding Bonds. If Bonds have not been issued, an Assessor’s Parcel

classified as Developed Property for which such a Building Permit has been cancelled and/or voided shall be reclassified as Undeveloped Property.

“Development Agreement” means that certain Development Agreement by and between the City of Chula Vista and McMillin Otay Ranch LLC adopted October 6, 2009 and recorded with the County of San Diego’s Recorder’s office on October 27, 2009 as Document Number 2009-0595116, as may be amended and/or supplemented from time to time.

“Exempt Property” means for each Fiscal Year, all Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section 5 below.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 4285 that creates individual lots for which Building Permits may be issued without further subdivision.

“Fiscal Year” means the period starting on July 1 and ending the following June 30.

“Fiscal Agent” means the fiscal agent, trustee, or paying agent under the Fiscal Agent Agreement.

“Fiscal Agent Agreement” means the fiscal agent agreement, indenture, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“IA1” means Improvement Area No. 1 of CFD No. 16-I.

“Land Use Class” means any of the classes listed in Table 1, 2, or 3 under Section 3A below.

Note: Land Uses Class is not in reference to a property’s zoning designation.

“Lot(s)” means an individual legal lot created by a Final Map for which a building permit for residential construction has been or could be issued. Notwithstanding the foregoing, in the case of an individual legal lot created by such a Final Map upon which Condominiums are entitled to be developed, the number of Lots allocable to such legal lot for purposes of calculating the Backup Special Tax applicable to such Final Map shall equal the number of Condominiums which are permitted to be constructed on such legal lot as shown on such Final Map.

“Master Developer” means SLF IV-Millenia, LLC or its successors or assignees with as defined in the Development Agreement.

“Maximum Special Tax” means for each Assessor’s Parcel, the maximum Special Tax, determined in accordance with Sections 3.C and 3.D below, which may be levied in a given Fiscal Year on such Assessor’s Parcel of Taxable Property.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for the purpose of constructing one or more non-residential units or structures.

“Occupied Residential Property” means all Assessor Parcels of Residential Property for which title is held by an end user (homeowner).

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under the Fiscal Agent Agreement.

“Prepayment Amount” means the amount required to prepay the Special Tax Obligation in full for an Assessor’s Parcel as described in Section 8.A below.

“Property Owner Association Property” means any Assessor’s Parcel within the boundaries of IA1 owned in fee by a property owner association, including any master or sub-association.

“Proportionately” or **“Proportionate”** means for Developed Property, that the ratio of the actual Special Tax levy to the applicable Assigned Special Tax or Backup Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property. “Proportionately” may similarly be applied to other categories of Taxable Property as listed in Section 3 below.

“Provisional Property” means all Assessor’s Parcels of Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 5, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 5.

“Public Property” means any property within the boundaries of IA1, which is owned by, or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency; provided however that any property owned by a public agency and leased to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for the purpose of constructing one or more Residential Units.

“Residential Unit” means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental, separate from adjacent residential dwelling units.

“Special Tax” means any special tax levied within IA1 pursuant to the Act and this Rate and Method of Apportionment of Special Tax.

“Special Tax Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the remaining life of IA1.

“Special Tax Requirement” means that amount required in any Fiscal Year to: (i) pay regularly scheduled Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property; and (vi) pay for reasonably anticipated delinquent Special Taxes based on (a) the average delinquency rate for special taxes levied in the previous Fiscal Year in all community facilities districts within the portion of the City commonly known as Otay Ranch for the first Fiscal Year in which Special Taxes are levied and (b) the delinquency rate for Special Taxes levied in the previous Fiscal Year within IA1 for all subsequent Fiscal Years in which Special Taxes are levied; less (vii) a credit for funds available to reduce the Annual Special Tax levy, as determined by the CFD Administrator pursuant to the Fiscal Agent Agreement.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD, which are not exempt from the levy of the Special Tax pursuant to law or Section 5 below.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Provisional Property.

“Zone A” means the specific geographic area designated as such within IA1 and as depicted in Exhibit A attached hereto.

“Zone B” means the specific geographic area designated as such within IA1 and as depicted in Exhibit A attached hereto.

“Zone C” means the specific geographic area designated as such within IA1 and as depicted in Exhibit A attached hereto.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2016-17, each Assessor’s Parcel within IA1 shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property shall further be classified as Developed Property, Undeveloped Property or Provisional Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment of Special Tax determined pursuant to Sections 3 and 4 below. Furthermore, each Assessor’s Parcel of Developed Property shall be classified according to its applicable Land Use Class based on its Building Square Footage.

For Assessor’s Parcels of Non-Residential Property developed with Condominiums (e.g., office or industrial condos), the Acreage applicable to each such Condominium for purposes of levying Special Taxes shall be computed from the Acreage of the legal lot created by the Final Map upon which such Condominiums are entitled to be developed, with the Acreage of such lot allocated to each Condominium on a pro-rata basis using the building square footage of such Condominium relative to the total building square footage of all Condominiums entitled to be developed on such lot. The determination of building square footage for each non-residential Condominium shall be made by reference to the applicable Building Permit, and to the extent a Building Permit has not been issued for all Condominiums to be located on the applicable legal lot, the building square footage attributable to any such Condominiums shall be determined from the recorded condominium plan, or applicable site plan, plot plan, or other appropriate records kept by the City as reasonably determined by the CFD Administrator. In the event the City takes ownership of a Condominium within IA1 and such property in all other respects meets the definition of Public Property as set forth in Section 1, such property shall be exempt from Special Taxes pursuant to Section 5.

3. SPECIAL TAX RATES

A. Assigned Special Tax for Developed Property

The Assigned Special Tax applicable to an Assessor’s Parcel classified as Developed Property commencing Fiscal Year 2016-17 shall be determined pursuant to Table 1, 2, or 3 below, as applicable.

**Table 1
Assigned Special Tax Rates for
Developed Property within Zone A**

<i>Land Use Class</i>	<i>Land Use Type</i>	<i>Building Square Footage</i>	<i>Assigned Special Tax</i>
1	Residential Property	< 1,500	\$1,352 per Residential Unit
2	Residential Property	1,500 – 2,200	\$1,661 per Residential Unit
3	Residential Property	> 2,200	\$1,799 per Residential Unit
4	Non-Residential Property	N/A	\$6,000 per Acre

**Table 2
Assigned Special Tax Rates for
Developed Property within Zone B**

<i>Land Use Class</i>	<i>Land Use Type</i>	<i>Building Square Footage</i>	<i>Assigned Special Tax</i>
1	Residential Property	< 1,500	\$1,350 per Residential Unit
2	Residential Property	1,500 – 2,200	\$1,451 per Residential Unit
3	Residential Property	> 2,200	\$1,649 per Residential Unit
4	Non-Residential Property	N/A	\$6,000 per Acre

**Table 3
Assigned Special Tax Rates for
Developed Property within Zone C**

<i>Land Use Class</i>	<i>Land Use Type</i>	<i>Building Square Footage</i>	<i>Assigned Special Tax</i>
1	Residential Property	< 1,500	\$1,350 per Residential Unit
2	Residential Property	1,500 – 2,200	\$1,451 per Residential Unit
3	Residential Property	> 2,200	\$1,649 per Residential Unit
4	Non-Residential Property	N/A	\$6,000 per Acre

On each July 1, commencing July 1, 2017, the Assigned Special Tax for Developed Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

B. Backup Special Tax for Developed Property

When a Final Map or a condominium plan is recorded within Zone A, Zone B, or Zone C the Backup Special Tax for Assessor’s Parcels of Developed Property classified as Residential Property shall be determined as follows:

For each Assessor’s Parcel of Residential Property or for each Assessor’s Parcel of Undeveloped Property to be classified as Residential Property upon its development within the Final Map area, the Backup Special Tax for Fiscal Year 2016-17 shall be the rate per Lot calculated according to the following formula:

$$B = \frac{\text{Zone A} \\ \$27,502 \times A}{L}$$

$$B = \frac{\text{Zone B} \\ \$29,057 \times A}{L}$$

$$B = \frac{\text{Zone C} \\ \$6,316 \times A}{L}$$

The terms have the following meanings:

- B = Backup Special Tax per Lot
- A = Acreage classified or to be classified as Residential Property in such Final Map. The land area applicable to a Condominium shall be computed from the Acreage of the Lot on which the Condominium is located, with the Acreage for such Lot allocated equally among all of the Condominiums located or to be located on such Lot.
- L = For a Final Map, the number of Lots which are classified or to be classified as Residential Property.

For each Assessor’s Parcel of Developed Property classified as Non-Residential Property or for each Assessor’s Parcel of Undeveloped Property to be classified as Non-Residential Property within the Final Map area, the Backup Special Tax for Fiscal Year 2016-17 shall be determined by multiplying \$27,502 for Zone A, \$29,057 for Zone B and \$6,316 for Zone C by the total Acreage of any such Assessor’s Parcel.

Notwithstanding the foregoing, if Assessor’s Parcels of Residential Property, Non-Residential Property or Undeveloped Property for which the Backup Special Tax has been determined are subsequently changed or modified by recordation of a new or amended Final Map, then the Backup Special Tax applicable to such Assessor’s Parcels shall be recalculated to equal the total amount of Backup Special Tax that would have been generated if such change did not take place.

On each July 1, commencing July 1, 2017, the Backup Special Tax applicable to each Assessor’s Parcel of Taxable Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

C. Maximum Special Tax for Developed Property

Each Fiscal Year, the Maximum Special Tax for an Assessor's Parcel of Developed Property shall be the greater of the applicable Assigned Special Tax or Backup Special Tax.

D. Maximum Special Tax for Provisional Property and Undeveloped Property

The Maximum Special Tax for Provisional Property and Undeveloped Property commencing in Fiscal Year 2016-17 shall be \$27,502 per Acre for Zone A, \$29,057 per Acre for Zone B, and \$6,316 per Acre for Zone C.

On each July 1, commencing July 1, 2017, the Maximum Special Tax for Provisional Property and Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

E. Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax that may be levied on such an Assessor's Parcel shall only be levied on the Residential Property Land Use Class located on such Assessor's Parcel.

F. Administrative Special Tax Reduction

Prior to the issuance of Bonds, the Assigned Special Tax, Backup Special Tax, and Maximum Special Tax (collectively the "Special Tax Rates") on Taxable Property may be reduced in accordance with, and subject to the conditions set forth in this paragraph. Upon the City's receipt of a written request from Master Developer and the CFD Administrator, the Special Tax Rates on Taxable Property may be reduced to a level which will provide not less than the sum of estimated Administrative Expense Requirement and one hundred ten percent (110%) of the estimated debt service with respect to the amount of Bonds requested to be issued in such written request. If it is reasonably determined by the CFD Administrator that the total effective tax rate on Residential Property, as determined in accordance with the Development Agreement, exceeds the maximum level allowed in the Development Agreement, the Special Tax Rates may be reduced to the amount necessary to satisfy the maximum allowable effective tax rate requirement on Residential Property with the written consent of Master Developer, which consent shall not be unreasonably withheld, and the CFD Administrator. It shall not be required that reductions among each "Building Square Footage" range of Residential Property be proportional. Additionally, the "CFD Public Facilities Costs" amount in Section 8 shall be reduced commensurate with any reductions to the Special Tax Rates pursuant to this paragraph, as reasonably determined by the CFD Administrator. A certificate in substantially the form attached hereto as Exhibit "B" shall be used for purposes of evidencing the required written consent and effectuating the reduction to the Special Tax Rates. The reductions permitted pursuant to this paragraph shall be reflected in an amended Notice of Special Tax Lien which the City shall cause to be recorded.

4. METHOD OF APPORTIONMENT

For each Fiscal Year, commencing Fiscal Year 2016-17, the CFD Administrator shall levy the Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax to satisfy the Special Tax Requirement;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement after Step 1 has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax amount determined in Step 1 shall be increased Proportionately on each Assessor's Parcel of Developed Property up to 100% of the Maximum Special Tax for Developed Property.

Step 4: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Property up to 100% of the Maximum Special Tax for Provisional Property;

Notwithstanding the above, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased as a result of a delinquency or default in the payment of the Special Tax applicable to any other Assessor's Parcel within IA1 by more than ten percent (10%) above what would have been levied in the absence of such delinquencies or defaults.

5. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels of Public Property, (ii) Assessor's Parcels of Property Owner Association Property, (iii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, and (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, provided that no such classification would reduce the sum of all Taxable Property in IA1 to less than 9.53 Acres for Zone A, 12.67 Acres for Zone B, or 17.09 Acres for Zone C. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in IA1 to less than 9.53 Acres for Zone A, 12.67 Acres for Zone B, or 17.09 Acres for Zone C, shall be classified as Provisional Property and will continue to be subject to the IA1 Special Taxes accordingly. Tax exempt status for the purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of Section 5 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

6. APPEALS

Any landowner who pays the Special Tax and claims the amount of the Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than thirty-six (36) months after first having paid the first installment of the Special Tax that is disputed. If following such consultation the CFD Administrator determines that an error has occurred, then the CFD Administrator shall take any of the following actions, in order of priority, in order to correct the error:

- (i) Amend the Special Tax levy on the landowner's Assessor's Parcel(s) for the current Fiscal Year prior to the payment date,
- (ii) Require the CFD to reimburse the landowner for the amount of the overpayment to the extent of available CFD funds, or

- (iii) Grant a credit against, eliminate or reduce the future Special Taxes on the landowner's Assessor's Parcel(s) in the amount of the overpayment.

If following such consultation and action by the CFD Administrator the landowner believes such error still exists, such person may file a written notice of appeal with the City Council. Upon the receipt of such notice, the City Council or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. If the City Council or designee determines an error still exists, the CFD Administrator shall take any of the actions described as (i), (ii) and (iii) above, in order of priority, in order to correct the error.

The City Council or designee thereof shall interpret this Rate and Method of Apportionment of Special Tax for purposes of clarifying any ambiguities and make determinations relative to the administration of the Special Tax and any landowner appeals. The decision of the City Council or designee shall be final and binding as to all persons.

7. COLLECTION OF SPECIAL TAXES

Collection of the Annual Special Tax shall be made by the County in the same manner as ordinary ad valorem property taxes are collected and the Annual Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the City Council may provide for (i) other means of collecting the Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Annual Special Taxes.

8. PREPAYMENT OF SPECIAL TAX OBLIGATION

A. Prepayment in Full

Property owners may prepay and permanently satisfy the Special Tax Obligation by a cash settlement with the City as permitted under Government Code Section 53344. The following definitions apply to this Section 8:

"CFD Public Facilities Costs" means \$12,550,000 or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the Act and financing program for IA1, or (ii) shall be determined by the City Council concurrently with a covenant that it will not issue any more Bonds (except refunding bonds).

"Construction Fund" means the fund (regardless of its name) established pursuant to the Fiscal Agent Agreement to hold funds, which are currently available for expenditure to acquire or construct the facilities or pay fees authorized to be funded by CFD No. 16-I for IA1.

"Future Facilities Costs" means the CFD Public Facilities Costs minus (i) costs previously paid from the Construction Fund to acquire or construct the facilities, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow or other designated fund that are expected to be available to finance CFD Public Facilities Costs.

"Outstanding Bonds" means all Previously Issued Bonds, which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year excluding Bonds to be redeemed at a later date with proceeds of prior Special Tax prepayments.

"Previously Issued Bonds" means all Bonds that have been issued prior to the date of prepayment.

The Special Tax Obligation applicable to an Assessor's Parcel of Developed Property, or Undeveloped Property for which a Building Permit has been issued may be prepaid and the obligation to pay the Special Tax for such Assessor's Parcel permanently satisfied as described herein, provided

that a prepayment may be made with respect to a particular Assessor's Parcel only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel eligible to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay, and designate or identify the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount for such Assessor's Parcel within thirty (30) days of the request, and may charge a reasonable fee for providing this service. Prepayment must be made at least 60 days prior to any redemption date for the Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Fiscal Agent and the City.

The Prepayment Amount (defined below) shall be calculated for each applicable Assessor's Parcel or group of Assessor's Parcels as summarized below (capitalized terms as defined below):

Bond Redemption Amount
plus Redemption Premium
plus Future Facilities Prepayment Amount
plus Defeasance Amount
plus Prepayment Administrative Fees and Expenses
less Reserve Fund Credit
less Capitalized Interest Credit
Total: equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined in Step 14 below) shall be calculated as follows:

Step No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, determine the Maximum Special Tax. For Assessor's Parcels of Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit which has already been issued for that Assessor's Parcel.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total expected Maximum Special Tax revenue for IA1 assuming all Building Permits have been issued (build-out) within IA1, excluding any Assessor's Parcels for which the Special Tax Obligation has been previously prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds and round that number up to the nearest \$5,000 increment to compute the amount of Outstanding Bonds to be retired and prepaid for all applicable Assessor's Parcels (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (the "Redemption Premium").
6. Compute the Future Facilities Costs.

7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the “Future Facilities Prepayment Amount”).
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the expected redemption date for the Outstanding Bonds which, depending on the Fiscal Agent Agreement, may be as early as the next interest payment date.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Prepayment Amount and the Prepayment Administrative Fees from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Subtract the amount computed in paragraph 9 from the amount computed in paragraph 8 (the “Defeasance Amount”).
11. Calculate the administrative fees and expenses of CFD No. 16-I for IA1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming the Outstanding Bonds to be redeemed with the prepayment, and the costs of recording any notices to evidence the prepayment and the redemption (the “Prepayment Administrative Fees”).
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Fiscal Agent Agreement) on the prepayment calculation date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “Reserve Fund Credit”). No Reserve Fund Credit shall be granted if, after the Prepayment Amount is calculated, reserve funds are below 100% of the reserve requirement after taking into account such prepayment.
13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the “Capitalized Interest Credit”).
14. The amount to prepay the Special Tax Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the “Prepayment Amount”).
15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12 and 13 shall be deposited into the appropriate fund as established under the Fiscal Agent Agreement and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 16-I.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Fiscal Agent Agreement to redeem Bonds to be used with the next prepayment of Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel for which the Special Tax Obligation is prepaid in full, once the CFD Administrator has confirmed that all previously levied Special Taxes have been paid, the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax Obligation and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of the owner of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the aggregate amount of Maximum Special Taxes less the Administrative Expense Requirement that may be levied on Taxable Property, respectively, after the proposed prepayment is at least 1.1 times the Debt Service on all Outstanding Bonds in each Fiscal Year.

B. Partial Prepayment

The Special Tax on an Assessor's Parcel of Developed Property or Undeveloped Property for which a Building Permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section 8.A.; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (PE-A) \times F + A$$

These terms have the following meaning:

- PP = the partial prepayment
- PE = the Prepayment Amount calculated according to Section 8.A
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax Obligation
- A = the Prepayment Administrative Fees and Expenses from Section 8.A

The owner of any Assessor's Parcel who desires such partial prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax Obligation, (ii) the percentage by which the Special Tax Obligation shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax Obligation for an Assessor's Parcel within sixty (60) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section 8.A., and (ii) indicate in the records of CFD No. 16-I for IA1 that there has been a partial prepayment of the Special Tax Obligation and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the Maximum Special Tax, shall continue to be levied on such Assessor's Parcel.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the aggregate amount of Maximum Special Taxes less the Administrative Expense Requirement that may be levied on Taxable Property, respectively, after the proposed partial prepayment is at least 1.1 times the Debt Service on all Outstanding Bonds in each Fiscal Year.

9. TERM OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed forty (40) Fiscal Years commencing with Fiscal Year 2016-17.

EXHIBIT A

2016-7000326

BK 46 PG 2

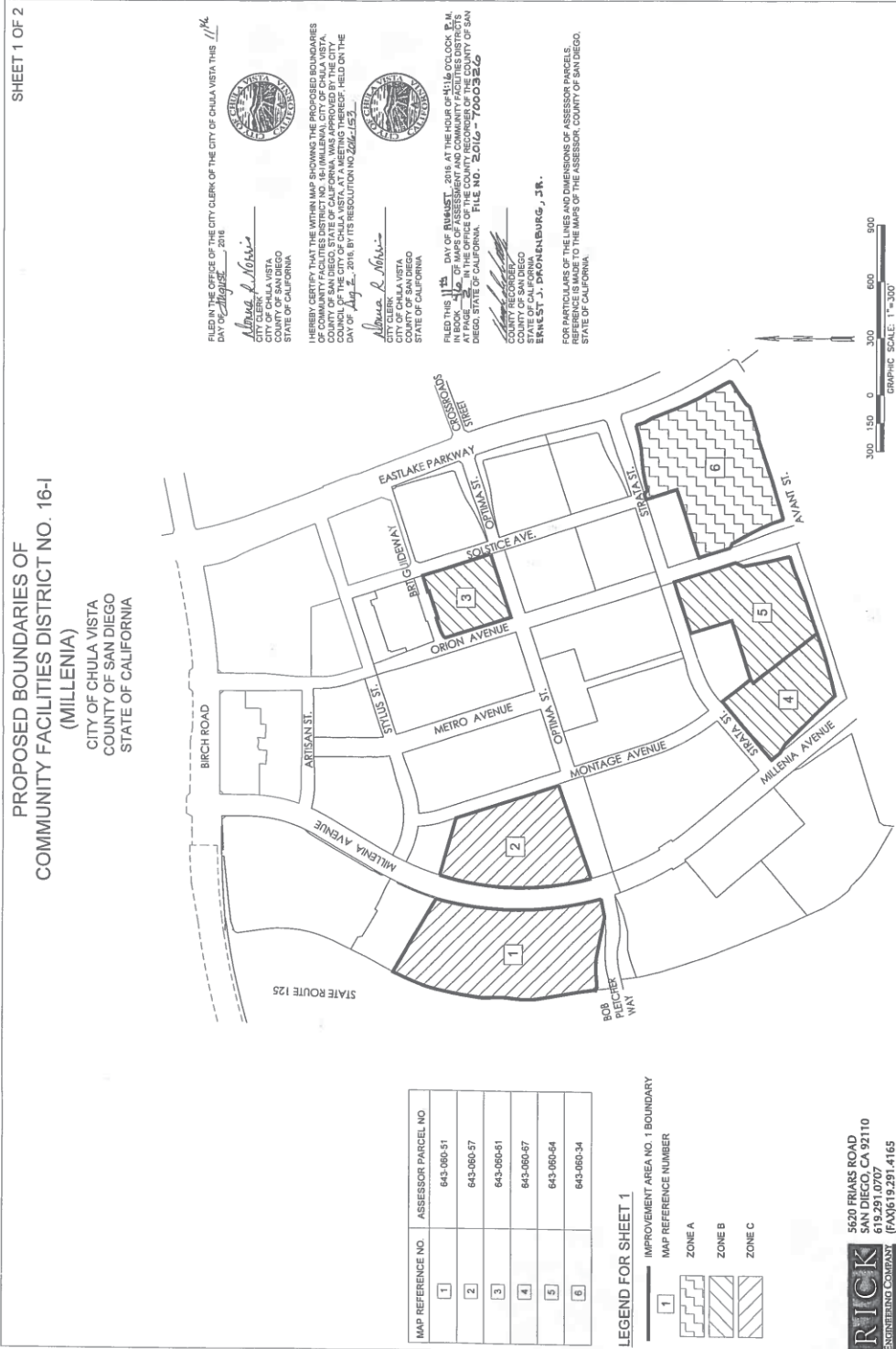


EXHIBIT B

CITY OF CHULA VISTA AND CFD NO. 16-I CERTIFICATE

1. Pursuant to Section 3F of the Rate and Method of Apportionment of Special Tax (the “RMA”), the City of Chula Vista (the “City”) and Community Facilities District No. 16-I of the City of Chula Vista (“CFD No. 16-I”) hereby agree to a reduction in the Special Tax for Developed Property, Undeveloped Property, and/or Provisional Property:
 - (a) The information in the RMA relating to the Special Tax for Developed Property, Undeveloped Property, and Provisional Property shall be modified as follows:

[insert Table 1, 2, and/or 3 showing revised Assigned Special Tax rates for Developed Property, insert revised Backup Special Tax rates for Developed Property by Zone, and insert change to Maximum Special Tax rates for Undeveloped Property and Provisional Property by Zone]
 - (b) The CFD Public Facilities Costs in Section 8 shall be changed to \$_____.
2. Special Tax rates for Taxable Property may only be modified prior to the issuance of Bonds.
3. Upon execution of the Certificate by the City and CFD No. 16-I the City shall cause an amended Notice of Special Tax Lien for IA1 to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City of Chula Vista and CFD No. 16-I, receipt of this Certificate and modification of the RMA as set forth in this Certificate.

CITY OF CHULA VISTA

By: _____
CFD Administrator

Date: _____

COMMUNITY FACILITIES DISTRICT NO. 16-I
OF THE CITY OF CHULA VISTA

By: _____

Date: _____

APPENDIX B-1
APPRAISAL REPORT

APPENDIX B-2
SUPPLEMENT TO APPRAISAL REPORT

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Bond Counsel will deliver an opinion for the Bonds substantially in the form set forth below:

[Closing Date]

Mayor and City Council
City of Chula Vista
276 Fourth Avenue
Chula Vista, California 91910

Re: \$_____ City of Chula Vista Community Facilities District No. 16-I (Millenia)
Improvement Area No. 1 2018 Special Tax Bonds

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Community Facilities District No. 16-I (Millenia) of the City of Chula Vista, County of San Diego, State of California (the "District"), of \$_____ aggregate principal amount of City of Chula Vista Community Facilities District No. 16-I (Millenia) Improvement Area No. 1 2018 Special Tax Bonds (the "Bonds"). The Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), a resolution adopted by the City Council of the City of Chula Vista on May 15, 2018 (the "Resolution"), and a Bond Indenture, dated as of June 1, 2018 (the "Bond Indenture"), by and between the District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent").

We have examined the Act, the Resolution, the Bond Indenture and certified copies of the proceedings taken for the issuance and sale of the Bonds. As to questions of fact which are material to our opinions, we have relied upon the representations of the District and the City of Chula Vista contained in the Bond Indenture and in certificates of its authorized officers which have been delivered to us for the purpose of supplying such facts, without having undertaken to verify the accuracy of any such representations by independent investigation.

Based upon such examination, we are of the opinion, as of the date hereof, that the proceedings referred to above have been taken in accordance with the laws and the Constitution of the State of California, and that the Bonds, having been issued in duly authorized form and executed by the proper officials and delivered to and paid for by the purchaser thereof, and the Bond Indenture having been duly authorized and executed by the proper official, constitute the legally valid and binding obligations of the District enforceable in accordance with their terms subject to the qualifications specified below and the Bonds, except where funds are otherwise available, as may be permitted by law, are payable, as to both principal and interest, solely from certain special taxes to be levied and collected within Improvement Area No. 1 of the District and other funds available therefor held under Bond Indenture.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain exempt from federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the

date of issuance of the Bonds. Pursuant to the Bond Indenture, the District has covenanted to comply with the requirements of the Code and applicable regulations promulgated thereunder.

We are of the opinion that, under existing statutes, regulations, rulings and court decisions, and assuming compliance by the District with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation and is exempt from personal income taxation imposed by the State of California.

We are further of the opinion that interest on the Bonds is not an item of tax preference for purposes of calculating the alternative minimum tax provisions of the Code. Although interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The opinions expressed herein may be affected by action which may be taken (or not taken) or events which may occur (or not occur) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur or are not taken or do not occur.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

APPENDIX D

**GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION
FOR THE CITY OF CHULA VISTA AND SAN DIEGO COUNTY**

Set forth below is certain demographic information regarding the City of Chula Vista (the “City”) and the County of San Diego (the “County”). This information is provided for informational purposes only and general background. The information set forth herein has been obtained from third party sources believed to be reliable, but such information is not guaranteed by the District, the City or the Underwriter as to accuracy or completeness. Neither the delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in any information contained in this Appendix D since the date of the Official Statement. The Bonds are not a debt of the City, the County, the State, or any of its political subdivisions, and none of the City, the County, the State nor any of its political subdivisions is liable thereon. The information and data within this Appendix D is the latest data available; however, the current state of the economy at City, County, State and national levels may not be reflected in the data discussed below because more up-to-date publicly available information is not available to the District.

General Information

The City is located on San Diego Bay in Southern California, 8 miles south of the City of San Diego and 7 miles north of the Mexico border, in an area generally known as “South Bay.” Chula Vista’s city limits cover approximately 50 square miles. Neighboring communities include the City of San Diego and National City to the north and the City of Imperial Beach and the communities of San Ysidro and Otay Mesa to the south. The City, with a total population of approximately 267,917, is the second largest city in the County.

Population

The following table provides a comparison of population growth for the City and the County between 2013 and 2017.

**TABLE NO. D-1
POPULATION
2013 - 2017**

<i>Year (January 1)</i>	<i>Chula Vista</i>	<i>San Diego County</i>
2013	256,366	3,195,215
2014	260,416	3,231,651
2015	263,028	3,266,192
2016	264,911	3,286,717
2017	267,917	3,316,192

Source: State of California, Department of Finance, CA; E-4 Population Estimates for Cities, Counties and the State, 2011-2017, with 2010 Benchmark, Sacramento, CA

Employment and Industry

The following table summarizes the civilian labor force, civilian employment and civilian unemployment figures over the period from 2013 through 2017 in the City, the County, the State of California and the United States.

TABLE NO. D-2
City of Chula Vista, County of San Diego, State of California and United States
Labor Force, Employment and Unemployment
Yearly Average

<i>Year and Area</i>	<i>Civilian Labor Force</i>	<i>Civilian Employment⁽¹⁾</i>	<i>Civilian Unemployment⁽²⁾</i>	<i>Civilian Unemployment Rate⁽³⁾</i>
2013				
Chula Vista	121,100	109,300	11,800	9.8%
San Diego County	1,543,200	1,422,400	120,800	7.8
California	18,625,000	16,958,400	1,666,600	8.9
United States ⁽⁴⁾	155,389,000	143,929,000	11,460,000	7.4
2014				
Chula Vista	120,700	110,900	9,700	8.1%
San Diego County	1,544,300	1,445,100	99,200	6.4
California	18,758,400	17,351,300	1,407,100	7.5
United States ⁽⁴⁾	155,922,000	146,305,000	9,617,000	6.2
2015				
Chula Vista	121,000	113,200	7,900	6.5%
San Diego County	1,564,900	1,474,200	80,700	5.2
California	18,896,500	17,724,800	1,171,700	6.2
United States ⁽⁴⁾	157,130,000	148,834,000	8,296,000	5.3
2016				
Chula Vista	122,200	115,000	7,200	5.9%
San Diego County	1,570,300	1,496,200	74,100	4.7
California	19,093,700	18,048,800	1,044,800	5.5
United States ⁽⁴⁾	159,187,000	151,436,000	7,751,000	4.9
2017				
Chula Vista	117,300	111,500	5,900	5.0%
San Diego County	1,585,000	1,521,500	63,500	4.0
California	19,312,000	18,393,100	918,900	4.8
United States ⁽⁴⁾	160,320,000	153,337,000	6,982,000	4.4

Note: Data is not seasonally adjusted.

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

The following table sets forth the industry employment and the labor force estimates for the years 2013 through 2017 for the San Diego Carlsbad MSA. Annual industry employment information is not compiled by sector for the City.

TABLE D-3
SAN DIEGO CARLSBAD MSA
INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE
2013 through 2017

	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Civilian Labor Force	1,543,200	1,544,300	1,554,900	1,570,300	1,585,000
Civilian Employment	1,422,400	1,445,100	1,474,200	1,496,200	1,521,500
Civilian Unemployment	120,800	99,200	80,700	74,700	63,500
Civilian Unemployment Rate	7.8%	6.4%	5.2%	4.7%	4.0%
Total Farm	9,800	9,400	9,100	8,900	8,600
Total Nonfarm	1,317,700	1,346,600	1,386,800	1,424,600	1,453,200
Total Private	1,088,200	1,114,700	1,150,700	1,182,400	1,205,200
Goods Producing	160,800	166,500	176,400	184,600	188,600
Mining & Logging	300	400	300	300	300
Construction	61,000	63,900	69,900	76,300	79,300
Manufacturing	99,400	102,200	106,200	108,000	109,000
Service Providing	1,157,000	1,180,100	1,210,400	1,240,000	1,264,700
Trade, Transportation & Utilities	214,800	217,500	221,900	224,800	228,800
Wholesale Trade	46,400	46,200	46,700	47,600	48,200
Retail Trade	141,300	144,300	146,800	147,500	148,700
Transportation, Warehousing & Utilities	26,200	26,100	26,900	26,600	26,500
Information	24,700	24,800	24,200	24,100	24,400
Financial Activities	70,800	69,400	71,200	72,700	74,100
Professional & Business Services	218,200	221,400	227,200	231,200	233,500
Educational & Health Services	181,000	186,000	192,700	198,700	204,500
Leisure & Hospitality	168,600	177,000	183,900	191,900	196,400
Other Services	49,300	52,000	53,200	54,400	54,900
Government	<u>229,500</u>	<u>231,900</u>	<u>236,200</u>	<u>242,200</u>	<u>248,100</u>
Total, All Industries	<u>1,327,500</u>	<u>1,356,000</u>	<u>1,395,900</u>	<u>1,433,500</u>	<u>1,461,800</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix C.

Source: State of California, Employment Development Department, San Diego Carlsbad MSA (San Diego County) Industry Employment & Labor Force - by Annual Average, March 2017 Benchmark.

The following tables lists the largest employers operating within the City and their respective number of employees as of June 30, 2017:

**TABLE NO. D-4
LARGEST EMPLOYERS
JUNE 30, 2017**

<i>Name of Company</i>	<i>No. of Employees</i>	<i>Type of Business/Product</i>
Sweetwater Union High School District	4,371	Education
Chula Vista Elementary School District	3,370	Education
Rohr Inc./Goodrich Aerospace	2,468	Aerospace Manufacturing
Sharp Chula Vista Medical Center	2,131	Hospital
Wal-Mart	1,523	General Merchandise
Southwestern Community College	1,411	Education
City of Chula Vista	1,202	Government
Scripps Mercy Hospital Chula Vista	1,045	Hospital
Costco Wholesale Group	685	General Merchandise
Aquatica	566	Water Park

Source: City of Chula Vista, Comprehensive Annual Financial Report for the year ended June 30, 2017.

Income

The following table summarizes per capita personal income for San Diego County, California and the United States for 2007 through 2016.

**TABLE NO. D-5
PER CAPITAL PERSONAL INCOME
2007 - 2016**

<i>Year</i>	<i>San Diego County</i>	<i>State of California</i>	<i>United States</i>
2007	\$44,912	\$43,692	\$39,821
2008	45,383	44,162	41,082
2009	43,269	42,224	39,376
2010	43,995	43,323	40,278
2011	46,397	45,854	42,463
2012	48,004	48,359	44,283
2013	49,017	48,555	44,489
2014	51,439	51,317	46,486
2015	53,963	54,664	48,429
2016	55,168	56,308	49,204

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Commercial Activity

The following table summarizes the volume of retail sales and taxable transactions for Chula Vista for 2012 through first quarter of 2016.

**TABLE NO. D-6
CITY OF CHULA VISTA
TOTAL TAXABLE TRANSACTIONS
(in Thousands)
2012 – 2016**

<i>Year</i>	<i>Retail Sales \$(000's)</i>	<i>Retail Sales Permits</i>	<i>Total Taxable Transactions \$(000's)</i>	<i>Issued Sales Permits</i>
2012	\$2,258,846	2,778	\$2,501,497	4,149
2013	1,689,367	2,835	1,879,316	4,182
2014	2,395,041	2,914	2,667,866	4,291
2015	2,394,868	2,974	2,687,701	4,850
2016	2,381,364	2,976	2,676,901	4,896

Source: California State Board of Equalization, Taxable Sales in California (Sales and Use Tax).

Building Activity

The following table summarizes building activity valuations for Chula Vista for the years 2012 through 2016.

**TABLE NO. D-7
CITY OF CHULA VISTA
BUILDING ACTIVITY AND VALUATION
(in Thousands)
2012 - 2016**

	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Residential	\$ 206,328,697	\$ 167,858,912	\$ 206,642,544	\$ 143,176,844	\$ 171,212,179
Non-Residential	<u>19,841,124</u>	<u>54,727,472</u>	<u>38,198,063</u>	<u>61,066,094</u>	<u>86,935,526</u>
Total Valuation	<u>\$ 226,169,821</u>	<u>\$ 222,586,384</u>	<u>\$ 244,840,607</u>	<u>\$ 204,242,938</u>	<u>\$ 258,147,505</u>
Total Permits	789	606	1,045	717	1,045

Source: California Homebuilding Foundation and Construction Industry Research Board.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

The following is a summary of certain definitions and provisions of the Indenture which is not described elsewhere in the Official Statement. This Summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions.

[TO COME FROM BOND COUNSEL]

APPENDIX F

FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of June 1, 2018 (the “Disclosure Agreement”) is executed and delivered by the Community Facilities District No. 16-I (Millenia) (the “District”) and Spicer Consulting Group, LLC (the “Dissemination Agent”) in connection with the execution and delivery of \$_____ City of Chula Vista Community Facilities District No. 16-I (Millenia) Improvement Area No. 1 2018 Special Tax Bonds (the “Bonds”). The Bonds are being executed pursuant to a Bond Indenture dated as of June 1, 2018 (the “Indenture”), by and between the District and U.S. Bank National Association, as trustee (the “Trustee”). The District covenants as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which 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).

“City” means the City of Chula Vista, County of San Diego, California.

“Disclosure Representative” shall mean the City Manager, Assistant City Manager, Deputy City Manager, Chief Financial Officer, Director of Finance/Treasurer of the City or the designee of any one of such officers, or such other officer or employee as the City Manager shall designate in writing from time to time.

“Dissemination Agent” shall mean Spicer Consulting Group, LLC, or any successor dissemination agent designated in writing by the City Manager or the Director of Finance/Treasurer of the District and which has filed with the District a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Improvement Area No. 1” shall mean Improvement Area No. 1 of the District.

“Listed Events” shall mean any of the events listed in Sections 5(a) and 5(b) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“Official Statement” shall mean the Official Statement relating to the Bonds dated May __, 2018.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or, upon delivery of the Annual Report to the Dissemination Agent shall cause the Dissemination Agent to, not later than March 31 of each year, commencing March 31, 2019, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District, if any are prepared, may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(b) Not later than five (5) days prior to the date for the filing of an Annual Report, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by five (5) days prior to such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to inquire if the District is in compliance with subsection (a).

(c) If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository in the form required by the Repository stating that the Annual Report has not been filed and, if provided by the District, the date the District anticipates the filing to be made.

(d) The Dissemination Agent shall:

(i) determine each year prior to date for providing the Annual Report the name and address of the Repository if other than the MSRB; and

(ii) file a report with the District certifying that the Annual Report has been provided to the Repository pursuant to this Disclosure Agreement and stating the date it was provided to the Repository.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the District for the prior fiscal year, if any have been prepared and which, if prepared, shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided, however, that the District may, from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the

event that the District shall modify the basis upon which its financial statements are prepared, the District shall provide the information referenced in Section 8(b) below regarding such modification. If the District is preparing audited financial statements and such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following:

(i) the principal amount of the Bonds outstanding as of the September 2 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Indenture and the Reserve Requirement as of the September 2 preceding the filing of the Annual Report;

(iii) any changes to the Improvement Area No. 1 Special Tax RMA approved or submitted to the qualified electors for approval prior to the filing of the Annual Report;

(iv) an update of the estimated assessed value-to-lien ratio for Improvement Area No. 1 substantially in the form of Table 4 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

(v) a statement regarding the amount of Special Tax prepayments, if any, in the Fiscal Year for which the Annual Report is prepared;

(vi) the status of any foreclosure actions being pursued by the District in Improvement Area No. 1 with respect to delinquent Special Taxes;

(vii) a statement as to whether the District participates in the Teeter Plan (as defined in the Official Statement) and whether the City or the District has entered into an agreement to sell delinquent installments of Special Taxes to a third party;

(viii) a table showing the total Special Taxes levied and the total Special Taxes collected for the prior fiscal year and the total Special Taxes that, as of December 31, remain unpaid for each prior fiscal year in which Special Taxes were levied and the number of delinquent parcels in Improvement Area No. 1; and

(ix) any information not already included under (i) through (viii) above that the District is required to file in its annual report pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, with the California Debt and Investment Advisory Commission.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

In the event that the District shall modify the basis upon which its financial statements are prepared, the Dissemination Agent shall provide a notice of such modification to the Repository, including the information set forth in Section 8(b) below.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause the Dissemination Agent to give, notice to the Repository of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the occurrence of the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the 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, in a timely manner not more than ten (10) business days after the occurrence of such event:

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
3. appointment of a successor or additional trustee or the change of the name of a trustee;

4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. Bond calls; and
7. release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under 5(b) above, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If a Listed Event under Section 5(a) has occurred, or if the District determines that knowledge of the occurrence of a Listed Event under 5(b) above would be material under applicable federal securities laws, the District shall file a notice of such Listed Event with the Repository in a timely manner not more than 10 business days after the event. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(6) need not be given under this section any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and that the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District and shall have no duty to review any information provided to it by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver.

(a) Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(1) If the amendment or waiver related to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(2) The undertaking hereunder, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

(b) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment is related to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Format of Filings with Repository. Any report or filing with the Repository pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation hereunder 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 Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance and the District shall have no monetary liability to any person as a result of any failure to comply with the terms of this Disclosure Agreement.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Owners, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

APPENDIX G

FORMS OF DEVELOPERS CONTINUING DISCLOSURE AGREEMENTS

APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of 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.

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

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

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the 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, the 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 the 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.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Fiscal Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Fiscal Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Fiscal Agent's DTC account.

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

THE FISCAL AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX I

EXECUTIVE SUMMARY OF MARKET ABSORPTION STUDY