

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2021

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.

\$11,255,000*

**CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
IMPROVEMENT AREA NO. 2
2021 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. 2 therein (“Improvement Area No. 2”). The City of Chula Vista Community Facilities District No. 16-I (Millenia) Improvement Area No. 2 2021 Special Tax Bonds (the “Bonds”) are being issued by the District to (a) pay the cost and expense of acquisition of certain public facilities required in connection with the development of the District; (b) fund capitalized interest on the Bonds through September 1, 2021; (c) fund a Reserve Fund securing the Bonds; and (d) pay costs of issuance of the Bonds.

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. 2021-__ 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 April 1, 2021 (the “Indenture”), by and between the District and Wilmington Trust, 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. 2 subject to the Special Taxes and from certain other funds pledged under the Indenture, all as further described herein (see “SOURCES OF PAYMENT FOR THE BONDS — Assignment of Assessor Parcel Numbers and Delayed Special Tax Revenues” herein for a description of certain delays in receipt of Special Tax revenues during the development and home sales period within Improvement Area No. 2). 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. 2. 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, 2021. 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. 2 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, 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. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about April __, 2021.

* Preliminary, subject to change.

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

[STIFEL LOGO]

Dated: March __, 2021

\$11,255,000*
CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
IMPROVEMENT AREA NO. 2
2021 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>
	\$	%	%		

Term Bonds

\$ _____ % Term Bonds due September 1, 20__, Yield: _____ % Price: _____ CUSIP No. [†] _____
 \$ _____ % Term Bonds due September 1, 20__, 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, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. None of the City, the District, the Municipal Advisor 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)
Jill Galvez (Second District)
Stephen Padilla (Third District)
Andrea Cardenas (Fourth District)

CITY OFFICIALS

Maria Kachadoorian, City Manager
Kelley Bacon, Deputy City Manager
Kelly Broughton, Deputy City Manager
Glen Googins, City Attorney
Kerry K. Bigelow, MMC, City Clerk
David Bilby, Director of Finance/Treasurer
Tiffany Allen, Director of Development Services

BOND COUNSEL

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San Diego, California

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Newport Beach, California

MUNICIPAL ADVISOR

Harrell & Company Advisors, LLC
Orange, California

SPECIAL TAX CONSULTANT

Spicer Consulting Group, LLC
Temecula, California

REAL ESTATE APPRAISER

Kitty Siino & Associates, Inc.
Tustin, California

MARKET ABSORPTION ANALYST

Meyers Research, LLC
Solana Beach, California

FISCAL AGENT

Wilmington Trust, National Association
Costa Mesa, 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, the Municipal Advisor 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, the Municipal Advisor 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. 2" 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.

TABLE OF CONTENTS

Page

INTRODUCTION 1

- The District and Improvement Area No. 2..... 1
- Property Ownership and Development Status 3
- Forward Looking Statements 4
- Sources of Payment for the Bonds 5
- Appraisal Report and Supplement to Appraisal Report 6
- Description of the Bonds..... 7
- Tax Exemption 7
- Professionals Involved in the Offering 7
- Continuing Disclosure..... 8
- Bond Owners’ Risks 8
- Other Information 8

ESTIMATED SOURCES AND USES OF FUNDS 9

THE BONDS 9

- General Provisions 9
- Debt Service Schedule 10
- Redemption 11
- Registration, Transfer and Exchange 14

SOURCES OF PAYMENT FOR THE BONDS 15

- Limited Obligations 15
- Special Taxes 15
- Reserve Fund 24
- Assignment of Assessor Parcel Numbers and Delayed Special Tax Revenues 25
- Issuance of Parity Bonds for Refunding Only 28

IMPROVEMENT AREA NO. 2..... 29

- General Description of Millenia, the District and Improvement Area No. 2 29
- Description of Authorized Facilities 29
- Direct and Overlapping Indebtedness 30
- Expected Tax Burden; Potential Special Tax Prepayment..... 31
- Market Absorption Study..... 35
- Appraisal Report and Supplement to Appraisal Report 37
- Appraised Value-To-Lien Ratios 39
- Largest Taxpayers 41
- Delinquency History 42

PROPERTY OWNERSHIP AND THE DEVELOPMENT 42

- General Description of the Development..... 42
- SLF and the Contracted Project Manager 44
- History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy..... 44
- The Development..... 45
- Builders in Improvement Area No. 2 48
- Lennar Homes Development and Financing Plan..... 50
- Pinnacle Homes Development and Financing Plan 54

SPECIAL RISK FACTORS 56

- Risks of Real Estate Secured Investments Generally..... 56
- Concentration of Ownership 57
- Limited Obligations 57
- Insufficiency of Special Taxes 57
- Failure to Develop Properties 59
- Natural Disasters 60
- Endangered/Threatened Species 60

TABLE OF CONTENTS
(continued)

	<i>Page</i>
Hazardous Substances.....	61
Payment of the Special Tax is not a Personal Obligation of the Property Owners	61
Property Values.....	61
Parity Taxes and Special Assessments.....	62
Disclosures to Future Purchasers	63
Special Tax Delinquencies.....	63
FDIC/Federal Government Interests in Properties.....	64
Bankruptcy and Foreclosure	65
No Acceleration Provision	66
Loss of Tax Exemption.....	66
Limited Secondary Market.....	66
Proposition 218	67
Litigation with Respect to Community Facilities Districts	67
Ballot Initiatives.....	69
Limitations on Remedies	69
Potential Early Redemption of Bonds from Special Tax Prepayments.....	69
Cybersecurity	69
COVID-19 (Coronavirus) Pandemic.....	70
CONTINUING DISCLOSURE.....	70
District Continuing Disclosure.....	70
Developer Continuing Disclosure	71
TAX MATTERS.....	72
LEGAL MATTERS.....	73
ABSENCE OF LITIGATION	73
NO RATING	73
UNDERWRITING	73
FINANCIAL INTERESTS.....	73
PENDING LEGISLATION.....	74
ADDITIONAL INFORMATION.....	74
APPENDIX A RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX	A-1
APPENDIX B-1 APPRAISAL REPORT.....	B-1-1
APPENDIX B-2 SUPPLEMENT TO APPRAISAL REPORT.....	B-2-1
APPENDIX C FORM OF OPINION OF BOND COUNSEL	C-1
APPENDIX D GENERAL INFORMATION CONCERNING THE REGION	D-1
APPENDIX E SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE	E-1
APPENDIX F FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT	F-1
APPENDIX G FORMS OF DEVELOPERS CONTINUING DISCLOSURE CERTIFICATES	G-1
APPENDIX H BOOK-ENTRY ONLY SYSTEM.....	H-1
APPENDIX I MARKET ABSORPTION STUDY	I-1

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\$11,255,000*
CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
IMPROVEMENT AREA NO. 2
2021 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 City of Chula Vista Community Facilities District No. 16-I (Millenia) Improvement Area No. 2 2021 Special Tax Bonds (the “Bonds”) in the aggregate principal amount of \$11,255,000*. The proceeds of the Bonds will be used to (a) pay the cost and expense of acquisition of certain public facilities required in connection with the development of the District; (b) fund capitalized interest on the Bonds through September 1, 2021; (c) fund a Reserve Fund securing the Bonds; and (d) pay costs of issuance of the Bonds. 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”), Resolution No. 2021-___ adopted by the City Council of the City of Chula Vista (the “City Council”), acting as the legislative body of the District, on March __, 2021, and a Bond Indenture dated as of April 1, 2021 (the “Indenture”), by and between the District and Wilmington Trust, 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. 2 (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. Special taxes levied in Improvement Area No. 1 (as defined below) of the District are not pledged to pay debt service on the Bonds. 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. 2

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 66 gross acres of which 42 acres are within Improvement Area No. 1 (“Improvement Area No. 1”) therein and 24 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

* *Preliminary, subject to change.*

covers approximately 206 acres and is a mixed-use development consisting of both rental and for-sale residential units and a maximum of 3.3 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. Completed developments within Millenia include single family homes, apartments, attached and detached condominiums, retail centers and an Ayres hotel. See “IMPROVEMENT AREA NO. 2 — General Description of Millenia, the District and Improvement Area No. 2” for a description of the completed and active developments within the Millenia community as a whole.

The development within Improvement Area No. 2 is part of the second phase of Millenia. Improvement Area No. 2 of the District is made up of four separate project areas. Residential development is underway in three of the project areas which are planned to include 335 for-sale market-rate homes at buildout. The fourth project area is located within the portion of Millenia designated primarily for commercial use, however, residential uses are also permitted, as further described herein. SLF (as defined below) has not made a decision as to whether any residential projects will be located in the fourth project area.

SLF IV-Millenia, LLC, a Delaware limited liability company (“SLF”), is the master developer within the District. SLF has contracted with Meridian Communities, LLC (“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. SLF and Meridian have formed a joint venture entity, Pinnacle New Homes LLC (“Pinnacle Homes”), to develop one of the residential projects within Improvement Area No. 2. 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 establish 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. 2, not to exceed \$21,000,000, 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. 2 — 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. 2 at which the landowners within Improvement Area No. 2 eligible to vote approved the issuance of bonds for the District with respect to Improvement Area No. 2 in an amount not to exceed \$21,000,000. A Notice of Special Tax Lien for Improvement Area No. 2 was recorded in the office of the County Recorder of the County of San Diego (the “County”) on September 23, 2016 as Document No. 2016-0506597.

Pursuant to a petition received from the Developer, the City Council adopted Resolution No. 2020-001 on January 7, 2020, declaring its intention to consider changes to the rate and method of apportionment of special taxes for Improvement Area No. 2 and to amend the boundary map of the District to remove certain property from Improvement Area No. 2. Subsequent to a noticed public hearing, the City Council adopted Resolution No. 2020-029 on February 18, 2020, which called a special election on the proposition of levying a special tax in accordance with the Amended and Restated Rate and Method of Apportionment of Special Tax for Improvement Area No. 2 (as amended and restated, the “Rate and Method”), a copy of which is attached hereto as APPENDIX A.

On February 18, 2020, an election was held within Improvement Area No. 2 at which the landowners within Improvement Area No. 2 eligible to vote approved the levy of a special tax within Improvement Area No. 2 in accordance with the Rate and Method. On February 18, 2020, the City Council adopted Resolution No. 2020-30, which declared the results of the election approving the Rate and Method. An Amendment to Notice of Special Tax Lien for Improvement Area No. 2 was recorded in the office of the County on February 28, 2020, as Document No. 2020-0105261.

On July 28, 2020, the City Council, acting as the legislative body of the District, adopted Ordinance No. 3492 (the “Special Tax Ordinance”) which authorizes the levy within Improvement Area No. 2 of a special tax pursuant to the Rate and Method.

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. 2 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, four of which are included in Improvement Area No. 2.

Three of the project areas are planned for 335 for-sale market-rate homes, two of which are being developed by Lennar Homes of California, Inc. (“Lennar Homes”) and one of which is being developed by Pinnacle Homes. Pinnacle Homes is a joint venture entity formed by Meridian (the contracted project manager for Millenia) and SLF. The fourth project area is currently owned by SLF.

Lennar Homes is developing two residential communities within Improvement Area No. 2 totaling 209 homes being marketed as “Cleo” and “Vibe.” As of March 1, 2021, Lennar Homes had completed and conveyed 35 homes to individual homeowners. As of such date, Lennar Homes owned a five-unit building containing three model homes available for touring and a six-unit building containing six models homes available for touring, 119 homes under construction (66 of which were in escrow) and finished lots planned for 44 homes. Lennar Homes has recorded condominium plans and obtained building permits for all 209 homes that it plans to build within Improvement Area No. 2 and currently expects to complete and convey the remaining homes to individual homeowners by the end of 2021.

Pinnacle Homes is developing a residential community with 126 homes being marketed as “Pinnacle at Millenia” within Improvement Area No. 2. As of March 1, 2021, Pinnacle Homes had completed and conveyed 36 homes to individual homeowners. As of such date, Pinnacle Homes owned six completed model homes, 66 homes under construction (all of which were in escrow) and finished lots planned for 18 homes. Pinnacle Homes has recorded condominium plans for the first three phases of its project within Improvement Area No. 2, which includes 48 of the 126 planned homes. Pinnacle Homes currently expects to complete and convey the remaining homes that it plans to construct in Improvement Area No. 2 to individual homeowners by the end of 2021.

SLF owns the remaining project area within Improvement Area No. 2, which consists of an approximately eight-acre finished lot (“Lot 19”). Lot 19 and an adjacent 11-acre lot (“Lot 1”) together comprise the “business district” within Millenia. Lot 1 is not located within Improvement Area No. 2. The business district is entitled for commercial development with a minimum building square footage of 800,000 and a maximum of 1,900,000. The business district is also entitled for up to 225 residential units, which may be for-rent or for-sale products. If a residential project is included in the business district, it may be located within either Lot 19 or Lot 1. SLF has not yet developed plans for the ultimate use of the business district, including Lot 19 in Improvement Area No. 2. SLF has and expects to continue to have discussions with potential developers and analyze proposed development plans by such developers for the business district. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

The major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed to serve the property within Improvement Area No. 2 is substantially complete, with minor street improvements and a pedestrian crossing remaining. Millenia is accessed via Birch Road and Eastlake Parkway, the arterial roads which border Millenia. The property within Improvement Area No. 2 varies from finished lots to completed homes owned by individuals, as described above. The remaining in-tract improvements are expected to be constructed by the homebuilders as development within their respective projects continue to progress.

SLF is responsible for constructing six parks within the Millenia project pursuant to the Park Agreement (as defined herein) with the City. The Park Agreement gives the City the right to withhold building permits for units or properties within Millenia should master plan approval, commencement of construction or park completion not occur as provided for in the Park Agreement. Three of the six parks have been completed, two are under construction and the final park is in the design phase. To date there have been no violations of any of the park thresholds identified in the Park Agreement. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development — *Infrastructure Requirements and SLF Financing Plan.*”

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. 2,” “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 (the “Tax Collector”). Although the Special Taxes will constitute a lien on the property subject to taxation in Improvement Area No. 2, 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.

See “SOURCES OF PAYMENT FOR THE BONDS — Assignment of Assessor Parcel Numbers and Delayed Special Tax Revenues” herein for a description of certain delays in receipt of Special Tax revenues during the development and home sales period within Improvement Area No. 2.

Special Tax. As used in this Official Statement, the terms “Special Tax” and “Special Taxes” is the “Improvement Area No. 2 Special Tax,” which term is defined in the Indenture as the Special Tax authorized to be levied in Improvement Area No. 2 pursuant to the Act and the Rate and Method. Under the Indenture, the District will pledge to repay the Bonds from the “Net Improvement Area No. 2 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. 2 Special Tax Revenues minus amounts applied annually to fund the Administrative Expense Requirement. The term “Improvement Area No. 2 Special Tax Revenues” is defined in the Indenture as: (a) the proceeds of the Special Tax levied by the District within Improvement Area No. 2 of the District pursuant to the Rate and Method and received by the District, minus the Delayed Special Tax Revenues (as defined herein), (b) the Delinquency Proceeds and (c) amounts transferred from the Deposit Fund to the Fiscal Agent pursuant to the Deposit Agreement (as defined herein). “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.”

Assignment of Assessor Parcel Numbers and Delayed Special Tax Revenues. As further described herein, the timing of the County’s assignment of assessor parcel numbers to the parcels for the individual residential units within Improvement Area No. 2 could result in delays in receipt by the District of portions of the Special Taxes levied within Improvement Area No. 2 for a limited period. In order to provide an amount which the District may apply to pay the portion of debt service attributable to the Special Taxes that are delayed by this process, SLF has funded the Deposit Fund established under a certain Deposit Agreement by and among the City, the District and SLF (the “Deposit Agreement”). See “SOURCES OF PAYMENT FOR THE BONDS — Assignment of Assessor Parcel Numbers and Delayed Special Tax Revenues.”

Foreclosure Proceeds. The District will covenant in the Indenture 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.

The District is 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. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” herein and APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — MISCELLANEOUS CONDITIONS — Covenants.” There is no assurance that the property within Improvement Area No. 2 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. 2. 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 a portion of 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 without any requirement for the consent of any Bondowners. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — MISCELLANEOUS CONDITIONS — 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. 2 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. 2 was prepared by Kitty Siino & Associates, Inc., Tustin, California (the “Appraiser”). The appraisal is entitled “Appraisal Report Community Facilities District No. 16-I Improvement Area No. 2 (Millenia) Otay Ranch, Chula Vista” (the “Appraisal Report”). See APPENDIX B — “APPRAISAL REPORT.” The Appraisal Report provides an estimate of the approximate minimum market value of the property in Improvement Area No. 2 subject to the levy of Special Taxes, assuming that development of the property as currently planned will consist of 335 residential units and the potential non-residential projects described therein. Based on the assumptions and limiting conditions in the Appraisal Report, the Appraiser concluded that the minimum market value of all of the parcels within Improvement Area No. 2 subject to the Special Tax was \$58,994,108 as of November 15, 2020 (the “Date of Value”).

The Appraiser has prepared a Supplement to Appraisal Report (the “Appraisal Supplement”) in which 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 February 15, 2021, was not less than the concluded value as of the Date of 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. The District makes no representation as to the

accuracy of the Appraisal Report. See “IMPROVEMENT AREA NO. 2 — Appraisal Report and Supplement to Appraisal Report” and “— Appraised Value-to-Lien Ratios.” There is no assurance that property within Improvement Area No. 2 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. 2,” “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.

The Bonds are subject to optional redemption, extraordinary redemption from prepaid Special Taxes, 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. 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

Wilmington Trust, National Association, Costa Mesa, 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. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, is serving as 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, Harrell & Company Advisors, LLC, Orange, California as municipal advisor to the City and Spicer Consulting Group, LLC, 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 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 Lennar Homes or Pinnacle Homes to be an “obligated person” with respect to the Bonds for purposes of the Rule. However, to assist in the marketing of the Bonds, Lennar Homes and Pinnacle Homes have agreed to provide, or cause to be provided on EMMA, updated information with respect to their respective development within Improvement Area No. 2 (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 among 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, Lennar Homes and Pinnacle Homes 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.

Sources of Funds:	
Principal Amount of Bonds	\$
Plus Net Original Issue Premium	
Total Sources	<u><u>\$</u></u>
Uses of Funds:	
Project Fund	\$
Capitalized Interest Sub-Account ⁽¹⁾	
Costs of Issuance ⁽²⁾	
Reserve Fund	
Underwriter's Discount	
Total Uses	<u><u>\$</u></u>

⁽¹⁾ Amounts deposited to pay the interest on the Bonds through September 1, 2021.

⁽²⁾ Includes Bond Counsel fees, Disclosure Counsel fees, Appraiser fees, Market Absorption Consultant fees, Special Tax Consultant fees, Municipal Advisor fees, Fiscal Agent fees, 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, 2021 (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 the Bonds through September 1, 2021 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 due at maturity or upon prior redemption, 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."

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<i>Date</i> <i>(September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
	\$ -	\$ -	\$ -

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 on and after September 1, 2028, 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 thereon to the date of redemption:

* *Preliminary, subject to change.*

<i>Redemption Dates</i>	<i>Redemption Price</i>
September 1, 2028 and March 1, 2029	103%
September 1, 2029 and March 1, 2030	102
September 1, 2030 and March 1, 2031	101
September 1, 2031 and any Interest Payment Date thereafter	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 (see “IMPROVEMENT AREA NO. 2 — Expected Tax Burden; Potential Special Tax Prepayment”). 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, 2021 through March 1, 2029	103%
September 1, 2029 and March 1, 2030	102
September 1, 2030 and March 1, 2031	101
September 1, 2031 and any Interest Payment Date thereafter	100

See the caption “SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments” for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from prepayment of Special Taxes.

Mandatory Sinking Fund Redemption. The Term 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 Term 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 (September 1)</i>	<i>Sinking Fund Payments</i>
	\$

(maturity)

The Term 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 Term 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:

Sinking Fund Redemption Date
(September 1)

Sinking Fund Payments

\$

(maturity)

In the event of a partial optional redemption or extraordinary redemption from Special Tax prepayments of the Term Bonds maturing on September 1, 20__ or September 1, 20__, each of the remaining mandatory sinking fund payments for the applicable maturity of the Term 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 will be given to the Depository in such manner as is set forth in the procedures 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 the same time that the notice of redemption is mailed to the Bondowners by registered or certified mail or overnight delivery service to the Securities Depository 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.

Conditional Notice of Redemption. 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 canceled.

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, the Redemption Fund or an escrow 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.

Selection of Bonds for Redemption. If less than all of the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Bonds for redemption, the District shall treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

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. Upon initial issuance, the ownership of the Bonds will be registered in the name of the nominee of DTC.

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. See “SOURCES OF PAYMENT FOR THE BONDS — Assignment of Assessor Parcel Numbers and Delayed Special Tax Revenues” for a description of certain delays in receipt of Special Tax revenues during the development and home sales period within Improvement Area No. 2.

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. 2 AND CERTAIN OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Special taxes levied in Improvement Area No. 1 of the District are not pledged to pay debt service on the Bonds.

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. 2 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. 2 at which the landowner eligible to vote approved the issuance of bonds for Improvement Area No. 2 in an amount not to exceed \$21,000,000, and the levy of the Special Taxes on property within Improvement Area No. 2 to repay such bonds and to finance the Facilities (as defined below). In connection with change proceedings undertaken for Improvement Area No. 2 in 2020, the landowners within Improvement Area No. 2 voted to approve the levy of the Special Tax in accordance with the Rate and Method.

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. 2 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. 2 of the District pursuant to the Rate and Method and received by the District, minus the Delayed Special Tax Revenues (as defined herein), (b) the Delinquency Proceeds and (c) amounts transferred from the Deposit Fund to the Fiscal Agent pursuant to the Deposit Agreement (as defined herein). "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.

Commencing Fiscal Year 2021-22, the District will, no 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 “—*Estimated Debt Service 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. 2 as more particularly described below.

The following is a synopsis of the provisions of the Rate and Method for Improvement Area No. 2, 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. 2 is classified into two tax zone areas (each a “Zone”). Each Fiscal Year, all Taxable Property within Zone A and B of Improvement Area No. 2 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 in Zone A shall be based on the Building Square Footage of the dwelling units located on the Assessor’s Parcel. The Assigned Special Tax for an Assessor’s Parcel of Non-Residential Property in Zone A is \$6,624.49 per Acre for Fiscal Year 2021-22. The Assigned Special Tax for an Assessor’s Parcel in Zone B is \$6,624.49 per Acre for both Residential and Non-Residential Property. The Assigned Special Tax rates escalate by 2.00% on each July 1.

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. 2 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.

In the event a Building Permit is issued for one or more residential Condominiums prior to March 1 of the previous Fiscal Year and an Assessor's Parcel Number has not yet been assigned to each such Condominium for the current Fiscal Year, the applicable Assessor's Parcel may be classified as both Developed Property and Undeveloped Property. In such an instance, the Special Taxes levied on such Assessor's Parcel shall be the sum of the amount derived from the following (i) applying the Assigned Special Tax applicable to each Condominium for which a Building Permit was issued prior to March 1 of the previous Fiscal Year and (ii) levying the acreage allocable to such actual or planned Condominiums for which a Building Permit has not been issued prior to March 1 of the previous Fiscal Year as Undeveloped Property; the allocable acreage shall be computed on a pro-rata basis based on the relative number of remaining Condominiums to the total number of Condominiums entitled to be developed on such Assessor's Parcel. The total number of Condominiums entitled to be developed on the applicable Assessor's Parcel shall be determined from the recorded condominium map, condominium plan, applicable site plan, plot plan, or other appropriate records kept by the City as reasonably determined by the CFD Administrator.

Lennar Homes has recorded condominium plans for all phases of its projects in Improvement Area No. 2. Pinnacle Homes has recorded condominium plans for the first three phases of its project, which includes 48 of the 126 planned homes of its project within Improvement Area No. 2. The County has not yet assigned individual Assessor's Parcel Numbers to all of the planned individual units. Until the County assigns individual Assessor's Parcel Numbers to all of the planned units set forth in the condominium plans recorded and to be recorded, the District will apply the methodology described in the preceding paragraph to allocate the Special Tax levy between Developed Property and Undeveloped Property on the applicable Assessor's Parcel Numbers. See "SOURCES OF PAYMENT FOR THE BONDS — Assignment of Assessor Parcel Numbers and Delayed Special Tax Revenues" for a description of certain delays in receipt of Special Tax revenues during the development and home sales period within Improvement Area No. 2.

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. 2 will be classified as Exempt Property if such classification would reduce the sum of all Taxable Property in Improvement Area No. 2 to less than 13.29 Acres for Zone A and 7.51 Acres for Zone B. 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. 2 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. 2 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 2021-22, the Maximum Special Tax for an Assessor's Parcel of Provisional Property and Undeveloped Property within each Zone will be \$43,851 per Acre for Zone A and \$7,361 per Acre for Zone B.

Section 3F of the Rate and Method provides for the process by which the District may, upon the receipt of a request from SLF and the City's Special Tax Consultant prior to the issuance of the Bonds, reduce the Assigned Special Tax, the Backup Special Tax 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 and 2 of the Rate and Method attached as APPENDIX A, which rates increase by two percent on each July 1, commencing July 1, 2020. Assigned Special Tax rates have been established for Residential Property and Non-Residential Property in the two Zones. The number of units/acres in each Zone, the Fiscal Year 2021-22 Assigned Special Tax rates and the estimated Fiscal Year 2021-22 Special Tax levy (based on development status as of March 1, 2021) are set forth in Table 1 below.

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TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
IMPROVEMENT AREA NO. 2
ASSIGNED SPECIAL TAX RATES FOR FISCAL YEAR 2021-22

<i>Land Use Type</i>	<i>Taxable Unit</i>	<i>Residential Floor Area (sq. ft.)</i>	<i>Fiscal Year 2021-22 Assigned/Maximum Special Tax Rates ⁽¹⁾</i>	<i>Estimated Fiscal Year 2021-22 Special Tax Levy Rates *</i>	<i>Percent of Maximum/Assigned Rate*</i>	<i>No. of Units⁽²⁾</i>	<i>Acreage</i>	<i>Aggregate Estimated Fiscal Year 2021-22 Special Tax Levy^{(3)(4)*}</i>	<i>Percent of Total</i>
Zone A									
Residential Property	RU	Less than 1,450	\$1,501.55	\$1,501.55	100.0%	59	N/A	\$ 88,591.45	15.1%
Residential Property	RU	Greater than 1,450	1,797.45	1,797.45	100.0	258	N/A	463,742.10	79.2
Undeveloped Residential Property ⁽⁵⁾	RU	N/A	Varies	Varies	33.8	<u>0</u>	<u>0.82</u>	<u>12,140.11</u>	<u>2.1</u>
Zone A Subtotal						317	0.82	\$ 564,473.66	96.5%
Zone B									
Residential Property	Acre	N/A	\$6,624.49	\$6,624.49	100.0%	0	N/A	\$ 0.00	0.0%
Non-Residential Property	Acre	N/A	6,624.49	6,624.49	100.0	0	0.00	0.00	0.0
Undeveloped Non-Residential Property	Acre	N/A	7,360.83	2,484.58	33.8	<u>0</u>	<u>8.34</u>	<u>20,726.34</u>	<u>3.5</u>
Zone B Subtotal						0	8.34	\$ 20,726.34	3.5%
Grand Total						317	9.16	\$ 585,200.00	100.0%

* Preliminary, subject to change.

(1) Reflects the Assigned Special Tax rate on Developed Property for Residential Property in Zone A and Zone B and the Maximum Special Tax rate on Undeveloped Property in Zone B. With respect to Zone B, the Assigned Special Tax rate is the same for Residential Property and Non-Residential Property which is Developed Property.

(2) Reflects development status as of March 1, 2021.

(3) Based on estimated Special Tax levy and includes estimated Administrative Expenses of \$75,000.

(4) May not total due to independent rounding.

(5) Reflects estimated Fiscal Year 2021-22 Special Tax levy on acreage associated with the 18 planned units within the Pinnacle at Millenia project for which building permits have not been issued as of March 1, 2021. See “—Assignment to Land Use Categories” above for a discussion on the method of allocating the Special Tax levy on Developed and Undeveloped Property prior to the time that the County has assigned Assessor Parcel Numbers to individual units.

Source: Spicer Consulting Group, LLC.

In Zone A, 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 (i.e. equal to or greater than 1,450 square feet). In Zone B, the Assigned Special Tax levied against Developed Property that is Residential Property or Non-Residential Property will be at the same rate on a per-Acre basis. For a detailed description of Assigned Special Taxes for Residential Property and Non-Residential Property in the Zones, see the Rate and Method attached as APPENDIX A.

Multiple Land Use Classes. If an Assessor's Parcel of Developed Property contains more than one Land Use Class, the Maximum Special Tax that may be levied on such Assessor's Parcel shall only be levied on the Residential Property Land Use Class located on such Assessor's Parcel. All Assessor's Parcels of taxable property within Zone A are expected to be classified as Residential Property. As noted above, in Zone B, the Assigned Special Tax levied against Developed Property that is Residential Property or Non-Residential Property will be at the same rate on a per-Acre basis.

Backup Special Tax. With respect to Zone A, 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.

With respect to Zone B, for each Assessor's Parcel of Developed Property or Undeveloped Property within the Final Map area, the Backup Special Tax shall be determined by multiplying the per acre rate by the total Acreage of any such Assessor's Parcel.

In Fiscal Year 2021-22, the per acre rates for Zones A and B will be \$43,851 and \$7,361, respectively.

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. 2 will be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year. On each July 1, the Maximum Special Tax for Provisional Property and Undeveloped Property 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. For each 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 Improvement Area No. 2 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. 2. 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. Pursuant to the Rate and Method and the Indenture, 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, or special taxes and assessments of overlapping taxing districts, must be partially prepaid to the extent described herein. See "THE BONDS — Redemption — Extraordinary Redemption from Special Tax Prepayments" and "IMPROVEMENT AREA NO. 2 — Expected Tax Burden; Potential Special Tax Prepayment."

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. 2. Assuming an Administrative Expense Requirement of \$75,000 and build out within Improvement Area No. 2 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.

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. 2 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. 2 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. 2, they do not constitute a personal indebtedness of the owners of property within Improvement Area No. 2. In addition to the obligation to pay Special Taxes, properties in Improvement Area No. 2 are subject to other assessments and special taxes as set forth in Table 3 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. 2. 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 from which principal and interest on the Bonds is payable 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. Also see “SOURCES OF PAYMENT FOR THE BONDS — Assignment of Assessor Parcel Numbers and Delayed Special Tax Revenues” herein for a description of certain delays in receipt of Special Tax revenues during the development and home sales period within Improvement Area No. 2.

If judicial foreclosure is necessary and other funds held under the Indenture (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.

COVID-19 (Coronavirus) Pandemic. In response to the coronavirus pandemic, on May 6, 2020, Governor Newsom issued Executive Order N-61-20 (the “Executive Order”), waiving penalties and interest on taxes on property on the secured or unsecured roll through May 6, 2021 under certain conditions, including: (i) the property is a residential property occupied by the taxpayer or the property is used for a small business, (ii) the taxes owed were not delinquent as of March 4, 2020, (iii) the taxpayer files for relief in a form prescribed by the tax collector, and (iv) the taxpayer demonstrates economic hardship to the satisfaction of the tax collector. Fiscal Year 2020-21 was the first year of the Special Tax levy within Improvement Area No. 2. The District cannot predict whether the Executive Order will be extended beyond May 6, 2021. If the Executive Order is extended or modified, it may have an effect on the collection of penalties and interest on delinquent Special Taxes and may otherwise affect a property owner’s willingness to pay Special Taxes when due. The District can provide no assurance that additional actions will not be taken by the County, the State, or individual property taxpayers that may have a material adverse impact on the timing of Special Tax collection and the District’s ability to pay scheduled debt service on the Bonds when due. See “IMPROVEMENT AREA NO. 2 — Delinquency History” and “SPECIAL RISK FACTORS — COVID-19 (Coronavirus) Pandemic.”

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. 2 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, to the extent other moneys in the Interest Account and the Principal Account are insufficient therefor; and (ii) redeem and/or defease the Bonds in whole or in part. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE — FUNDS AND ACCOUNTS — Reserve Fund” herein.

Assignment of Assessor Parcel Numbers and Delayed Special Tax Revenues

Assessor Parcel Segregation Process. All of the residential developments within Improvement Area No. 2 are planned for condominiums. With respect to condominium projects, the final tract map for each project area creates one assessor parcel for such project area (referred to herein as a “Parent Parcel”). In order for the County to create individual assessor parcels for the condominium units (referred to herein as the “Children Parcels”), the builder is first required to record a condominium plan for each phase of development within a project (the process for segregating the Parent Parcel into separate Children Parcels is referred to herein as the “Parcel Segregation process”). If a condominium plan is recorded for a particular phase *and* there is a home closing within such phase prior to January 1 of a given year, the County is obligated to undertake the Parcel Segregation process such that assessor parcel numbers for the individual units within such phase will be assigned by the time the secured property tax bills are sent to property owners the following October. The property owners of the individual units within such phase (including any unsold unit owned a builder) will receive a secured tax bill with their correct share of the Special Tax levy for such Fiscal Year. Such property tax bill will become due and be subject to delinquencies as is provided for *ad valorem* property taxes under State law.

If a condominium plan for a phase has been recorded prior to January 1 in a given year but the first home within such phase does not close until after January 1 and before December 10 of such calendar year, a builder may submit a request to the County to begin the Parcel Segregation process in such phase. In such scenario, in the following October, the County will send a secured tax bill reflecting a tax levy (including the Special Tax levy) on the entirety of the Parent Parcel to the record owner of such Parent Parcel as of the prior January 1 (i.e. the builder). Although the secured property tax bill is sent to the record owner of the Parent Parcel, if the owner requests that the Tax Collector perform a Parcel Segregation process with respect to such Parent Parcel, the County’s practice has been to issue a letter instructing the owner to not pay such secured property tax bill (and penalties and interest will not be assessed for nonpayment). Such letter also informs the owner that the County is undertaking the Parcel Segregation process for the portion of the Parent Parcel subject to the segregation request and will issue new secured tax bills to the Parent Parcel and the new Children Parcels reflecting their appropriate share of taxes (the “Delayed Tax Bills”). The Delayed Tax Bills are to be paid within 30 days, with respect to the first installment, and 45 days, with respect to the second installment, of the bills being mailed. The County estimates that the Parcel Segregation process takes approximately 6 to 12 months to complete from the time of the request (i.e. a segregation request submitted in July 2021 could result in Delayed Tax Bills not being sent to the record owners until July 2022, at which time such owners will have 30 days, with respect to the first installment, and 45 days, with respect to the second installment, to pay). If the builder does not request segregation of the Parent Parcel and a home is closed after January 1, the units within the related phase will be assigned an assessor parcel number and receive its property tax bills based on the timing described in the preceding paragraph (e.g. if a home is closed after January 1, 2021 and no Parcel Segregation process is requested, the parcel related to such home will have its own assessor parcel number and will receive a regular property tax bill beginning with the Fiscal Year 2022-23 levy). **As a result of the foregoing process, the County does not consider the unpaid property taxes (including the Special Tax) due until 30 or 45 days, as applicable, after the Delayed Tax Bills are mailed. As a result, with respect to the Special Tax, there can be no assurance that the District will be able to enforce the foreclosure covenant set forth in the Indenture with respect to unpaid Special Taxes levied on property with respect to which the Parcel Segregation process has not been completed.**

By way of example, in Fiscal Year 2020-21, the District levied \$74,012.40 on the Parent Parcel owned by Pinnacle Homes as of January 1, 2020. Pinnacle Homes submitted a request for segregation as to the first three of

eight phases of its project (48 units) in Improvement Area No. 2 in June 2020 and received a letter by the County instructing Pinnacle Homes to not pay its Fiscal Year 2020-21 secured property tax bill, as described above. In reliance on such letter, Pinnacle Homes did not pay such bill. The Delayed Tax Bills related to this segregation request is expected to be received before the end of Fiscal Year 2020-21.

Based on the currently expected timing of home closings within each of Pinnacle Homes and Lennar Homes' projects within Improvement Area No. 2, assignment of individual assessor parcel numbers and the County's ability to issue separate secured property tax bills to all 335 planned residential units within Improvement Area No. 2 is not expected to occur until Fiscal Year 2022-23. In order to cover the insufficiency of Special Tax revenues when needed as a result of the Delayed Tax Bills during the interim period, SLF has deposited funds with the District to be applied to the payment of administrative expenses and debt service on the Bonds and to be periodically released to SLF or reimbursed from collected Delayed Special Taxes, as described below.

Deposit Agreement. The City, the District and SLF have entered into the Deposit Agreement pursuant to which SLF has deposited \$1,003,113.34 into a Deposit Fund established thereunder and held by the District. Such amount was determined based on the projected Fiscal Year 2021-22 and Fiscal Year 2022-23 Special Tax levy on the units within Improvement Area No. 2 for which the Parcel Segregation process has not been completed, plus the \$74,012.40 Fiscal Year 2020-21 Special Tax levy on the Parent Parcel for which Pinnacle Homes was the record owner as of January 1, 2020. Such amount is to be applied in accordance with the Deposit Agreement, as further described below.

Pursuant to the Deposit Agreement, so long as the Bonds are outstanding and the Parcel Segregation process has not been completed with respect to all 335 planned residential units within Improvement Area No. 2, not later than August 1 of each year, the District will review its records and the public records of the Tax Collector to determine the amount of Special Taxes collected in the preceding Fiscal Year and then calculate the amount that relates to parcels for which Parcel Segregation process has not been completed and which Special Taxes have not been collected for the preceding Fiscal Year as of each such date (the "Unpaid Special Taxes"). The District's determination of the Unpaid Special Taxes as of any August 1 pursuant shall be conclusive absent manifest error.

On the date of issuance of the Bonds, the District shall transfer \$74,012.40 to the Administrative Expense Fund established pursuant to the Indenture (being the amount of the Fiscal Year 2020-21 Special Tax levy on the Parent Parcel that was owned by Pinnacle Homes as of January 1, 2020). The District shall, no later than February 15th and August 15th of each year, transfer monies in the Deposit Fund to the Fiscal Agent for deposit in: (a) the Administrative Expense Fund established under the Indenture in an amount equal to a proportionate share of the Administrative Expense Requirement and (b) the Special Tax Fund established under the Indenture in the amount equal to the least of (x) the Unpaid Special Taxes as of the immediately preceding August 1 or (y) the amount necessary to pay debt service on the Bonds due on the next Interest Payment Date.

Following a draw on monies in the Deposit Fund and transfer thereof to the Fiscal Agent for deposit in the Administrative Expense Fund or the Special Tax Fund, immediately upon receipt, the District shall deposit proceeds of Special Taxes from the payment of Delayed Tax Bills (the "Delayed Special Tax Revenues") into the Deposit Fund to the extent necessary to replenish the Deposit Fund up to the amount attributable to such the parcels relating to such Delayed Tax Bills deposited into the Administrative Expense Fund and the Special Tax Fund as described in the immediately preceding paragraph. Under no circumstance shall the District or the City be obligated to deposit any monies into the Deposit Fund except the Delayed Special Tax Revenues (other than the initial deposit described above), including without limitation proceeds of the Bonds.

No later than September 1 of each year, the District will review the public records of the Tax Collector to determine if segregation occurred within a phase for which at least one home was conveyed to a homeowner in the prior calendar year and for which there is expected to be no further Delayed Tax Bills within such phase. The District shall release from the Deposit Fund to SLF the amount allocable to a phase within a Parent Parcel for which full segregation has occurred and for which the Special Taxes have been levied on the related Children Parcels or may be levied in a subsequent tax year.

On each August 1, the District shall also calculate the difference between the Unpaid Special Taxes and the portion of the Deposit attributable to the corresponding installment payments received (an “Excess Deposit”). No later than September 1 of each year, the District shall release from the Deposit Fund to the Owner the amount equal to the Excess Deposit. For the avoidance of doubt, the Owner shall, in total, receive no more than \$1,003,113.34.

In the Indenture, the District will covenant to comply with the Deposit Agreement and will not amend the Deposit Agreement in such a way that is materially adverse to the interests of Bondowners. However, amounts on the Deposit Fund are not pledged to the payment of debt service on the Bonds.

See “SPECIAL RISK FACTORS — Bankruptcy and Foreclosure” herein for a description of the ability of a bankruptcy trustee to reverse certain transfer of funds (e.g. SLF’s deposit of funds under the Deposit Agreement).

Projected Home Closing Schedule by Phase. As described above, the Parcel Segregation process is related to the time at which condominium plans are recorded for the phases within a project and the time at which a first home closing has occurred within a particular phase. Lennar Homes has recorded condominium plans for all phases within its projects in Improvement Area No. 2. Pinnacle Homes has recorded condominium plans for the first three phases of its project, which includes 48 of the 126 planned homes of its project within Improvement Area No. 2. Based on the actual calendar year 2020 closings within Pinnacle Homes’ project in Improvement Area No. 2, the expectation is that new assessor parcel numbers will be assigned to the Children Parcels for the first three phases (48 units) and a new assessor parcel number to the remaining property constituting the Parent Parcel for the Fiscal Year 2021-22 Special Tax levy. With respect to Lennar Homes’ Vibe project, based on actual calendar year 2020 closings, the expectation is that new assessor parcel numbers will be assigned to the Children Parcels for the first three phases (24 units) and a new assessor parcel to the remaining property constituting the Parent Parcel for the Fiscal Year 2021-22 Special Tax levy. Based on the foregoing, in the aggregate, the current expectation is that 72 individual units will receive secured tax bills with their correct share of the Special Tax levy for in October 2021.

Table 2 below shows the phases within Pinnacle Homes and Lennar Homes’ projects which have closed homes and the projected closing schedule by phase within their respective project(s). As shown in Table 2, there is currently expected to be a home closing within each phase of the residential developments in Improvement Area No. 2 by the end of December 2021. As a result, the current expectation is that the Parcel Segregation process will be complete such that the County will have assigned assessor parcels numbers to, and be able to, issue separate secured property tax bills (including the Special Tax levy) to the 335 planned homes within Improvement Area No. 2 beginning with Fiscal Year 2022-23.

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TABLE 2
CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
IMPROVEMENT AREA NO. 2
BUILDERS' ACTUAL AND PROJECTED HOME CLOSING SCHEDULE BY PHASE

<i>Project and Owner⁽¹⁾</i>	<i>Phase</i>	<i>Number of Units within Phase</i>	<i>Actual and Projected First Unit Close Within Phase</i>
Pinnacle at Millenia by Pinnacle Homes	1	18	Second Quarter 2020
	2	18	Third Quarter 2020
	3	12	First Quarter 2021
	4	18	Second Quarter 2021
	5	12	Second Quarter 2021
	6	24	Third Quarter 2021
	7	18	Fourth Quarter 2021
	Models	<u>6</u>	Fourth Quarter 2021
	Total	126	
Vibe by Lennar Homes	1	6	October 2020
	2	8	November 2020
	3	10	December 2020
	4	8	March 2021
	5	7	April 2021
	6	7	May 2021
	7	8	May 2021
	8	9	July 2021
	9	7	August 2021
	10	8	September 2021
	11	9	October 2021
	Models	<u>5</u>	August 2021
	Total	92	
Cleo by Lennar Homes	1	11	February 2021
	2	9	April 2021
	3	10	May 2021
	4	8	June 2021
	5	10	June 2021
	6	11	July 2021
	7	14	August 2021
	8	11	October 2021
	9	6	October 2021
	10	11	November 2021
	11	10	December 2021
	Models	<u>6</u>	December 2021
	Total	117	

Source: Pinnacle Homes and Lennar Homes, respectively. Based on estimates as of March 15, 2021.

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 to refund a portion of 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. 2

General Description of Millenia, the District and Improvement Area No. 2

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 development totaling approximately 66 gross acres. Improvement Area No. 2 of the District consists of approximately 24 gross acres and includes four of the project areas within the Millennia development. Residential development is underway in three of the project areas, which are planned to include 335 for-sale market-rate attached single-family homes at buildout. The fourth project area is located within the portion of Millenia designated primarily for commercial use, however, residential uses are also permitted, as further described herein. The fourth project area is in a finished lot condition and SLF has not yet decided whether the development therein will be only commercial or whether there will be a residential component.

The District was formed and Improvement Area No. 2 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 within the District. SLF, as the qualified elector of Improvement Area No. 2, authorized the District to incur bonded indebtedness for Improvement Area No. 2 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. 2 and authorized the levy of the Special Tax.

The major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to serve the property within Improvement Area No. 2 is substantially complete. Millenia is accessed via Birch Road and Eastlake Parkway, the arterial roads which border Millenia. The roads within Millenia from which the property included in Improvement Area No. 2 can be accessed are complete. The property within Improvement Area No. 2 varies from finished lots to completed homes owned by individuals. The remaining in-tract improvements are expected to be constructed by the homebuilders and the non-residential 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 — “APPRAISAL REPORT.”

Water and sewer service to the property within the District 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 bonds that have been issued by the District for Improvement Area No. 1, 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. 2, based on current estimates, will exceed the amount of proceeds of the Bonds and bonds that have been issued by the District for Improvement Area No. 1 available to finance such Facilities. The costs of the Facilities in excess of available proceeds from the sale of the Bonds and bonds that have been issued by the District for Improvement Area No. 1 have been and are expected to continue to be paid for by SLF. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development — *Infrastructure Requirements and SLF Financing Plan*” below.

Direct and Overlapping Indebtedness

The ability of an owner of land within Improvement Area No. 2 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 which secure direct and overlapping debt outstanding as of November 15, 2020, in Improvement Area No. 2 are set forth in Table 3 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; Potential Special Tax Prepayment” below for information regarding other entities levying taxes, assessments or other charges on property in Improvement Area No. 2. 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 the County as of November 15, 2020. 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.

As discussed under “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments,” the property within Improvement Area No. 3 may be subject to additional taxes and assessments imposed by other public agencies in the future. Table 3 below does not include any authorized and unissued debt of other agencies.

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**TABLE 3
CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
IMPROVEMENT AREA NO. 2
DIRECT AND OVERLAPPING DEBT**

I. Appraisal Value⁽¹⁾ \$ 58,994,108

II. Land Secured Bond Indebtedness

<u>Outstanding Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Amount Applicable</u>
CITY OF CHULA VISTA CFD NO. 16-I IA 2, Series 2021 ⁽²⁾	CFD	\$11,255,000	\$11,255,000	100.000%	\$ 11,255,000*
TOTAL LAND SECURED BONDED DEBT					\$ 11,255,000*

III. General Obligation Bond Indebtedness

<u>Outstanding Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable⁽³⁾</u>	<u>Amount Applicable</u>
METROPOLITAN WATER DEBT SERVICE	GO	\$134,645,000	\$37,300,000	0.002%	\$ 712
OTAY WATER DISTRICT, I.D. NO. 27	GO	19,280,000	2,105,000	0.415	8,713
SOUTHWESTERN COMMUNITY COLLEGE DISTRICT	GO	495,923,676	415,123,676	0.102	422,557
SWEETWATER UNION HIGH SCHOOL DISTRICT	GO	492,000,000	395,759,333	0.127	502,095
CHULA VISTA ELEMENTARY SCHOOL DISTRICT	GO	114,120,000	85,460,000	0.166	142,100
CHULA VISTA ELEMENTARY SCHOOL DISTRICT SFID NO. 1	GO	90,000,000	79,580,000	0.384	305,504
TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT					\$ 1,381,681

<u>Authorized but Unissued Direct and Overlapping Indebtedness</u>	<u>Type</u>	<u>Authorized</u>	<u>Unissued</u>	<u>% Applicable⁽³⁾</u>	<u>Amount Applicable</u>
METROPOLITAN WATER DEBT SERVICE	GO	\$850,000,000	\$715,355,000	0.002%	\$ 13,647
OTAY WATER DISTRICT, I.D. NO. 27	GO	100,000,000	80,720,000	0.414	334,131
SOUTHWESTERN COMMUNITY COLLEGE DISTRICT	GO	789,000,000	293,076,324	0.102	298,324
SWEETWATER UNION HIGH SCHOOL DISTRICT	GO	831,000,000	339,000,000	0.127	430,085
CHULA VISTA ELEMENTARY SCHOOL DISTRICT	GO	364,120,000	250,000,000	0.166	415,693
CHULA VISTA ELEMENTARY SCHOOL DISTRICT SFID NO. 1	GO	90,000,000	0	0.384	0
CHULA VISTA ELEMENTARY SCHOOL DISTRICT CFD NO. 18 ⁽⁴⁾	CFD	40,000,000	40,000,000	9.057	3,622,774
SWEETWATER UNION HIGH SCHOOL DISTRICT CFD NO. 18	CFD	100,000,000	100,000,000	5.967	5,966,921
TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS					\$ 11,081,574

TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS **\$ 12,463,255***

TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT	\$ 12,636,681*
TOTAL OF ALL OUTSTANDING DIRECT AND UNISSUED DIRECT OVERLAPPING INDEBTEDNESS	\$ 23,718,255*

IV. Ratios to Appraisal Value

Outstanding Land Secured Bonded Debt	5.24:1*
Total Outstanding Bonded Debt	4.67:1*

* Preliminary, subject to change.

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

(2) Reflects the Bonds to be issued.

(3) Calculated by dividing the appraised value by the total assessed value for Fiscal Year 2020-21.

(4) Historically, the community facilities districts formed by the Chula Vista Elementary School District have not issued bonds but apply the special tax levy amounts toward obligations of the school district incurred to finance facilities.

Source: San Diego County Assessor's Office, Spicer Consulting Group, LLC.

Expected Tax Burden; Potential Special Tax Prepayment

Table 4 below sets forth the estimated total effective tax rates for the average residential unit each floor plan for Pinnacle Homes' project and Lennar Homes' Vibe project, based on appraised values set forth in the Appraisal Report. As there were no completed homes within Lennar Homes' Cleo project at the time the Appraisal Report was prepared, the Appraisal Report did not report appraised values for the proposed floor plans for Lennar Homes' Cleo project. However, based on base sales prices as set forth in the Market Absorption Study for the Cleo project, Fiscal Year 2020-21 overlapping tax rates and the estimated Fiscal Year 2021-22 Special Tax levy, the effective tax rates for the Cleo project range from approximately 1.81% to 1.90%.

The expected tax burden of the Special Taxes and other taxes and assessments on individual parcels located within Improvement Area No. 2 will vary among parcels. Actual amounts charged and the effective tax rates may vary and may increase or decrease in future years.

Table 4 below does not include Lot 19 owned by SLF within Improvement Area No. 2 which may be developed for residential or commercial/retail use. See Table 5 below for the estimated Fiscal Year 2021-22 Special Tax levy on the property currently owned by SLF and “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

In accordance with City policies, each homebuilder within Improvement Area No. 2 is required to prepay a portion of the Special Tax, or special taxes and assessments of overlapping taxing districts, at the time a completed home is sold, if, based on the actual sales price of such home, the projected 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, or special taxes and assessments of overlapping taxing districts, 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. The effective tax rate at the time of sale could increase due to a reduction in sales prices or other factors including, but not limited to, escalation of the Special Tax rates at 2.00% per Fiscal Year pursuant to the Rate and Method, additional overlapping special taxes and assessments and increases in the amount of general obligation bonds issued by overlapping taxing entities.

As of March 1, 2021, no prepayments were required for the 71 homes which have closed escrow and, based on sales prices provided by Lennar Homes and Pinnacle Homes, no prepayments are expected to be required for the 132 homes that were in escrow as of such date. Based on the projected Fiscal Year 2021-22 Special Tax levy and the Fiscal Year 2020-21 levy for overlapping special taxes (excluding those levied for maintenance and services), assessments and *ad valorem* property taxes (assuming no changes or additions to such overlapping taxes), the following approximate percentage decreases in the average base sales prices of homes within each residential project, as set forth in Table 4 below, would result in effective tax rates greater than 2.00% for such products: (i) 21% for each of Lennar Homes’ Vibe project; (ii) 17% for Lennar Homes’ Cleo project; and (iii) 26% for Pinnacle Homes’ Pinnacle at Millenia project.

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 or overlapping special taxes and assessments will be required; however, if actual sale prices were to be reduced in the future or any of the other factors that could affect the effective tax rate described above were to occur, it is possible that some prepayments could occur. Such prepayments of the Special Taxes, 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.*” Neither the District nor the Underwriter can make any assurance that prepayments of the Special Taxes will not be required in connection with the initial sale of a home within Improvement Area No. 2 to reduce the effective tax rate thereof to 2.00% or less of the actual sales price.

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**TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
IMPROVEMENT AREA NO. 2 OF THE CITY OF CHULA VISTA
ESTIMATED FISCAL YEAR 2021-22 TAX OBLIGATION
FOR A SAMPLE DEVELOPED PROPERTY**

<i>Project Developer Plan Type</i>	<i>Map No. 16377 Pinnacle at Millenia Pinnacle Homes</i>						<i>Map No. 16409 Vibe Lennar Homes</i>		
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>1</i>	<i>2</i>	<i>3</i>
<i>CFD Tax Category</i>	Less than 1,450 S.F.	Less than 1,450 S.F.	Greater than 1,450 S.F.	Greater than 1,450 S.F.	Greater than 1,450 S.F.	Greater than 1,450 S.F.	Greater than 1,450 S.F.	Greater than 1,450 S.F.	Greater than 1,450 S.F.
Home Size	1,362	1,433	1,989	2,185	2,380	2,522	1,681	1,819	2,037
Appraisal Value ⁽¹⁾	\$429,030	\$444,230	\$507,195	\$535,325	\$559,300	\$580,060	\$453,870	\$469,302	\$505,176
Ad Valorem Property Taxes:									
General Purpose	\$ 4,290	\$ 4,442	\$ 5,072	\$ 5,353	\$ 5,593	\$ 5,801	\$ 4,539	\$ 4,693	\$ 5,052
Metropolitan Water West (0.00350%)	15	16	18	19	20	20	16	16	18
Otay Water District, I.D. No. 27 (0.00350%)	15	16	18	19	20	20	16	16	18
Southwestern Community College District (0.027920%)	120	124	142	149	156	162	127	131	141
Sweetwater Union High School District (0.04880%)	209	217	248	261	273	283	221	229	247
Chula Vista Elementary School District (0.04305%)	185	191	218	230	241	250	195	202	217
Chula Vista Elementary School District SFID No. 1 (0.02150%)	92	96	109	115	120	125	98	101	109
Total General Property Taxes	\$ 4,926	\$ 5,101	\$ 5,824	\$ 6,147	\$ 6,422	\$ 6,661	\$ 5,212	\$ 5,389	\$5,801
Assessment, Special Taxes & Parcel Charges^{(2):}									
Mosquito Surveillance	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3
Vector Disease Control	8	8	8	8	8	8	8	8	8
CWA Water Availability	10	10	10	10	10	10	10	10	10
Otay Water Availability	10	11	11	11	11	11	11	11	11
MWD Water Standby Charge	12	12	12	12	12	12	12	12	12
Sweetwater Union High School District CFD No. 18 ⁽³⁾	921	969	1,345	1,478	1,610	1,706	1,137	1,230	1,378
Chula Vista Elementary School CFD No. 18 ⁽⁴⁾	525	553	767	843	918	973	648	702	786
City of Chula Vista CFD 97-2, Zone C ⁽⁵⁾	30	32	44	49	53	56	37	41	45
City of Chula Vista CFD 14M	298	298	298	298	298	298	298	298	298
City of Chula Vista CFD 16-IA No. 2 ⁽⁶⁾	1,502	1,502	1,798	1,798	1,798	1,798	1,798	1,798	1,798
Sweetwater Union High School District General Obligation Bonds Credit ⁽⁷⁾	(215)	(222)	(254)	(268)	(280)	(290)	(227)	(235)	(253)
Chula Vista Elementary School General Obligation Bonds Credit ⁽⁷⁾	(69)	(71)	(81)	(86)	(89)	(93)	(73)	(75)	(81)
Total Assessments & Special Taxes	\$ 3,036	\$ 3,104	\$ 3,962	\$ 4,156	\$ 4,351	\$ 4,492	\$ 3,663	\$ 3,802	\$4,015
Projected Total Property Tax	\$ 7,963	\$ 8,205	\$ 9,786	\$ 10,303	\$ 10,774	\$ 11,152	\$ 8,875	\$ 9,191	\$9,816
Projected Effective Tax Rate	1.86%	1.85%	1.93%	1.92%	1.93%	1.92%	1.96%	1.96%	1.94%

(footnotes on following page)

- (1) Based on the Appraisal Report as of the Date of Value.
- (2) Reflects estimated Fiscal Year 2021-22 tax rates.
- (3) Based on the Fiscal Year 2020-21 estimated maximum rate of \$0.6764 per building square foot.
- (4) Based on the Fiscal Year 2020-21 estimated maximum rate of \$0.3857 per building square foot. Historically, the community facilities districts formed by the Chula Vista Elementary School District have not issued bonds but apply the special tax levy amounts toward obligations of the school district incurred to finance facilities.
- (5) Based on the Fiscal Year 2020-21 estimated maximum rate of \$0.0223 per building square foot.
- (6) Reflects estimated Fiscal Year 2021-22 Special Tax levy based on development status as of March 1, 2021 and includes Administrative Expenses of \$75,000.
- (7) 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.

Source: San Diego County Assessor's Office; Spicer Consulting Group, LLC.

Market Absorption Study

General. In order to determine the projected absorption of the planned residential and non-residential property within Improvement Area No. 2, 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 planned products within Improvement Area No. 2. The Market Absorption Analyst delivered its Market Absorption Study titled “Market Absorption Analysis Chula Vista CFD 16-I (Millenia IA No. 2) (the “Market Absorption Study”) in November 2020. As of the time the Market Absorption Study was prepared, there were 41 homes within Improvement Area No. 2 owned by individuals and 96 homes in escrow.

The Market Absorption Study includes an estimated absorption schedule for the 335 for-sale homes in the three project areas currently being developed by Lennar Homes and Pinnacle Homes. For purposes of the Market Absorption Study, the Market Absorption Consultant used a hypothetical scenario in which the development within Lot 19 will include 400,000 square feet of commercial space and a 150-unit for-rent apartment complex. As described herein, SLF has not yet made a decision as to whether there will be any residential development or the building square footage of the commercial development within Lot 19. The commercial development within Lot 19 could also be greater or less than 400,000 square feet.

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. 2 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. 2. See “SPECIAL RISK FACTORS — Risks of Real Estate Secured Investments Generally.” The Market Absorption Study is attached hereto as APPENDIX I.

For-Sale Residential Products. The Market Absorption Study states that the number of active new home projects has been decreasing throughout the County – over 130 active projects in 2019 and fewer than 80 at the time the Market Absorption Study was prepared in November 2020. The Market Absorption Study states that there is growing housing demand in the south County area as affordability becomes a greater issue in the San Diego County marketplace as a whole. In addition, the low interest rate environment, heightened focus on living space and a growing retiree population is increasing interest in the south County market. The Market Absorption Analyst observes that there is good demand potential in the south County area and the neighborhoods in Improvement Area No. 2, which have homes offered in the \$400,000 to \$600,000 range are largely unavailable elsewhere in the region. While there was a brief decrease in housing demand in early 2020 as a result of the COVID-19 pandemic, demand for housing has accelerated since March 2020.

The Market Absorption Consultant estimates that new home communities have a historical average absorption rate of approximately 3.6 units per month, which has increased to approximately 5.2 units per month in the latter part of 2020. The residential communities within Millennia have experienced absorption rates of approximately 8.0 units per month. The Market Absorption Study projects housing demand in the south County area to be approximately 740 units per year between 2021 and 2025. Pinnacle Homes’ project opened for sale in February 2020 and Lennar Homes’ Vibe and Cleo and projects opened for sale in July 2020 and October 2020, respectively.

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 under active development within Improvement Area No. 2 as set forth in the table below. The table below represents sales and not closings. The Market Absorption Study states that if current market conditions hold, the absorption rate will be much faster. Lennar Homes and Pinnacle Homes currently expect to complete and close all homes within their respective projects by the end of 2021.

PROJECTED ABSORPTION

<i>Project</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Pinnacle	82	36	8	--
Cleo	28	42	42	5
Vibe	<u>41</u>	<u>36</u>	<u>15</u>	<u>--</u>
Total	151	114	65	5

Source: The Market Absorption Analyst.

Lot 19 Hypothetical Commercial Development. For purposes of the Market Absorption Study, the Market Absorption Consultant used the hypothetical scenario that the commercial development on Lot 19 will include a 400,000 square foot office building. The Market Absorption Study states that, for 2020, the office vacancy rate in the County was approximately 11% and that the San Diego-Chula Vista-Carlsbad Metropolitan Statistical Area (the “San Diego MSA”) experienced negative absorption. The Market Absorption Consultant attributes the negative absorption rate to the COVID-19 pandemic as absorption has outpaced deliveries in the last 10 years. The Market Absorption Study states that the south bay/County area is performing relatively well as compared with the County as a whole, with a vacancy rate of approximately 5.0%. A 5.0% or lower vacancy rate represents an underserved office market that can support additional growth. Based on the foregoing and estimated job demand, the Market Absorption Study estimates that demand for office space within the Millenia project will be approximately 64,000 square feet per year through 2042.

The Market Absorption Study assumes that development of the two office campuses located to the north of Lot 19 will proceed first, with the first phase anticipated to include approximately 337,000 square feet of office space and the second phase anticipated to include approximately 681,000 square feet of office space. Based on the foregoing assumptions, the Market Absorption Consultant estimates that a 400,000 square foot office building located on Lot 19 would be built and absorbed over a seven year period between 2036 and 2042. The Market Absorption Consultant notes that timing of construction of the office campuses located to the north of Lot 19 could change (i.e. development of Lot 19 could proceed first). If development of office space on Lot 19 commences first, the absorption period would be different from what is currently estimated in the Market Absorption Study. See “— Appraisal Report” below for the Appraiser’s assumptions as to the absorption rate of the commercial development on Lot 19.

Lot 19 Hypothetical Residential Development. For purposes of the Market Absorption Study, the Market Absorption Consultant used the hypothetical scenario that a 150-unit for-rent apartment complex will be included within the development in Lot 19. The Market Absorption Study states that apartment occupancy rates within the Chula Vista/Imperial Beach submarket have averaged approximately 97% over the last two years, which is slightly higher than the 96% average in the overall San Diego MSA. In addition, the Market Absorption Study notes that while there was moderation in overall rent growth in mid-2020, rental prices increased in Chula Vista/Imperial Beach in the third quarter of 2020.

Based on the assumption that any apartment complex on Lot 19 will have a market-entry in 2022, an assumed lease-up rate of 15 units per month (which the Market Absorption Consultant notes is a conservative estimate), the Market Absorption Consultant estimates that a 150-unit apartment complex would be fully leased in the first half of 2023.

As previously described, SLF has not made a final decision as to whether Lot 19 will include both residential and commercial developments. Neither the District nor the Underwriter can provide any assurance that any development will occur on Lot 19, including the hypothetical scenarios described in the Market Absorption Study.

Appraisal Report and Supplement to Appraisal Report

The estimated assessed value of the property within Improvement Area No. 2, as shown on the County's assessment roll for Fiscal Year 2020-21, is approximately \$14,858,620. 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. 2, 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. 2 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 City-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 — "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. 2 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. 2 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 \$10.6 million. In addition, the Appraisal Report assumes that SLF completes construction of Metro Park in a timely manner which does not limit the issuance of building permits and the occupancy of the homes within Improvement Area No. 2. As described under "PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development — *Infrastructure Requirements and SLF Financing Plan*," SLF has commenced construction of Metro Park and expects to complete construction thereof within the timeframe required by the Park Agreement such that building permits are not expected to be withheld for the active residential projects within Improvement Area No. 2.

Subject to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of the Date of Value (November 15, 2020), the market value of the Taxable Property within Improvement Area No. 2 was \$58,994,108. In valuing the property within Improvement Area No. 2, 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 41 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.

As described herein, SLF has not yet decided whether any residential projects will be included on Lot 19. To provide a conservative estimate of the appraised value of Lot 19, the Appraiser has assumed that the development on Lot 19 will not include a residential component. Using a sales comparison approach, the Appraiser estimated a current market value of \$15.00 per square foot. The estimated absorption schedule in the Market Absorption Study for the first phase (approximately 337,000 square feet) of the office campuses located to the north of Lot 19, is approximately four years. See "Market Absorption Study — *Lot 19 Hypothetical Commercial Development*." To arrive at the estimated appraised value of Lot 19, Appraiser estimated that a prospective buyer for Lot 19 would purchase Lot 19 in four years (i.e. after the first phase of the office campus to the north has been absorbed). Applying an annual discount factor of 10 percent and the estimated Special Taxes to be paid over such four-year holding period, the Appraiser arrived at an estimated market value of \$3,635,000 for Lot 19.

Table 5 below shows the appraised value of the various parcels owned by SLF, the builders and the individual homeowners within Improvement Area No. 2 as set forth in the Appraisal Report as of the Date of Value. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” below.

**TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
(IMPROVEMENT AREA NO. 2)
SUMMARY OF APPRAISED VALUES BY OWNERSHIP**

<i>Owner⁽¹⁾</i>	<i>Projected Number of Units at Build- Out⁽¹⁾⁽²⁾</i>	<i>Appraised Value</i>
SLF ⁽³⁾	To be determined	\$3,635,000
Lennar Homes – Vibe	87	13,600,000
Lennar Homes – Cleo	117	9,835,000
Pinnacle Homes	90	11,170,000
Individual Homeowners	<u>41</u>	<u>20,754,108</u>
Total Appraised Value	<u>335</u>	<u>\$58,994,108</u>

⁽¹⁾ Based on ownership as of the Date of Value set forth in the Appraisal Report.

⁽²⁾ Based on the total number of residential units expected to be developed at buildout.

⁽³⁾ The parcel owned by SLF may be used for commercial and/or residential developments. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” below.

Source: The Appraiser.

Reference is made to APPENDIX B 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. 2 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. 2 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. 2 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.”

The Appraiser has also prepared the Appraisal Supplement, in which the Appraiser concludes that the estimated minimum market value of the property within Improvement Area No. 2 subject to the levy of Special Taxes as of February 15, 2021, was not less than the concluded value of \$58,994,108 set forth in the Appraisal Report. In the Appraisal Supplement, the Appraiser states that subsequent to the Date of Value, within Improvement Area No. 2, there were additional home closings and homes in escrow, additional homes have been constructed and additional amounts have been expended on remaining infrastructure costs. In connection with the preparation of the Appraisal Supplement, the Appraiser inspected the property within Improvement Area No. 2 and was provided information with respect to the additional home closings, sales and construction activity by the homebuilders within Improvement Area No. 2.

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. 2 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. 2. 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 5 above would be reduced.

Appraised Value-To-Lien Ratios

Table 6 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 such categories of parcels based upon property ownership in Improvement Area No. 2 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. 2 is 5.24-to-1*. This ratio does not include other overlapping debt within Improvement Area No. 2. 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. 2 to the total principal amount of the Bonds and such overlapping general obligation debt for Improvement Area No. 2 is approximately 4.67-to-1*.

The share of Bonds set forth in Table 6 below is allocated based on each property’s share of the estimated Fiscal Year 2021-22 Special Tax levy based on development status and ownership as of March 1, 2021. In the District Reports to be provided pursuant to the District Continuing Disclosure Agreement, Table 6 will not be updated based on appraised value, but similar information will be provided based on current assessed value. Based on the Fiscal Year 2020-21 assessed value of \$14,858,620, the assessed value-to-lien ratio, taking the Bonds and the overlapping debt in Table 3 into account, is approximately 1.32-to-1*. Such assessed value does not account for the development and sales activity that has occurred since the January 1, 2020 lien date.

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* *Preliminary, subject to change.*

**TABLE 6
CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16 I (MILLENNIA)
IMPROVEMENT AREA NO. 2
ESTIMATED VALUE-TO-LIEN RATIOS
ALLOCATED BY PROPERTY OWNER AS OF MARCH 1, 2021**

<i>Property Owner⁽¹⁾</i>	<i>No. of Units/Parcels⁽¹⁾</i>	<i>Appraised Value⁽²⁾</i>	<i>Maximum Fiscal Year 2021-22 Special Tax Levy⁽³⁾</i>	<i>Percentage of Maximum Fiscal Year 2021-22 Special Tax Levy</i>	<i>Estimated Fiscal Year 2021-22 Special Tax Levy^{(4)*}</i>	<i>Percentage of Estimated Fiscal Year 2021-22 Levy</i>	<i>CFD 16-IA 2 Proposed 2021 Bonds^{(5)*}</i>	<i>All other Overlapping Debt Issued⁽⁶⁾</i>	<i>Appraised Value-to- Lien Ratio[*]</i>
<i>Developed Property</i>									
Individually Owned	71	\$ 25,985,136	\$ 147,327	20.64%	\$ 123,180	21.05%	\$ 2,369,098	\$ 290,834	9.77:1
Lennar Homes	174	18,203,972	320,969	44.97	306,838	52.43	5,901,342	724,458	2.75:1
Pinnacle Homes	<u>72</u>	<u>9,284,286</u>	<u>148,004</u>	<u>20.74</u>	<u>122,315</u>	<u>20.90</u>	<u>2,352,449</u>	<u>288,790</u>	<u>3.52:1</u>
Subtotal Developed	317	\$ 53,473,394	\$ 616,299	86.36%	\$ 552,334	94.38%	\$ 10,622,888	\$ 1,304,082	4.48:1
<i>Undeveloped Property</i>									
Pinnacle Homes	18	\$ 1,885,714	\$ 35,966	5.04%	\$ 12,140	2.07%	\$ 233,488	\$ 28,663	7.19:1
SLF ⁽⁷⁾	<u>1</u>	<u>3,635,000</u>	<u>61,404</u>	<u>8.60</u>	<u>20,726</u>	<u>3.54</u>	<u>398,624</u>	<u>48,936</u>	<u>8.12:1</u>
Subtotal Developer Owned	19	\$ 5,520,714	\$ 97,370	13.64%	\$ 32,866	5.62%	\$ 632,112	\$ 77,599	7.78:1
Total	336	\$ 58,994,108	\$ 713,669	100.00%	\$ 585,200	100.00%	\$ 11,255,000	\$ 1,381,681	4.67:1

* Preliminary, subject to change.

(1) Based on ownership and development status as of March 1, 2021.

(2) Based on the appraised value set forth in the Appraisal Report as of November 15, 2020, the Date of Value.

(3) Based on 100% of the Backup Special Tax rate for Developed Property and the Maximum Special Tax rate on Undeveloped Property.

(4) Estimated Fiscal Year 2021-22 Special Tax Levy based upon development status as of March 1, 2021, preliminary debt service on the Bonds provided by the Underwriter, and an Administrative Expense Requirement of \$75,000.

(5) Allocated based on estimated Fiscal Year 2021-22 Special Tax levy reflecting building permits issued as of March 1, 2021.

(6) Includes overlapping debt. See Table 3 above.

(7) Parcel owned by SLF may be used for residential and/or commercial purposes. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT" below.

Source: San Diego County Assessor's Office; Spicer Consulting Group, LLC.

Table 7 below sets forth the estimated appraised value-to-lien ratios for Taxable Property within Improvement Area No. 2 by various ranges based upon the principal amount of the Bonds. Building permits have been issued for all 161 parcels shown in Table 7 as having an appraised value-to-lien ratio below 3.00:1. As a result, such parcels will be classified as Developed Property in Fiscal Year 2021-22. However, while building permits have been issued for such parcels, such as of the Date of Value, such parcels were either finished lots or had homes less than 95% complete and were appraised as finished lots by the Appraiser in the Appraisal Report.

**TABLE 7
CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16 I (MILLENNIA)
IMPROVEMENT AREA NO. 2
VALUE-TO-LIEN STRATIFICATION***

<i>Value-to-Lien Category</i>	<i>No. of Units/Parcel</i>	<i>Appraised Value⁽¹⁾</i>	<i>CFD 16 I IA No. 2 Estimated Fiscal Year 2021-22 Special Tax Levy</i>	<i>Percent Share of Estimated Fiscal Year 2021-22 Special Tax Levy</i>	<i>CFD 16 I IA No. 2 Proposed 2021 Bonds⁽²⁾</i>	<i>Percent Share of Proposed 2021 Bonds</i>	<i>All Other Overlapping Debt⁽³⁾</i>	<i>Aggregate Value-to-Lien</i>
Less than 3.00:1 ⁽⁴⁾	161	\$ 14,444,524	\$ 282,584	48.29%	\$ 5,434,860	48.29%	\$ 667,192	2.37:1
Between 3.01:1 to 6.00:1	95	11,074,762	164,248	28.07	3,158,938	28.07	387,796	3.12:1
Between 6.01:1 to 9.00:1	33	10,350,714	58,031	9.92	1,116,090	9.92	137,013	8.26:1
Between 9.01:1 to 12.00:1	6	2,487,740	10,785	1.84	207,419	1.84	25,463	10.68:1
Greater than 12.01:1 ⁽⁴⁾	<u>41</u>	<u>20,636,368</u>	<u>69,553</u>	<u>11.89</u>	<u>1,337,692</u>	<u>11.89</u>	<u>164,217</u>	<u>13.74:1</u>
Totals	336	\$ 58,994,108	\$ 585,200	100.00%	\$ 11,255,000	100.00%	\$ 1,381,681	4.67:1

* Preliminary, subject to change.

(1) Based on the appraised value set forth in the Appraisal Report as of November 15, 2020, the Date of Value.

(2) Allocated based on estimated Fiscal Year 2021-22 Special Tax levy reflecting building permits issued as of March 1, 2021.

(3) Includes overlapping debt. See Table 3 above.

(4) The minimum value to lien in the less than 3.00:1 category is 2.17:1*. The maximum value to lien in the greater than 12.01:1 category is 14.94:1*.

Source: San Diego County Assessor's Office; Spicer Consulting Group, LLC.

Largest Taxpayers

Table 8 below lists the taxpayers within Improvement Area No. 2 based on ownership and development status as of March 1, 2021, measured by the percentage of the projected Fiscal Year 2021-22 Special Tax levy. As shown in Table 8 below, based on the ownership status and the number of building permits issued as of March 1, 2021, assuming no additional conveyance of property by SLF or any transfer of property by homebuilders to individual homeowners, for Fiscal Year 2021-22, the largest taxpayer within Improvement Area No. 2 will be Lennar Homes. See "SPECIAL RISK FACTORS — Concentration of Ownership."

**TABLE 8
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
(IMPROVEMENT AREA NO. 2)
ESTIMATED FISCAL YEAR 2021-22 LARGEST TAXPAYERS**

<i>Zone</i> ⁽¹⁾	<i>Owner</i> ⁽²⁾	<i>Estimated Fiscal Year 2020-21 Number of Units</i>	<i>Estimated Fiscal Year 2021-22 Special Tax Levy</i> ⁽³⁾	<i>Percent of Total Estimated Fiscal Year 2021-22 Special Tax Levy</i> ⁽³⁾
A	Lennar Homes	174	\$ 306,838	52.43%
A	Pinnacle Homes ⁽⁴⁾	90	134,455	22.97
A	Individual Owners	71	123,180	21.05
B	SLF ⁽⁵⁾	<u>1</u>	<u>20,726</u>	<u>3.54</u>
Total		336	\$ 585,200	100.00%

(1) Reflects the Zone designations set forth in the Rate and Method.

(2) Based on ownership status as of March 1, 2021.

(3) Based on development status as of March 1, 2021. Total may not sum due to rounding.

(4) Pinnacle Homes is a joint venture formed by SLF and Meridian. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” below.

(5) Parcel owned by SLF may be used for residential and/or commercial purposes. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” below.

Source: The Appraiser and Spicer Consulting Group, LLC.

Delinquency History

In Fiscal Year 2020-21, which was the first fiscal year in which Special Taxes were levied within Improvement Area No. 2, District levied Special Taxes in the amount of \$74,012.40. Such levy was on the assessor parcel number for the Parent Parcel which was entirely owned by Pinnacle Homes as of the January 1, 2020 lien date. As described under “SOURCES OF PAYMENT FOR THE BONDS — Assignment of Assessor Parcel Numbers and Delayed Special Tax Revenues,” based on instructions by the County, Pinnacle Homes did not pay the first installment of such levy. SLF has deposited the full amount of the Fiscal Year 2021-22 Special Tax levy with the District. See “SOURCES OF PAYMENT FOR THE BONDS — Delay in Assignment of Assessor Parcel Numbers and Deposit Agreement” above.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The following information about SLF, Lennar Homes, and Pinnacle Homes and their respective developments within Improvement Area No. 2 has been provided by such entities. No assurance can be given that the proposed developments will occur as described in this Official Statement or that they will be completed in a timely manner, if at all, or that the current property owners will continue to own the property. Neither the Bonds nor the Special Taxes are personal obligations of the property owners or any affiliate thereof and, in the event that a property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of such property owner or any affiliate thereof. Neither the Underwriter nor the District has independently confirmed or verified the information in this section of the Official Statement nor does any such party make any representation as to accuracy or adequacy of this information. Further, there may be material adverse changes in this information after the date of this Official Statement.

General Description of the Development

The District is located in the 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 encompassing approximately 206 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 3.3 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. 2, 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. Certain of such facilities have been completed, as described herein. 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. The major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed to serve the property within Improvement Area No. 2 is substantially complete.

In addition to the active developments within Improvement Area No. 2, there are several completed and residential developments within Millenia. Three residential developments within Improvement Area No. 1 totaling 333 units have been completed and are sold out. A 217-unit condominium project spanning three neighborhoods developed by Meridian as “Metro, Trio and Evo” is also sold out. Completed apartment projects include 273-unit apartment project called “Pulse Millenia,” a 210-unit apartment project called “Duetta and Volta at Millenia,” a 309-unit apartment marketed as “Alexan Millenia” and a 253-unit project marketed as “Alexan Rivue” by Trammel Crow Residential. Such apartment complexes are either fully occupied or nearly fully occupied.

Completed commercial developments within Millenia include the “Millenia Commons and Millenia Place,” which is a 130,000 square foot retail development by Sudberry Properties. Anchor tenants currently include Home Goods, Ross and Cost Plus World Market. A 135-room hotel has been completed and is managed by the Ayres Group. With respect to the public facilities planned within Millenia, three of the six parks have been completed and two parks are currently under construction. A City fire station and a pedestrian bridge crossing Eastlake Parkway to link the Millenia project to the surrounding developments are complete. The foregoing developments are outside of Improvement Area No. 2 and are not subject to the Special Tax levy.

The area within the Millenia project has been divided into separate project areas, four of which are included in Improvement Area No. 2. Three of the project areas within Improvement Area No. 2 are planned for 335 for-sale market-rate residential units. SLF has conveyed these three project areas within Improvement Area No. 2 to Lennar Homes and Pinnacle Homes (which is a joint venture entity formed by SLF and Meridian). The fourth project area consists of an approximately eight acre finished lot owned by SLF, which may be used for commercial and/or residential development. See “The Development — *SLF-Owned Property in Improvement Area No. 2.*”

Lennar Homes is developing two residential communities within Improvement Area No. 2 totaling 209 homes being marketed as “Cleo” and “Vibe.” As of March 1, 2021, Lennar Homes had completed and conveyed 35 homes to individual homeowners. As of such date, Lennar Homes owned a five-unit building containing three model homes available for touring and a six-unit building containing six models homes available for touring, 119 homes under construction (66 of which were in escrow) and finished lots planned for 44 homes. Lennar Homes has obtained building permits for all 209 homes that it plans to build within Improvement Area No. 2 and currently expects to complete and convey the remaining homes to individual homeowners by the end of 2021.

Pinnacle Homes is developing a residential community with 126 homes being marketed as “Pinnacle at Millenia” within Improvement Area No. 2. As of March 1, 2021, Pinnacle Homes had completed and conveyed

36 homes to individual homeowners. As of such date, Pinnacle Homes owned six completed model homes, 66 homes under construction (all of which were in escrow) and finished lots planned for 18 homes. Pinnacle Homes currently expects to complete and convey the remaining homes that it plans to construct in Improvement Area No. 2 to individual homeowners by the end of 2021.

SLF and the Contracted Project Manager

SLF. The master developer of the Millenia project, including the property within Improvement Area No. 2, 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).

SLF is an entity that was funded by an investment fund of Stratford Land ("Stratford"). The investment fund is currently managed by Ankura Consulting Group as prescribed in the Investment Management Agreement. The fund is focused on high growth corridors in the "Sunbelt" region from North Carolina to Florida and across to Texas, Arizona and southern California. The investment fund relating to SLF was the fourth out of five investment funds that were set-up by Stratford and they primarily invested in land investments (equity and debt) such as the Millenia project. SLF does not expect that any additional capital contributions will be required in order to complete the backbone infrastructure for which it is responsible and required to complete 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. 2. 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 and SLF have formed a joint venture entity (Pinnacle Homes) which is developing the Pinnacle at Millenia project within Improvement Area No. 2.

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

Each of SLF, Lennar Homes and Pinnacle Homes has made certain representations to the District, which, among others, include the following: a) with respect to property that such entity owned within the boundaries of a development project in California, within the last five years, such entity has not been delinquent to any material extent in the payment of any property taxes, special taxes, or assessments levied or assessed against such property 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. 2 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 (except such extensions that are granted in the ordinary course of business) 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. 2 have been substantially completed. The only remaining improvements to be completed by SLF to serve the parcels within Improvement Area No. 2 are the final lift of paving on two streets in the second phase of street improvements, and a mid-block pedestrian crossing on Montage Avenue (which borders Lennar Homes' Vibe project). SLF estimates that the cost to complete this work is approximately \$145,000. These improvements are expected to be completed by the end of March 2021 and are not prerequisites to the issuance of building permits or certificates of occupancy in Improvement Area No. 2.

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 commence construction of Metro Park prior to the occupancy of any units within Lennar Homes' Vibe and Cleo developments in Improvement Area No. 2. SLF commenced construction of Metro Park in October, 2020, which was prior to any occupancy in the Lennar Homes' Vibe and Cleo projects. The Park Agreement requires the park construction to be completed within one year after the park begins construction. SLF expects to complete construction of Metro Park within the one-year time period.

SLF is also in the process of constructing Millenia Park, which is located outside of Improvement Area No. 2, adjacent to Lot 19. The Park Agreement does not identify any thresholds for the design, construction or completion of Millenia Park which affect any of the projects in Improvement Area No. 2. The Park Agreement requires Millenia Park construction to be completed in one year after construction begins and includes a provision that allows the City to continue to allow building permits to be issued in Millenia should sufficient evidence or bonding be provided to the City demonstrating the park will be completed in a timely manner. As of March 1, 2021, 18 building permits with respect to the active residential developments in Improvement Area No. 2 remain to be issued.

SLF estimates that the remaining cost to complete Millenia and Metro Parks is approximately \$5 million. SLF has posted improvement bonds for both Millenia and Metro Parks.

The Park Agreement gives the City the right to withhold building permits for units or properties within Millenia should master plan approval, commencement of construction or park completion not occur as provided for in the Park Agreement. To date there have been no violations of any of the park thresholds identified in the Park Agreement. As described above, SLF has satisfied the requirements in the Park Agreement such that building permits are not expected to be withheld for the active residential projects within Improvement Area No. 2.

Sidewalks, landscape and irrigation improvements (the "Pedestrian Corridor Improvements") which front the Pinnacle Home and Lennar Home projects remain to be completed. The builders are responsible for completing the Pedestrian Corridor Improvements. The Pedestrian Corridor Improvements fronting Lot 19, which is owned by SLF, are completed.

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 March 1, 2021, SLF expects to spend approximately \$15,000,000 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 three parks (including Metro and Millenia Parks) and an off-site sewer improvement in the Salt Creek sewer basin. Completion of such improvements is not a prerequisite to the issuance of building permits or certificates of occupancy in Improvement Area No. 2.

Through March 1, 2021, 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 (including the Pinnacle at Millenia project in Improvement Area No. 2) through internally generated funds, third-party loans, related party loans and proceeds of bonds issued by the District for Improvement Area No. 1. SLF expects to use land sales revenue, home sales revenue from SLF's homebuilding participation in projects in Millenia (including the Pinnacle at Millenia project in Improvement Area No. 2), internal funding, revenue from the sale of City development impact fee credits, the Bonds, and various loans to complete its development activities in Millenia. However, land sale revenue from SLF's property in Improvement Area No. 2 and proceeds of the Bonds 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. 2. Such funds along with land sales revenue, home sales revenue 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. 2 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. 2, 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. 2 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. 2 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. 2 and for Millenia and Metro Parks.

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 3.3 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 completion of Metro Park, SLF has fulfilled the requirements necessary to achieve buildout within Improvement Area No. 2 consistent with the EUC Sectional Planning Area plan. See "The Development — *Infrastructure Requirements and SLF Financing Plan*" above.

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. 2 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 a resolution approving a statement of overriding considerations, adopting a mitigation, monitoring and reporting program and ratifying the Final EIR.

SLF-Owned Property in Improvement Area No. 2. SLF owns one project area of approximately eight acres within Improvement Area No. 2 which is designated as Lot 19 of Tract 16081. Lot 19 and an adjacent 11-acre lot (“Lot 1”) together comprise the “business district” within Millenia. Lot 1 is not located within Improvement Area No. 2. The business district is entitled for commercial development with a minimum building square footage of 800,000 and a maximum of 1,900,000. The business district is also entitled for up to 225 residential units, which may be for-rent or for-sale products. If a residential project is included in the business district, it may be located within either Lot 19 or Lot 1.

The types of developments within the business district allowed by the EUC Sectional Planning Area plan are varied. Permitted commercial uses include offices, civic uses, private schools, hospitals or medical offices, retail, research and development facilities, hybrid space (mix of office space, research and development or assembly uses), hotels, assisted or congregate care living facilities or other similar uses. Permitted residential uses include apartments, for sale multi-family units and affordable housing.

SLF has not yet developed plans for the ultimate use of the business district, including Lot 19 in Improvement Area No. 2. SLF has and expects to continue to have discussions with potential developers and analyze proposed development plans by such developers for the business district. SLF expects to make a decision as to the ultimate use based on factors including, but not limited to, market demand for the type of development or facilities proposed and the manner in which such use is complimentary to the overall Millenia development. Once a development plan is in place, SLF may sell the property within the business district, including Lot 19, to another developer or undertake development thereof on its own or through joint ventures.

Lot 19 has been mass graded and is fully served with utilities (storm drain, potable and reclaimed water, sewer, fire service and dry utilities) which have been stubbed to the property line. Lot 19 has direct, signalized access onto Millenia Avenue, which is a fully improved four-lane public street. Lot 19 may also be accessed via an existing improved private driveway providing a secondary access to Millenia Park and the Rivue apartment community.

The EUC Sectional Planning Area plans require the construction of a 0.25 acre public plaza as part of the future development of the business district lots. The Park Agreement requires the plaza designs to be submitted along with the design review permit application for the overall lot development plan and for a bond to be placed and public access easement granted prior to building permit issuance for Lot 19.

See “IMPROVEMENT AREA NO. 2 — Market Absorption Study” and “—Appraisal Report” for a discussion of the appraisal methodology with respect to Lot 19. The Special Tax rate within Lot 19 is the same for Residential Property and Non-Residential Property. Based on development status as of March 1, 2021, the estimated Fiscal Year 2021-22 Special Tax levy on Lot 19 is \$20,726, which is approximately 3.54% of the total Fiscal Year 2021-22 Special Tax levy. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes.”

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Builders in Improvement Area No. 2

The property in Improvement Area No. 2 is planned for three for-sale residential developments which are under construction and one project area for which development plans are still being developed. The following table summarizes the planned developments and the status of the active developments within Improvement Area No. 2, which does not include Lot 19.

**TABLE 9
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
(IMPROVEMENT AREA NO. 2)
SUMMARY OF ACTIVE DEVELOPMENTS**

<i>Builder</i>	<i>Project Name</i>	<i>Product Type⁽¹⁾</i>	<i>Number of Units⁽²⁾</i>	<i>Number of Building Permits Issued⁽³⁾</i>
Lennar Homes	Vibe	Residential - Attached	92	92
Lennar Homes	Cleo	Residential - Attached	117	117
Pinnacle Homes ⁽⁴⁾	Pinnacle at Millenia	Residential - Attached	<u>126</u>	<u>108</u>
TOTAL			335	317

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

⁽²⁾ Reflects number of units projected at buildout.

⁽³⁾ As of March 1, 2021.

⁽⁴⁾ Pinnacle Homes is a joint venture formed by SLF and Meridian. See “—Pinnacle Homes Development and Financing Plan” below.

Source: Lennar Homes and Pinnacle Homes.

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[INSERT SITE MAP]

Lennar Homes Development and Financing Plan

General. Lennar Homes is based in Irvine, California, and has been in the business of developing residential real estate communities in California since 1995. Lennar Homes is wholly-owned by U.S. Home Corporation, a Delaware corporation (“U.S. Home”). U.S. Home is wholly-owned by Lennar Corporation, a Delaware corporation (“Lennar Corporation”). 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 and U.S. Home. The company primarily develops residential communities both within the Lennar Corporation 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 files can also be accessed over the internet at the SEC’s website at www.sec.gov. *This internet address is included for reference only and the information on the internet site is not a part of this Official Statement and is 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 the internet site.*

Copies of Lennar Corporation’s Annual Report on Form 10-K and related financial statements are available from Lennar Corporation’s website at www.lennar.com. *This internet address is included for reference only and the information on the internet site is not a part of this Official Statement and is 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 the internet site.*

Development Plan. As further described below, Lennar Homes is developing two projects being marketed as “Vibe” and “Cleo” within Improvement Area No. 2. In the aggregate, Lennar Homes’ Vibe and Cleo projects within Millenia are planned for 209 attached condominiums. As of March 1, 2021, Lennar Homes had completed and conveyed 35 homes to individual homeowners. As of such date, Lennar Homes owned a five-unit building containing three model homes available for touring and a six-unit building containing six models homes available for touring, 119 homes under construction (66 of which were in escrow) and finished lots planned for 44 homes. All approvals and permits required for development of property within Lennar Homes’ projects within Improvement Area No. 2 have been secured except for approvals required in the normal course of development.

Vibe. In 2019, Lennar Homes purchased approximately 4.5 acres within Improvement Area No. 2 from SLF for a purchase price of \$4,000,000. Lennar Homes plans to develop this property to include 92 condominiums in a neighborhood being marketed as “Vibe.” Lennar Homes’ Vibe project consists of attached three and four-story condominiums with individual access to each unit and attached garages. As of March 1, 2021, all wet and dry utilities have been installed and certain interior streets have been completed. Lennar Homes expects to complete the remaining interior streets and associated landscaping as home construction within the Vibe project progresses. At buildout, amenities within the Vibe project are expected to include a swimming pool and associated facilities and a barbeque area.

Lennar Homes’ Vibe project opened for sale in July 2020. As of March 1, 2021, Lennar Homes had completed and conveyed 24 homes within the Vibe project to individual homeowners. As of such date, Lennar Homes owned a five-unit building containing three model homes available for touring, 46 homes under construction (29 of which were in escrow) and finished lots for the remaining 17 condominiums (none of which were in escrow). Lennar Homes currently expects that construction of the final phase of the Vibe project will commence in April 2021 and that all homes will be sold to individual homeowners by the end of 2021.

The table below summarizes, as of March 1, 2021, the product mix and development status of Lennar Homes' Vibe project within Improvement Area No. 2.

TABLE 10
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
(IMPROVEMENT AREA NO. 2)
LENNAR HOMES
VIBE

<i>Plan⁽¹⁾</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of March 1, 2021</i>	<i>Additional Completed Homes/Homes Under Construction⁽²⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow</i>	<i>Base Home Prices⁽³⁾</i>
1	24	1,681	8	13	3	9	\$483,900
1X	2	2,313	0	1	1	0	517,000
2	26	1,819	6	17	3	10	508,900
2X	4	2,245	0	2	2	0	530,000
3	28	2,037	10	16	6	10	539,900
3X	<u>8</u>	2,552	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>	547,000
Total	92		24	51	17	29	

(1) Floor plans designated with an "X" are the four-story units. All other units are three-stories.

(2) Includes a completed five-unit building with three model homes available for touring. Excludes homes which have closed to individual homeowners.

(3) Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.

Source: Lennar Homes.

Cleo. In 2019, Lennar Homes purchased approximately 4.4 acres within Improvement Area No. 2 from SLF for a purchase price of \$4,815,000. Lennar Homes plans to develop this property to include 117 condominiums in a neighborhood being marketed as "Cleo." Lennar Homes' Cleo project consists of attached three and four-story condominiums with individual access to each unit and attached garages. As of March 1, 2021, all wet and dry utilities have been installed and certain interior streets have been completed. Lennar Homes expects to complete the remaining interior streets and associated landscaping as home construction within the Cleo project progresses. At buildout, amenities within the Cleo project are expected to include a tot lot and access to the amenities located within the Vibe project.

Lennar Homes' Cleo project opened for sale in October 2020. As of March 1, 2021, Lennar Homes had completed and conveyed 11 homes within the Cleo project to individual homeowners. As of such date, Lennar Homes owned a six-unit building containing 6 model homes available for touring, 73 homes under construction (37 of which were in escrow) and finished lots planned for 27 homes. Lennar Homes currently expects that construction of the final phase of the Cleo project will commence in May 2021 and that all homes will be sold to individual homeowners by the end of 2021.

The table below summarizes, as of March 1, 2021, the product mix and development status of Lennar Homes' Cleo project within Improvement Area No. 2.

TABLE 11
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
(IMPROVEMENT AREA NO. 2)
LENNAR HOMES
CLEO

<i>Plan⁽¹⁾</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of March 1, 2021</i>	<i>Additional Completed Homes/Homes Under Construction⁽²⁾</i>	<i>Finished Lots</i>	<i>Homes in Escrow</i>	<i>Base Home Prices⁽³⁾</i>
1	8	1,175	1	6	1	3	\$384,900
1X	3	2,132	0	2	0	0	380,900
2	7	1,203	1	6	1	3	364,900
2X	4	2,320	0	4	0	0	414,900
3	7	1,274	1	6	0	3	445,900
3X	4	2,507	0	4	0	0	467,900
4	7	1,506	1	6	0	3	512,000
5	34	1,567	3	21	12	12	532,000
6	<u>43</u>	1,639	<u>4</u>	<u>24</u>	<u>13</u>	<u>13</u>	558,000
Total	117		11	79	27	37	

(1) Floor plans designated with an “X” are the four-story units. All other units are three-stories.

(2) Includes six model homes under construction.

(3) Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions. Base sales prices are subject to change.

Source: Lennar Homes.

Financing Plan. As of March 1, 2021, Lennar Homes has spent approximately \$46,081,813 on land acquisition, various site development, direct and indirect home construction, builder fees, marketing, sales costs, design costs related to its property in Improvement Area No. 2. To date, Lennar Homes has financed such through internally generated funds. Lennar Homes estimates that as of March 1, 2021 it remains to incur approximately \$35,057,755 in site development, direct and indirect home construction, builder fees, marketing, sales costs, design costs to complete its development in Improvement Area No. 2. Lennar Homes expects to use home sales revenues and internal funding to complete its development in Improvement Area No. 2. Lennar Homes believes that it will have sufficient funds available to complete its planned development in Improvement Area No. 2 in accordance with the development schedule described in this Official Statement.

Although Lennar Homes expects to have sufficient funds available to complete its development in Improvement Area No. 2 in accordance with the development schedule described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development costs will be available from Lennar Homes or any other source when needed. Neither Lennar Homes, 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 its property in Improvement Area No. 2. Any contributions by Lennar Homes to fund the costs of such development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, are inadequate to pay the costs to complete the planned development by Lennar Homes within Improvement Area No. 2 and other financing by Lennar Homes is not put into place, there could be a shortfall in the funds required to complete the planned development by Lennar Homes in Improvement Area No. 2.

COVID-19 (Coronavirus) Pandemic. The development of Lennar Homes’ planned development within Improvement Area No. 2 is subject to disruption due to the COVID-19 pandemic and related public health and governmental authorities’ orders and actions. With housing construction considered an essential function,

Lennar Homes has largely continued, with certain modifications, its home construction and sales activities in Improvement Area No. 2 to date. That is, Lennar Homes has been able to sell, complete, obtain inspections for and close homes during such period, and intends to continue its operations to the extent permitted. See “SPECIAL RISK FACTORS—COVID-19 (Coronavirus) Pandemic” herein.

During the early days of the COVID-19 pandemic, Lennar Homes closed its on-site sales office and established a virtual appointment only program for homebuyers. However, Lennar Homes’ on-site sales office for its development within Improvement Area No. 2 was reopened and now customers have the option of an in-person tour or a virtual tour. While Lennar Homes is no longer appointment-only in many of its new home galleries, in the event that Lennar Homes believes it is advisable to re-implement such measures in all or some of its markets (including within Improvement Area No. 2) in response to a resurgence of COVID-19 or orders by applicable governmental authorities, Lennar Homes may experience negative impacts on its business and operations. As of the date of this Official Statement, Lennar Homes has not experienced any material increases in costs, delays in home construction resulting from decisions to reduce financing for the project, work stoppages, reduced attendance of workers, lack of or delays in the delivery of building materials or the ability to obtain necessary inspections and approvals attributable to the COVID-19 pandemic.

Lennar Homes cannot predict the ultimate effects of the COVID-19 outbreak and related public health and governmental authorities’ orders and actions (including, without limitation, the scope of restrictions under the current or any amended shelter in place orders), on their ability to continue to sell and close units within Improvement Area No. 2. Such effects, if and as they arise, could have a material adverse effect on the ability to develop Improvement Area No. 2 as planned, and no assurance can be provided that Lennar Homes will be able to (a) complete in whole or in any part, or within any particular time, their planned development within Improvement Area No. 2; (b) avoid material increases in development costs or delays resulting from work stoppages, reduced attendance of workers, shortages or delays in the delivery of building materials, and/or delays in obtaining necessary inspections and approvals; or (c) close any additional homes or not experience additional purchase contract cancellations, due to in each case public health or governmental restrictions, further spread of COVID-19, an economic downturn driven by the pandemic, or otherwise.

Recent Litigation Against Lennar Corporation. A lawsuit was filed in the state court of California against Lennar Corporation relating to Lennar Corporation and LandSource Communities Development, LLC, a Delaware limited liability company (“LandSource”), in which the California Public Employees’ Retirement System (“CalPers”) invested in 2007 (“Complaint”). LandSource filed for bankruptcy on June 8, 2008 (“LandSource Bankruptcy Matter”), and a plan for reorganization was approved by the bankruptcy court on July 20, 2009. (In re: LandSource Communities Development LLC, et al, Case No. 08-11111, United States Bankruptcy Court, District of Delaware.) The Complaint, which was filed as a qui tam action by a newly created limited liability company, makes a number of claims related to Lennar Corporation’s actions regarding LandSource and the related bankruptcy and seeks injunctive relief and damages (including statutory and treble) relating to CalPers’ alleged \$970 million loss. Lennar Corporation filed a petition to remove the Complaint to federal court (Citizens Against Corporate Crime (“CACC”) v. Lennar Corporation (9th Circuit, California Eastern District Court, Case No. 2:2018cv01269). Lennar Corporation also filed a Motion to Reopen the Chapter 11 Bankruptcy Cases for the Limited Purpose of Enforcing the Injunction and Release in the Debtors’ Joint Chapter 11 Plan and Confirmation Order. Lennar Corporation contended that in addition to the Complaint being barred by the release and injunction in the LandSource Bankruptcy Matter, the Complaint was meritless and barred by applicable statutes of limitation and other defenses. On July 17, 2018, the Bankruptcy Court granted that motion, allowing Lennar Corporation to proceed with filing its proposed enforcement motion. After a hearing on October 25, 2018, the Bankruptcy Court granted the enforcement motion and found that CACC and its member Nicolas Marsch III (“Marsch”) filed the Complaint in violation of the injunction and release in the Chapter 11 Plan and Confirmation Order and barred CACC, Marsch and their agents from prosecuting the Complaint. Further, the Bankruptcy Court enjoined CACC, Marsch and their agents from continuing to pursue released and enjoined claims and causes of action against Lennar Corporation in further violation of the Chapter 11 Plan and Confirmation Order. The California federal district court dismissed the Complaint by minute order issued November 16, 2018. CACC also filed a Notice of Appeal and Statement of Election with the Delaware

District Court (“District Court”) to appeal the Bankruptcy Court’s November 1, 2018 order granting the enforcement motion. In January 2020, the District Court issued its opinion denying CACC’s request for oral argument, and rejecting each of CACC’s arguments in the appeal. Later in January 2020, CACC filed a notice of appeal to the Third Circuit Court of Appeals. On December 17, 2020 CACC filed a Petition for Rehearing before the original panel and en banc with the Court of Appeal. On January 7, 2021 the Court of Appeal issued an order denying the Petition for en banc and panel rehearing.

Lennar Homes was not a party to the Complaint. Lennar Homes believes that even if, in the unlikely event, the appeal and the underlying claims are successful against Lennar Corporation, Lennar Homes will be able to complete the development and sale of its projects within Improvement Area No. 2 as described in this Official Statement and pay Special Tax and ad valorem tax obligations on the property that it owns within Improvement Area No. 2 prior to delinquency during Lennar Homes’ period of ownership.

Pinnacle Homes Development and Financing Plan

General. Pinnacle New Homes, LLC (previously defined as “Pinnacle Homes”) is a joint venture entity formed by SLF and Meridian. Meridian is also the contracted project manager for the Millenia project as a whole. See “—SLF and the Contracted Project Manager” above. Pinnacle Homes operates pursuant to an Amended and Restated Limited Liability Company Agreement of Pinnacle Homes by and between SLF and Meridian (the “Operating Agreement”). Pursuant to the Operating Agreement, Millenia Real Estate Group, LLC, a Delaware limited liability company (“MREG”), which is an affiliate of Meridian, serves as the manager of Pinnacle Homes. MREG is paid a management fee determined in accordance with the Operating Agreement.

Development Plan. In October 2018, SLF transferred approximately six acres to Pinnacle Communities pursuant to the Operating Agreement. Pinnacle Homes plans to develop this property to include 126 attached condominiums (with six units per building) in a neighborhood being marketed as “Pinnacle at Millenia.” Pinnacle at Millenia includes two product types with three floor plans in each – “City Townhomes” and “Elevator Penthouses.” The buildings within the Pinnacle at Millenia project are all four stories with direct garage access. The units in the City Townhomes product are two stories located on the first and second floors of each building. The units in the Elevator Penthouse product are also two stories and are located on the third and fourth floors with personal elevator access. As of March 1, 2021, all wet and dry utilities have been installed and the interior streets have been completed. At buildout, amenities within the Pinnacle at Millenia project are expected to include a swimming pool and associated facilities, a barbeque area, a dog park and a tot lot.

Pinnacle Homes’ project opened for sale in February 2020. As of March 1, 2021, Pinnacle Homes had completed and conveyed 36 homes to individual homeowners. As of such date, Pinnacle Homes owned six completed model homes, 66 homes under construction (all of which were in escrow) and finished lots planned for 18 condominium units.

All approvals and permits required for development of property within Pinnacle Homes’ project within Improvement Area No. 2 have been secured except for the issuance of building permits for residential construction and other approvals required in the normal course of development. Pinnacle Homes currently expects that construction of the final phase of the Pinnacle at Millenia project will commence in April 2021 and that all homes will be sold to individual homeowners by the end of 2021.

The Pinnacle at Millenia project is planned to consist of 126 attached condominiums. The table below summarizes, as of March 1, 2021, the product mix and development status of the Pinnacle at Millenia project within Improvement Area No. 2.

TABLE 12
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
(IMPROVEMENT AREA NO. 2)
PINNACLE HOMES
PINNACLE AT MILLENIA

<i>Plan</i>	<i>Total Units Planned</i>	<i>Estimated Home Square Footage</i>	<i>Closings as of March 1, 2021</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	21	1,362	6	12	3	11	\$467,900
2	21	1,433	6	12	3	11	491,900
3	21	1,989	6	12	3	11	557,900
4	21	2,185	6	12	3	11	568,900
5	21	2,380	6	12	3	11	604,900
6	<u>21</u>	<u>2,522</u>	<u>6</u>	<u>12</u>	<u>3</u>	<u>11</u>	<u>626,900</u>
Total	126		36	72	18	66	

(1) Includes six completed model homes.

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

Source: Pinnacle Homes.

Financing Plan. Through March 1, 2021, Pinnacle Homes had spent approximately \$32,938,000 in site development, direct and indirect home construction, builder fees, marketing, sales costs, design costs on its development within Improvement Area No. 2. As of such date, Pinnacle Homes expected that it would spend approximately \$28,134,000 in site development, direct and indirect home construction, builder fees, marketing, sales costs, design costs until full build-out of the project proposed to be constructed on its property within Improvement Area No. 2, which is expected to occur by the end of 2021.

Pursuant to the Operating Agreement, SLF and Meridian made initial capital contributions to Pinnacle Homes and SLF transferred the property within the Pinnacle at Millenia project to Pinnacle Homes for an agreed upon value credited to SLF. To date, Pinnacle Homes has financed its site development and home construction costs related to its property within Improvement Area No. 2 through capital contributions, proceeds of the Construction Loan (defined below) and home sales revenues. Pinnacle Homes expects to use proceeds of the Construction Loan and home sales revenues to complete its development activities within Improvement Area No. 2. Pinnacle Homes does not expect to require any additional capital contributions by SLF or Meridian in order to complete its development within Improvement Area No. 2.

Pinnacle Homes has obtained a construction loan from Torrey Pines Bank (the “Construction Loan”). The Construction Loan is a revolving loan with the maximum amount of \$11,200,000, based on a maximum of 36 units under construction at a given time. The Construction Loan currently matures on October 1, 2021, unless extended. As of March 1, 2021, the Construction Loan was outstanding in the principal amount of \$4.2 million. SLF and Meridian have provided repayment guarantees with respect to the Construction Loan. The Construction Loan is not secured by the property that Pinnacle Homes owns within Improvement Area No. 2. Pinnacle Homes repays portions of the Construction Loan in connection with home closings. Pinnacle Homes currently anticipates additional draws on the Construction Loan, however, such draws are expected to be significantly less than the currently authorized maximum amount thereunder.

Although Pinnacle Homes expects to have sufficient funds available to complete its development activities in Improvement Area No. 2 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 Pinnacle Homes or any other source when needed. Pinnacle 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 Pinnacle Homes' property in Improvement Area No. 2. Any contributions by Pinnacle Homes to fund the costs of such development and home construction are entirely voluntary.

COVID-19 (Coronavirus) Pandemic. The development of Pinnacle Homes' planned development within Improvement Area No. 2 is subject to disruption due to the COVID-19 pandemic and related public health and governmental authorities' orders and actions. With housing construction considered an essential function, Pinnacle Homes has largely continued, with certain modifications, its home construction and sales activities in Improvement Area No. 2 to date. That is, Pinnacle Homes has been able to sell, complete, obtain inspections for and close homes during such period, and intends to continue its operations to the extent permitted. See "SPECIAL RISK FACTORS—COVID-19 (Coronavirus) Pandemic" herein.

Pinnacle Homes' on-site sales office and model homes for its development within Improvement Area No. 2 is open by appointment-only to single groups only. As of the date of this Official Statement, Pinnacle Homes has not experienced any material increases in costs, delays in home construction resulting from decisions to reduce financing for the project, work stoppages, reduced attendance of workers, lack of or delays in the delivery of building materials or the ability to obtain necessary inspections and approvals attributable to the COVID-19 pandemic.

Pinnacle Homes cannot predict the ultimate effects of the COVID-19 outbreak and related public health and governmental authorities' orders and actions (including, without limitation, the scope of restrictions under the current or any amended shelter in place orders), on their ability to continue to sell and close units within Improvement Area No. 2. Such effects, if and as they arise, could have a material adverse effect on the ability to develop Improvement Area No. 2 as planned, and no assurance can be provided that Pinnacle Homes will be able to (a) complete in whole or in any part, or within any particular time, their planned development within Improvement Area No. 2; (b) avoid material increases in development costs or delays resulting from work stoppages, reduced attendance of workers, shortages or delays in the delivery of building materials, and/or delays in obtaining necessary inspections and approvals; or (c) close any additional homes or not experience additional purchase contract cancellations, due to in each case public health or governmental restrictions, further spread of COVID-19, an economic downturn driven by the pandemic, or otherwise.

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. 2 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. 2. 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. 2, 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. 2 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.

Concentration of Ownership

Based on the ownership status of the property within Improvement Area No. 2 and the number of building permits issued as of March 1, 2021, assuming no additional conveyance of property by SLF or any transfer of property by Lennar Homes or Pinnacle Homes to individual homeowners within Improvement Area No. 2, approximately 3.54% of the Special Taxes estimated to be levied in Fiscal Year 2021-22 would be payable by SLF, approximately 52.43% would be payable by Lennar Homes, and approximately 22.97% would be payable by Pinnacle Homes. See Table 8 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. 2 or to pay their Special Taxes when due. See “— Failure to Develop Properties.”

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. 2, Special Taxes will continue to be levied on Undeveloped Property and the risk of concentration of ownership would continue. SLF currently does not have an estimated timeframe as to when the development plan for Lot 19 will be finalized. As a result SLF may continue to be a taxpayer within Improvement Area No. 2 for an extended 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 City 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. 2 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. 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. 2 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 may 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. 2, 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. 2. 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. 2 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.

See “SOURCES OF PAYMENT FOR THE BONDS — Assignment of Assessor Parcel Numbers and Delayed Special Tax Revenues” herein for a description of certain delays in receipt of Special Tax revenues during the development and home sales period within Improvement Area No. 2 and certain impacts thereof on the ability to institute foreclosure proceedings.

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. 2 to less than 13.29 Acres for Zone A or 7.51 Acres for Zone B. See Section 5 of APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

If for any reason property within Improvement Area No. 2 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. 2. 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. 2 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. 2 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. 2 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. 2 is also subject to the availability of water. Finally, development of land is subject to economic considerations.

The major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed to serve the property within Improvement Area No. 2 is substantially complete, with only minor street improvements remaining. The remaining in-tract improvements are expected to be constructed by Lennar Homes and Pinnacle Homes as development within their respective projects is completed. Lot 19 is currently in a finished lot status.

The property owned by Lennar Homes and Pinnacle Homes range from finished lots to completed homes. SLF currently does not have an estimated timeframe as to when the development plan for Lot 19 will be finalized. 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. 2 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. 2 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. 2 to pay the Special Taxes when due.

There can be no assurance that land development operations within Improvement Area No. 2 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. 2 would cause the property values within Improvement Area No. 2 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. 2 to pay the Special Taxes when due.

The District currently expects to levy Special Taxes on Undeveloped Property for Fiscal Year 2021-22 and may 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. 2 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. 2 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. 2, 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. 2, and Improvement Area No. 2 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. 2. Seismic activity represents a potential risk for damage to buildings, roads, and property within Improvement Area No. 2. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. Improvement Area No. 2 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 recent years 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. 2, 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. 2. 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. 2 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. 2 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. 2, 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. SLF, Lennar Homes and Pinnacle Homes have each represented to the District that it is not aware of the presence of any federally or State classified hazardous substances in violation of any environmental laws located on its respective property within Improvement Area No. 2. The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within Improvement Area No. 2 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. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT —The Development— *Environmental Impact Report*” for a discussion of the use of pesticides in connection with the prior agricultural use of portions of the land within Improvement Area No. 2. 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.

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. 2 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. 2 — 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 November 15, 2020, the market value of the land and improvements within Improvement Area No. 2 was approximately \$58,994,108. The Appraisal Report is based on a number of assumptions and limiting conditions as stated in APPENDIX B — “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. 2, the listing of endangered species or the determination that habitat for endangered or threatened species exists within Improvement Area No. 2, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within Improvement Area No. 2 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 — “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. 2 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 — MISCELLANEOUS CONDITIONS — Covenants.”

See “IMPROVEMENT AREA NO. 2 — Expected Tax Burden; Potential Special Tax Prepayment” for a description of the requirement for a homebuilder to prepay a portion of the Special Tax, or overlapping special taxes and assessments, 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. 2 is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within Improvement Area No. 2. See “IMPROVEMENT AREA NO. 2 — 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. 2.

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. 2. In addition, the landowners within Improvement Area No. 2 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. 2 described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “IMPROVEMENT AREA NO. 2— 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. 2 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. 2 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.

See “SOURCES OF PAYMENT FOR THE BONDS — Delay in Assignment of Assessor Parcel Numbers and Deposit Agreement” above.

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. 2 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. 2, 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. 2 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. 2 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.

As described above under "SOURCES OF PAYMENT FOR THE BONDS — Assignment of Assessor Parcel Numbers and Delayed Special Tax Revenues," SLF has deposited certain funds with the District as a result of certain delays in receipt of Special Tax revenues during the development and home sales period within Improvement Area No. 2. When a debtor files for relief under the United States Bankruptcy Code (the "Bankruptcy Code"), the bankruptcy trustee could reverse certain transfer of funds made by the debtor to protect creditors. As a result, it is possible that the amounts deposited by SLF under the Deposit Agreement could be subject to reversal by a bankruptcy trustee in the event SLF files for relief under the Bankruptcy Code.

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 — EVENT OF DEFAULT."

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. 2 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.”

Litigation with Respect to Community Facilities Districts

Shapiro. The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro* (2014) 228 Cal.App.4th 756 (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 XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

Horizon. The Sacramento County Superior Court issued a tentative ruling in *Horizon Capital Investments, LLC v. City of Sacramento et al.* (Case No. 34-2017-80002661). That ruling subsequently became the court’s final order. As described below, this case involved an election to approve the levy of a special tax within a community facilities district (“CFD”) formed under the Act.

In 2017, the City of Sacramento initiated proceedings to form a CFD to finance certain costs to operate and maintain a streetcar line. As permitted by the Act, the proposed district included non-contiguous parcels of non-residential property. Because there were fewer than 12 registered voters residing within the territory of the proposed CFD, the City Council submitted the special tax proposed to be levied within the proposed CFD to the owners of land within the proposed CFD, as required by the Act. The proposed special tax received the requisite two-thirds vote in the landowner election.

Petitioners Horizon Capital Investments, LLC et al. filed a writ of mandate and complaint for reverse validation and declaratory relief. Petitioners argued, and the superior court agreed in its final ruling, that under section 4(a) of article XIII A of the California Constitution (which provides that “Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district [sic], may impose special taxes on such district...”) the phrase “qualified electors” means the registered voters of the entire City of Sacramento and not just the owners of the property within the boundaries of the proposed CFD. Citing the San Diego Decision, the tentative ruling states that the phrase “qualified electors of the district” refers to the registered voters of the entity imposing the special tax, which in this case was the City of Sacramento. Because the vote within the proposed CFD was by landowners only and not by all registered voters in the City of Sacramento, the final ruling states that the special tax is invalid.

The superior court’s final ruling is not binding upon other courts within the State and does not directly apply to Improvement Area No. 2, the Special Tax, or the Bonds. The City of Sacramento did not appeal the decision.

The Special Tax Election in Improvement Area No. 2. With respect to the San Diego Decision, the facts of such case show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in Improvement Area No. 2 had less than 12 registered voters at the time of the elections 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 in the San Diego Decision does not apply to the Special Tax election in Improvement Area No. 2. 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. The petitioners in *Horizon* filed the writ of mandate

within 30 days of the landowner election. Landowners in Improvement Area No. 2 approved the levy of Special Tax in accordance with the Rate and Method on February 18, 2020. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings, and court decisions, the City believes that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought. In connection with the issuance of the Bonds, Bond Counsel expects to deliver its opinion in the proposed form attached hereto as Appendix C.

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. 2 to complete the remaining proposed development within Improvement Area No. 2.

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.

Potential Early Redemption of Bonds from Special Tax Prepayments

Property owners within Improvement Area No. 2 are permitted to prepay their Special Taxes at any time. Such payments will result in a mandatory redemption of Bonds from Special Tax prepayments on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of such Special Tax prepayment. The resulting redemption of Bonds purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See "THE BONDS — Redemption — *Mandatory Redemption from Special Tax Prepayments*" and "IMPROVEMENT AREA NO. 2 — Expected Tax Burden; Potential Special Tax Prepayment."

Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To date, the City has not experienced an attack on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. However, no

assurances can be given that the City's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the City.

COVID-19 (Coronavirus) Pandemic

The spread of the novel strains of coronavirus that cause a disease commonly referred to as COVID-19 ("COVID-19") is having significant negative impacts throughout the world, including in the City. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the County, State and the United States. Confirmed cases of COVID-19 are growing throughout the State and health officials are expecting the number of confirmed cases to continue to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools.

The City initially closed certain non-essential functions of the City, while City Hall, community services and public safety functions remained opened to service City residents and businesses. The City's Development Services Department remained opened and continued to issue building permits and inspect unoccupied dwellings for the lots within the City. Other City departments that serve businesses and residents within the District telecommuted and/or continued in-person work schedules to meet the needs of the community. Other public agencies serving the property and residents within the District may have taken similar actions in response to the COVID-19 pandemic, though the District and the City can provide no assurance regarding the actions of any other public agencies. Such actions may affect the SLF, Lennar Homes and Pinnacle Homes' ability to complete their planned developments in the time periods and within cost estimates described in the Official Statement. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

The COVID-19 pandemic is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impacts are uncertain. However, the impact of the COVID-19 outbreak could adversely impact development within Improvement Area No. 2, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction where one or more members of the workforce becomes infected with COVID-19; (iv) continued extreme fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession; (vii) the failure of government measures to stabilize the financial sector and introduce fiscal stimulus to counteract the economic impact of the pandemic; (viii) delays in sales or fewer sales due to lower traffic at model home complexes and real estate offices; and (ix) delays in sales, or cancellations, due to mortgage lending issues. The ultimate adverse impact of COVID-19 on the District, and the operations, finances and ability of SLF, Lennar Homes and Pinnacle Homes' to complete their development within Improvement Area No. 2 as planned, homebuyers' willingness and ability to pay Special Taxes when due, and the real estate market in general is unknown.

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. 2. The District Reports are to be filed not later than March 31 of each year, beginning March 31, 2022. The District Reports will include the information as required

by the District Continuing Disclosure Agreement. 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.

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) 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; (ii) with respect to the annual report due for Fiscal Year 2014 related to certain certificates of participation, the annual report was timely filed but did not include certain Fiscal Year 2015 budgeted information; and (iii) 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. 2, each of Lennar Homes and Pinnacle Homes will execute a Continuing Disclosure Certificate with respect to each project area that it currently owns within Improvement Area No. 2 (each a “Developer Continuing Disclosure Certificate”). In each Developer Continuing Disclosure Certificate, the applicable property owner will covenant to provide separate annual reports and semiannual reports until satisfaction of certain conditions set forth therein. Such periodic reports to be provided by such entities at such times and will contain updates regarding their respective development within Improvement Area No. 2 as provided in Section 3 and 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.

Pinnacle Homes has not been subject to any continuing disclosure undertakings within the last five years in connection with the issuance of municipal obligations. Pinnacle Homes expects to assign appropriate staff to prepare the periodic reports and notices, if any, as required by its Developer Continuing Disclosure Certificate.

To the Actual Knowledge of Lennar Homes (as defined in the Letter of Representations to be executed by Lennar Homes), other than as disclosed in this Official Statement, Lennar Homes is not aware of any material failures by it to comply in all material respects with previous continuing disclosure undertakings in a written

certificate or agreement executed by it to provide periodic continuing disclosure reports or notices of material events respecting securities offerings in California within the last five years. However, in connection with a continuing disclosure obligation entered into with respect to the \$12,850,000 County of El Dorado District No. 2014-1 (Carson Creek) Special Tax Bonds Series 2016, Lennar Homes was late in filing the periodic reports due on April 1, 2017 and October 1, 2017. The oversight was discovered in late January, 2018, and Lennar Homes promptly filed a curative report on February 1, 2018.

Neither the City nor the Underwriter makes any representation as to compliance by Lennar Homes, Pinnacle Homes or any of their respective affiliates with their prior continuing disclosure undertakings.

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 City, on behalf of the District, the Underwriter and others and is subject to the condition that the City complies with all requirements of 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 City 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 City 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.

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 net original issue premium 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 prices 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, the Market Absorption Analyst and 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
(MILLENNIA)

By: _____
Director of Finance/Treasurer

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax shall be levied on all Taxable Property within the boundaries of Improvement Area No. 2 of Community Facilities District No. 16-I (Millenia) (“IA2”) and collected each Fiscal Year commencing in Fiscal Year 2019-20, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within IA2, 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 IA2 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 IA2, 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 IA2 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).

“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.

“IA2” means Improvement Area No. 2 of CFD No. 16-I.

“Land Use Class” means any of the classes listed in Table 1 or 2 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 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 IA2 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 IA2, 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 IA2 pursuant to the Act and this Amended and Restated 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 IA2.

“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 IA2 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 IA2 and as depicted in Exhibit A attached hereto.

“**Zone B**” means the specific geographic area designated as such within IA2 and as depicted in Exhibit A attached hereto.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2019-20, each Assessor’s Parcel within IA2 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 Amended and Restated 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 IA2 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.

In the event a Building Permit is issued for one or more residential Condominiums prior to March 1 of the previous Fiscal Year and an Assessor’s Parcel Number has not yet been assigned to each such Condominium for the current Fiscal Year, the applicable Assessor’s Parcel may be classified as both Developed Property and Undeveloped Property. In such an instance, the Special Taxes levied on such Assessor’s Parcel shall be the sum of the amount derived from the following (i) applying the Assigned Special Tax applicable to each Condominium for which a Building Permit was issued prior to March 1 of the previous Fiscal Year and (ii) levying the acreage allocable to such actual or planned Condominiums for which a Building Permit has not been issued prior to March 1 of the previous Fiscal Year as Undeveloped Property; the allocable acreage shall be computed on a pro-rata basis based on the relative number of remaining Condominiums to the total number of Condominiums entitled to be developed on such Assessor’s Parcel. The total number of Condominiums entitled to be developed on the applicable Assessor’s Parcel shall be determined from the recorded condominium map, condominium plan, applicable site plan, plot plan, or other appropriate records kept by the City as reasonably determined by the CFD Administrator.

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 2019-20 shall be determined pursuant to Table 1 or 2 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	≤ 1,450	\$1,443.24 per Residential Unit
2	Residential Property	> 1,450	\$1,727.65 per Residential Unit
3	Non-Residential Property	N/A	\$6,367.25 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	N/A	\$6,367.25 per Acre
2	Non-Residential Property	N/A	\$6,367.25 per Acre

On each July 1, commencing July 1, 2020, 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 or Zone B the Backup Special Tax for Assessor’s Parcels of Developed Property classified as Residential Property shall be determined as follows:

Zone A

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 in Zone A, the Backup Special Tax for Fiscal Year 2019-20 shall be the rate per Lot calculated according to the following formula:

$$B = \frac{\text{Zone A} \times \$42,148 \times A}{L}$$

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.

Zone B

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 2019-20 shall be determined by multiplying \$42,148 for Zone A and \$7,075 for Zone B by the total Acreage of any such Assessor's Parcel. For each Assessor's Parcel of Developed Property classified as Residential Property or for each Assessor's Parcel of Undeveloped Property to be classified as Residential Property in Zone B within the Final Map area, the Backup Special Tax for Fiscal Year 2019-20 shall be determined by multiplying \$7,075 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, 2020, 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 2019-20 shall be \$42,148 per Acre for Zone A and \$7,075 per Acre for Zone B.

On each July 1, commencing July 1, 2020, 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 2019-20, 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 IA2 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 IA2 to less than 13.29 Acres for Zone A or 7.51 Acres for Zone B. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in IA2 to less than 13.29 Acres for Zone A or 7.51 Acres for Zone B, shall be classified as Provisional Property and will continue to be subject to the IA2 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 Amended and Restated 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 \$11,500,000 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 IA2, 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 IA2.

“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 IA2 assuming all Building Permits have been issued (build-out) within IA2, 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 IA2, 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 IA2 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, but in any event not after Fiscal Year 2059-60.

EXHIBIT A

SHEET 1 OF 1 SHEET

**PROPOSED AMENDED BOUNDARY MAP OF
COMMUNITY FACILITIES DISTRICT NO. 16-I
(MILLENNIA)**

**CITY OF CHULA VISTA,
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA**

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA), CITY OF CHULA VISTA, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF CHULA VISTA AT A REGULAR MEETING THEREOF HELD ON ____ DAY OF ____ 20 ____ BY RESOLUTION NO. _____

CITY CLERK
CITY OF CHULA VISTA

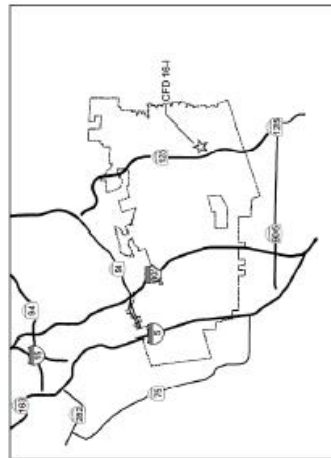
FILED IN THE OFFICE OF THE CITY CLERK, CITY OF CHULA VISTA,
THIS ____ DAY OF ____ 20 ____

CITY CLERK
CITY OF CHULA VISTA

RECORDED THIS ____ DAY OF ____ 20 ____ AT
THE HOUR OF ____ O'CLOCK ____ M IN BOOK
PAGE ____ OF MAPS OF ASSESSMENT AND COMMUNITY
FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY
RECORDER, IN THE COUNTY OF SAN DIEGO, STATE OF
CALIFORNIA.

FEE: _____ NO. _____
ERNEST J. DRONENBURG, JR., ASSESSOR, RECORDER,
COUNTY CLERK

BY: _____
DEPUTY



THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS AS SHOWN ON THE COUNTY ASSESSORS MAPS FOR FISCAL YEAR 2016-20.



0 375 750 1,500 Feet



LEGEND

- IMPROVEMENT AREA & BOUNDARY
- PARCEL LINE
- ▨ ZONE A
- ▧ ZONE B
- 1 MAP REFERENCE NUMBER
- XXX-XXX-XXX-XXX ASSESSOR PARCEL NUMBER

MAP REFERENCE NO.	ASSESSOR PARCEL NO.	LOT NO./FINAL MAP
1	643-060-69	LOT 19 OF FINAL MAP NO. 16081
2	643-065-07 (PORTION)	LOT 1 OF FINAL MAP NO. 16380
3	643-065-08 (PORTION)	LOT 4 OF FINAL MAP NO. 16380
4	643-060-62	LOT 12 OF FINAL MAP NO. 16081
5	643-060-63	LOT 13 OF FINAL MAP NO. 16081



EXHIBIT B

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

1. Pursuant to Section 3F of the Amended and Restated 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 and/or 2 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 IA2 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-2
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:

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 District believes the information and data within this Appendix D to be 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 272,202, 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 2016 and 2020.

**TABLE NO. D-1
POPULATION
2016 - 2020**

<i>Year (January 1)</i>	<i>Chula Vista</i>	<i>San Diego County</i>
2016	263,278	3,285,150
2017	265,673	3,306,889
2018	268,406	3,326,318
2019	271,032	3,340,312
2020	272,202	3,343,355

Source: State of California, Department of Finance, CA; E-4 Population Estimates for Cities, Counties and the State, 2011-2020, 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 2015 through 2019 in the City, the County, the State of California

and the United States. As of November 2020, the County and the City's unemployment rates were 7.7% and 9.3%, respectively.

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>
2015				
Chula Vista	120,700	112,800	7,900	6.5%
San Diego County	1,548,600	1,468,100	80,500	5.2
California	18,828,800	17,660,700	1,168,100	6.2
United States ⁽⁴⁾	157,130,000	148,834,000	8,296,000	5.3
2016				
Chula Vista	120,600	114,400	6,200	5.2%
San Diego County	1,563,000	1,489,100	73,900	4.7
California	19,021,200	17,980,100	1,041,100	5.5
United States ⁽⁴⁾	159,187,000	151,436,000	7,751,000	4.9
2017				
Chula Vista	122,000	116,700	5,400	4.4%
San Diego County	1,572,800	1,509,600	63,200	4.0
California	19,176,400	18,257,100	919,300	4.8
United States ⁽⁴⁾	160,320,000	153,337,000	6,982,000	4.4
2018				
Chula Vista	122,900	118,400	4,500	3.7%
San Diego County	1,518,500	1,528,100	53,500	3.4
California	19,280,800	18,460,700	820,100	4.3
United States ⁽⁴⁾	162,075,000	155,761,000	6,314,000	3.9
2019				
Chula Vista	123,600	119,300	4,300	3.5%
San Diego County	1,590,600	1,539,900	50,700	3.2
California	19,411,600	18,627,400	784,200	4.0
United States ⁽⁴⁾	163,539,000	157,538,000	6,001,000	3.7

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 2015 through 2019 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
2015 through 2019

	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Civilian Labor Force	1,548,600	1,563,000	1,572,800	1,581,500	1,590,600
Civilian Employment	1,468,100	1,489,100	1,509,600	1,528,100	1,539,900
Civilian Unemployment	80,500	73,900	63,200	53,500	50,700
Civilian Unemployment Rate	5.2%	4.7%	4.0%	3.4%	3.2%
Total Farm	9,100	8,900	8,700	9,300	9,600
Total Nonfarm	1,384,800	1,422,600	1,452,200	1,482,200	1,503,900
Total Private	1,148,700	1,180,300	1,205,900	1,234,100	1,254,200
Goods Producing	176,800	185,000	189,200	196,400	199,500
Mining & Logging	300	300	300	400	400
Construction	69,900	76,300	79,500	83,700	84,000
Manufacturing	106,600	108,400	109,400	112,300	115,100
Service Providing	1,208,000	1,237,600	1,263,000	1,285,800	1,304,400
Trade, Transportation & Utilities	219,300	220,900	224,700	225,100	224,000
Wholesale Trade	44,100	43,700	43,800	43,800	44,200
Retail Trade	146,800	147,500	149,000	148,000	145,400
Transportation, Warehousing & Utilities	28,400	29,700	32,000	33,300	34,400
Information	23,400	23,200	23,400	23,600	23,500
Financial Activities	71,400	73,000	74,600	76,000	76,400
Professional & Business Services	229,500	234,700	239,000	248,900	256,600
Educational & Health Services	192,700	198,700	204,300	208,900	216,000
Leisure & Hospitality	182,400	190,400	195,600	199,600	202,400
Other Services	53,200	54,400	55,000	55,500	55,800
Government	<u>236,200</u>	<u>242,200</u>	<u>246,300</u>	<u>248,100</u>	<u>249,600</u>
Total, All Industries	<u>1,393,900</u>	<u>1,431,500</u>	<u>1,460,900</u>	<u>1,491,400</u>	<u>1,513,500</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 2019 Benchmark.

The following tables lists the largest employers operating within the City and their respective number of employees as of June 30, 2019:

**TABLE NO. D-4
LARGEST EMPLOYERS
JUNE 30, 2019**

<i>Name of Company</i>	<i>No. of Employees</i>	<i>Type of Business/Product</i>
Sweetwater Union High School District	4,133	Education
Chula Vista Elementary School District	3,680	Education
Sharp Chula Vista Medical Center	2,287	Hospital
Rohr Inc./Goodrich Aerospace	1,928	Aerospace Manufacturing
Southwestern Community College	1,743	Education
Wal-Mart	1,323	General Merchandise
City of Chula Vista	1,208	Government
Scripps Mercy Hospital Chula Vista	1,073	Hospital
Aquatica	698	Water Park
Costco Wholesale Group	674	General Merchandise

Source: City of Chula Vista, Comprehensive Annual Financial Report for the year ended June 30, 2019.

Income

The following table summarizes per capita personal income for San Diego County, California and the United States for 2015 through 2019.

**TABLE NO. D-5
PER CAPITAL PERSONAL INCOME
2015 - 2019**

<i>Year</i>	<i>San Diego County</i>	<i>State of California</i>	<i>United States</i>
2015	54,882	55,833	49,019
2016	56,606	58,048	50,015
2017	58,380	60,549	52,118
2018	61,147	63,720	54,606
2019	63,729	66,619	56,490

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 2015 through 2019.

**TABLE NO. D-6
CITY OF CHULA VISTA
TOTAL TAXABLE TRANSACTIONS
(in Thousands)
2015 – 2019**

<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>
2015	2,474,570	2,926	2,767,403	4,803
2016	2,457,307	2,976	2,752,844	4,896
2017	2,527,879	3,055	2,842,457	5,055
2018	2,653,083	3,132	2,979,611	5,296
2019	2,696,571	3,187	3,039,149	5,443

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 2015 through 2019.

**TABLE NO. D-7
CITY OF CHULA VISTA
BUILDING ACTIVITY AND VALUATION
(in Thousands)
2015 - 2019**

	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Residential	\$ 143,176,844	\$ 171,212,179	\$ 308,353,176	\$ 420,786,954	\$ 192,926,249
Non-Residential	<u>61,066,094</u>	<u>86,935,526</u>	<u>183,332,244</u>	<u>83,069,145</u>	<u>69,882,180</u>
Total Valuation	<u>\$ 204,242,938</u>	<u>\$ 258,147,505</u>	<u>\$ 491,685,420</u>	<u>\$ 503,856,009</u>	<u>\$ 262,808,429</u>
Total Permits	717	1,045	1,071	1,741	825

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.

APPENDIX F

FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT

APPENDIX G

FORMS OF DEVELOPERS CONTINUING DISCLOSURE CERTIFICATES

CONTINUING DISCLOSURE CERTIFICATE
(LENNAR HOMES OF CALIFORNIA, INC.)

§ _____
CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
IMPROVEMENT AREA NO. 2
2021 SPECIAL TAX BONDS

This Continuing Disclosure Certificate (Lennar Homes of California, Inc.) (this “**Disclosure Certificate**”) is executed and delivered by the undersigned (the “**Property Owner**”) and Spicer Consulting Group as dissemination agent (the “**Dissemination Agent**”) in connection with the issuance of the bonds captioned above (the “**Bonds**”) by Community Facilities District No. 16-I (Millenia) (the “**District**”), situated in the City of Chula Vista, County of San Diego, State of California. The Bonds are being issued pursuant to a resolution adopted by the City Council of the City, acting as legislative body of the District on March __, 2021, and a Bond Indenture, dated as of April 1, 2021, (the “**Indenture**”), by and between the District and Wilmington Trust, National Association, as fiscal agent (the “**Fiscal Agent**”).

The Property Owner covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Property Owner for the benefit of the holders and beneficial owners of the Bonds.

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

“*Affiliate*” means any person presently directly (or indirectly through one or more intermediaries) currently under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or the Property Owner’s ability to pay the Special Taxes related to the Property prior to delinquency).

“*Assumption Agreement*” means an undertaking of an Obligated Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Obligated Owner’s development and financing plans with respect to the Property), whereby such Obligated Owner or Affiliate agrees to provide Periodic Reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the Property owned by such Obligated Owner and its Affiliates and, at the option of the Property Owner or such Obligated Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 11 hereof.

“*Dissemination Agent*” means Spicer Consulting Group, or any successor Dissemination Agent designated in writing by the Property Owner, and which has filed with the Property Owner, the District and the Fiscal Agent a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

“*Improvement Area*” means Improvement Area No. 2 of the District.

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

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

“*Obligated Owner*” means, as of any Report Date, an owner of all or a portion of the Property that represents more than 50% of the single family residential units in the Planned Development.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original Underwriter of the Bonds.

“*Periodic Report*” means any Periodic Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“*Planned Development*” means the development plan for the Property described in the Official Statement under “PROPERTY OWNERSHIP AND THE DEVELOPMENT—Lennar Homes Development and Financing Plan” as such information has been updated, if any, in a prior Periodic Report.

“*Property*” means Lot 1 of Tract No. 16409 and Lot 1 of Tract No. 16408.

“*Report Date*” means December 31 and June 30 of any fiscal year.

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

“*Special Taxes*” means the special taxes of the District levied on taxable property within the Improvement Area.

Section 3. Provision of Periodic Reports.

(a) The Property Owner shall, or, upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing June 30, 2021, file with the MSRB a Periodic Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 calendar days prior to the Report Date, the Property Owner shall provide the Periodic Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Periodic Report furnished to the Dissemination Agent (if different from the Property Owner) to the effect that such Periodic Report constitutes the Periodic Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Periodic Report. The Periodic Report may be submitted as a single document or as separate

documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Periodic Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Periodic Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Periodic Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A, with a copy to the Fiscal Agent (if other than the Dissemination Agent), the District, the Participating Underwriter and the Property Owner.

(c) With respect to the Periodic Report, the Dissemination Agent shall, to the extent the Periodic Report has been furnished to it, file the Periodic Report with the MSRB and file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the District and the Participating Underwriter certifying that the Periodic Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to and filed with the MSRB.

Section 4. Content of Periodic Reports. The Property Owner's Periodic Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which have been submitted to the MSRB 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 Property Owner shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit B, the Property Owner's Periodic Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner which is reasonably likely to have a significant impact on the Property Owner's ability to pay Special Taxes or to sell or develop the Property;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property on or prior to the delinquency date to the extent that such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit of which the Property Owner is aware against the Property Owner or an Affiliate of the Property Owner seeking damages, which is reasonably likely to have a significant impact on the Property Owner's ability to pay Special Taxes or to sell or develop the Property;

- (iv) material damage to or destruction of any of the improvements on the Property; and
- (v) any payment default or other material default by the Property Owner on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, with a copy to the Fiscal Agent, the District and the Participating Underwriter.

Section 6. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 11) on the earliest to occur of the following:

- (i) upon the legal defeasance, prior redemption or payment in full of all the Bonds, or
- (ii) at such time as the Property Owner owns fewer 105 residential units (or property (or property intended to be subdivided into fewer than 105 residential units) in the Improvement Area, or
- (iii) the date on which the Property Owner prepays in full all of the Special Taxes attributable to 50% or more of the Property.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5. Nothing herein shall require any person (including, without limitation, the District and the Participating Underwriter) to confirm the satisfaction of any condition for termination of the Property Owner's obligations hereunder pursuant to this Section 6.

(b) If a portion of the Property owned by the Property Owner, or any Affiliate of the Property Owner, is conveyed to a Person that, upon such conveyance, will be an Obligated Owner, the obligations of the Property Owner hereunder with respect to the property in the Improvement Area owned by such Obligated Owner and its Affiliates may be assumed by such Obligated Owner or by an Affiliate thereof, and the Property Owner's obligations hereunder with respect to such property will be terminated. In order to effect such assumption, such Obligated Owner or Affiliate shall enter into an Assumption Agreement in form and substance reasonably satisfactory to the District and the Participating Underwriter.

Section 7. Dissemination Agent. The Property Owner may, from time to time, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Spicer Consulting Group. The Dissemination Agent may resign by providing thirty days' written notice to the District, the Property Owner and the Fiscal Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

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

(b) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Periodic Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Owner chooses to include any information in any Periodic Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Property Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Periodic Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Fiscal Agent shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any holder 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 Property Owner to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole and exclusive remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (each, an "Indemnified Party"), harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding losses, liabilities, costs and expenses due to an Indemnified Party's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder from the Administrative Expense Fund established under the Indenture in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Property Owner, the Fiscal Agent, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer: Community Facilities District No. 16-I (Millenia)
c/o City of Chula Vista
276 Fourth Avenue
Chula Vista, California 91910
Attention: Director of Finance
RE: Community Facilities District No. 16-I
(Millenia) Improvement Area No. 2
2021 Special Tax Bonds

To the Fiscal Agent: Wilmington Trust, National Association
650 Town Center Drive, Suite 800
Costa Mesa, California 92626
Attn: Corporate Client Services
RE: Chula Vista CFD

To the Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104
Attention: Public Finance

To the Dissemination Agent: Spicer Consulting Group
41619 Margarita Road, Suite 101
Temecula, California 92591
Attention: Shane Spicer
Email: _____
Phone: _____

To the Property Owner: Lennar Homes of California, Inc.
16465 Via Esprillo, Suite 150
San Diego, California 92127
Attention: Tom Atkin, Vice President – Finance
Email: Thomas.Atkin@lennar.com
Phone: 858-618-4916

With a copy to:

Lennar Homes
15360 Barranca Parkway
Irvine, California 92618
Attention: Legal Department
Phone: (949)789-1653

O'Neil LLP
19900 MacArthur Blvd., Suite 1050
Irvine, California 92612
Attention: Sandra Galle
Email: sgalle@oneil-llp.com
Phone: (949) 798-0725

provided, however, that all such notices, requests or communication may be made by telephone and promptly confirmed by writing. Any person may, by notice given as aforesaid to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Property Owner (its successors and assigns), the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: April __, 2021

LENNAR HOMES OF CALIFORNIA, INC.,
A California corporation

By: _____
Thomas Atkin, Vice President

ACCEPTED AND AGREED TO:

SPICER CONSULTING GROUP,
as Dissemination Agent

By: _____
Authorized Signatory

EXHIBIT A

NOTICE OF FAILURE TO FILE PERIODIC REPORT

Name of Issuer: Community Facilities District No. 16-I (Millenia)
Name of Bond Issue: City of Chula Vista Community Facilities District No. 16-I (Millenia)
Improvement Area No. 2 2021 Special Tax Bonds
Date of Issuance: April __, 2021

NOTICE IS HEREBY GIVEN that Lennar Homes of California, Inc. (the “**Obligated Owner**”) has not provided a Periodic Report with respect to the above-named bonds as required by that certain Continuing Disclosure Certificate (Lennar Homes of California, Inc.), dated April __, 2021. The Obligated Owner anticipates that the Periodic Report will be filed by _____.

Dated:_____

Spicer Consulting Group,
as Dissemination Agent

By: _____
Its: _____

cc: Fiscal Agent
District
Participating Underwriter
Property Owner/Obligated Owner

EXHIBIT B

PERIODIC REPORT

\$ _____
**CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
IMPROVEMENT AREA NO. 2
2021 SPECIAL TAX BONDS**

This Periodic Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated April __, 2021, executed by the undersigned (the “**Property Owner**”) in connection with the issuance of the above-captioned bonds by Community Facilities District No. 16-I (Millenia) (the “**District**”), situated in the City of Chula Vista, County of San Diego, State of California.

Capitalized terms used in this Periodic Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

I. Property Ownership and Development

The information in this section is provided as of _____ (this date must be not more than 30 days before the date of this Periodic Report).

A. Property currently owned by the Property Owner (the “**Property**”) in Improvement Area No. 2 of the District (the “**Improvement Area**”):

Development name: _____

Number of lots (acreage): _____

B. Status of land development, intract improvements, or construction activities with respect to the Property:

C. Status of building permits and any significant amendments or material changes to the description of land use or development entitlements for the Property described in the Official Statement or the Periodic Report last filed in accordance with the Disclosure Certificate:

D. Status of Special Tax payments on all parcels of Property owned by the Property Owner or its Affiliates:

E. Aggregate property in the Improvement Area sold (closed escrows) by the Property Owner to end users:

	Since the Date of Issuance of <u>the Bonds</u>	Since the Last Periodic <u>Report</u>
Acres*	_____	Acres* _____
SF Units	_____	SF Units _____

* For bulk land sales only (excluding sales of finished lots or completed buildings).

F. Status of any land purchase contracts with other merchant builders or owners other than end users, with regard to the Property.

II. Legal and Financial Status of Property Owner

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any change in the legal structure of the Property Owner or its Affiliates or the financial condition and financing plan of the Property Owner or its Affiliates that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Periodic Report, and other than as provided in Section I, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

IV. Other Material Information

In addition to any of the information expressly required above, provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Certification

The undersigned Property Owner hereby certifies that this Periodic Report constitutes the Periodic Report required to be furnished by the Property Owner under the Disclosure Certificate.

ANY STATEMENTS REGARDING THE PROPERTY OWNER, THE DEVELOPMENT OF THE PROPERTY, THE PROPERTY OWNER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE BONDS, OTHER THAN STATEMENTS MADE BY THE PROPERTY OWNER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE PROPERTY OWNER. THE PROPERTY OWNER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE PROPERTY OWNER HAS NO OBLIGATION TO UPDATE THIS PERIODIC REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated: _____

Lennar Homes of California, Inc.,
A California corporation

By: _____

Name: _____

Title: _____

**CONTINUING DISCLOSURE CERTIFICATE
(PINNACLE NEW HOMES LLC)**

§ _____
**CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
IMPROVEMENT AREA NO. 2
2021 SPECIAL TAX BONDS**

This Continuing Disclosure Certificate (Pinnacle New Homes LLC) (this “**Disclosure Certificate**”) is executed and delivered by the undersigned (the “**Property Owner**”) and Spicer Consulting Group as dissemination agent (the “**Dissemination Agent**”) in connection with the issuance of the bonds captioned above (the “**Bonds**”) by Community Facilities District No. 16-I (Millenia) (the “**District**”), situated in the City of Chula Vista, County of San Diego, State of California. The Bonds are being issued pursuant to a resolution adopted by the City Council of the City, acting as legislative body of the District on March __, 2021, and a Bond Indenture, dated as of April 1, 2021, (the “**Indenture**”), by and between the District and Wilmington Trust, National Association, as fiscal agent (the “**Fiscal Agent**”).

The Property Owner covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Property Owner for the benefit of the holders and beneficial owners of the Bonds.

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

“*Affiliate*” means any person presently directly (or indirectly through one or more intermediaries) currently under managerial control of the Property Owner, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or the Property Owner’s ability to pay the Special Taxes related to the Property prior to delinquency).

“*Assumption Agreement*” means an undertaking of an Obligated Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Obligated Owner’s development and financing plans with respect to the Property), whereby such Obligated Owner or Affiliate agrees to provide Periodic Reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the Property owned by such Obligated Owner and its Affiliates and, at the option of the Property Owner or such Obligated Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 11 hereof.

“*Dissemination Agent*” means Spicer Consulting Group, or any successor Dissemination Agent designated in writing by the Property Owner, and which has filed with the Property Owner, the District and the Fiscal Agent a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

“*Improvement Area*” means Improvement Area No. 2 of the District.

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

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

“*Obligated Owner*” means, as of any Report Date, an owner of all or a portion of the Property that represents more than 50% of the single family residential units in the Planned Development.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original Underwriter of the Bonds.

“*Periodic Report*” means any Periodic Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“*Planned Development*” means the development plan for the Property described in the Official Statement under “PROPERTY OWNERSHIP AND THE DEVELOPMENT—Pinnacle Homes Development and Financing Plan—Development Plan” as such information has been updated, if any, in a prior Periodic Report.

“*Property*” means Lot 1 of Tract No. 16377.

“*Report Date*” means December 31 and June 30 of any fiscal year.

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

“*Special Taxes*” means the special taxes of the District levied on taxable property within the Improvement Area.

Section 3. Provision of Periodic Reports.

(a) The Property Owner shall, or, upon written direction of the Property Owner the Dissemination Agent shall, not later than the Report Date, commencing June 30, 2021, file with the MSRB a Periodic Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 calendar days prior to the Report Date, the Property Owner shall provide the Periodic Report to the Dissemination Agent (if different from the Property Owner). The Property Owner shall provide a written certification with (or included as a part of) each Periodic Report furnished to the Dissemination Agent (if different from the Property Owner) to the effect that such Periodic Report constitutes the Periodic Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Periodic Report. The Periodic Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Periodic Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Periodic Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Periodic Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A, with a copy to the Fiscal Agent (if other than the Dissemination Agent), the District, the Participating Underwriter and the Property Owner.

(c) With respect to the Periodic Report, the Dissemination Agent shall, to the extent the Periodic Report has been furnished to it, file the Periodic Report with the MSRB and file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the District and the Participating Underwriter certifying that the Periodic Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to and filed with the MSRB.

Section 4. Content of Periodic Reports. The Property Owner's Periodic Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which have been submitted to the MSRB 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 Property Owner shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit B, the Property Owner's Periodic Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner which is reasonably likely to have a significant impact on the Property Owner's ability to pay Special Taxes or to sell or develop the Property;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property on or prior to the delinquency date to the extent that such failure is not promptly cured by the Property Owner upon discovery thereof;

(iii) filing of a lawsuit of which the Property Owner is aware against the Property Owner or an Affiliate of the Property Owner seeking damages, which is reasonably likely to have a significant impact on the Property Owner's ability to pay Special Taxes or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and

(v) any payment default or other material default by the Property Owner on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, with a copy to the Fiscal Agent, the District and the Participating Underwriter.

Section 6. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 11) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Bonds, or

(ii) at such time as the Property Owner owns fewer ___ residential units (or property (or property intended to be subdivided into fewer than ___ residential units) in the Improvement Area, or, or

(iii) the date on which the Property Owner prepays in full all of the Special Taxes attributable to 50% or more of the Property.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5. Nothing herein shall require any person (including, without limitation, the District and the Participating Underwriter) to confirm the satisfaction of any condition for termination of the Property Owner's obligations hereunder pursuant to this Section 6.

(b) If a portion of the Property owned by the Property Owner, or any Affiliate of the Property Owner, is conveyed to a Person that, upon such conveyance, will be an Obligated Owner, the obligations of the Property Owner hereunder with respect to the property in the Improvement Area owned by such Obligated Owner and its Affiliates may be assumed by such Obligated Owner or by an Affiliate thereof, and the Property Owner's obligations hereunder with respect to such property will be terminated. In order to effect such assumption, such Obligated Owner or Affiliate shall enter into an Assumption Agreement in form and substance reasonably satisfactory to the District and the Participating Underwriter.

Section 7. Dissemination Agent. The Property Owner may, from time to time, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Spicer Consulting Group. The Dissemination Agent may resign by providing thirty days' written notice to the District, the Property Owner and the Fiscal Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the

Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

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

(b) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Periodic Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Owner chooses to include any information in any Periodic Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Property Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Periodic Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Fiscal Agent shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any holder 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 Property Owner to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole and exclusive remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (each, an "Indemnified Party"), harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding losses, liabilities, costs and expenses due to an Indemnified Party's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder from the Administrative Expense Fund established under the Indenture in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Property Owner, the Fiscal Agent, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer: Community Facilities District No. 16-I (Millenia)
c/o City of Chula Vista
276 Fourth Avenue
Chula Vista, California 91910
Attention: Director of Finance
RE: Community Facilities District No. 16-I
(Millenia) Improvement Area No. 2
2021 Special Tax Bonds

To the Fiscal Agent: Wilmington Trust, National Association
650 Town Center Drive, Suite 800
Costa Mesa, California 92626
Attn: Corporate Client Services
RE: Chula Vista CFD

To the Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104
Attention: Public Finance

To the Dissemination Agent: Spicer Consulting Group
41619 Margarita Road, Suite 101
Temecula, California 92591
Attention: Shane Spicer

To the Property Owner: Pinnacle New Homes LLC
[Address]
Attention: _____

provided, however, that all such notices, requests or communication may be made by telephone and promptly confirmed by writing. Any person may, by notice given as aforesaid to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Property Owner (its successors and assigns), the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: April __, 2021

PINNACLE NEW HOMES, LLC

By: _____

Name: _____

Title: _____

ACCEPTED AND AGREED TO:

SPICER CONSULTING GROUP,
as Dissemination Agent

By: _____
Authorized Signatory

EXHIBIT A

NOTICE OF FAILURE TO FILE PERIODIC REPORT

Name of Issuer: Community Facilities District No. 16-I (Millenia)
Name of Bond Issue: City of Chula Vista Community Facilities District No. 16-I (Millenia)
Improvement Area No. 2 2021 Special Tax Bonds
Date of Issuance: April __, 2021

NOTICE IS HEREBY GIVEN that Pinnacle New Homes LLC (the “**Obligated Owner**”) has not provided a Periodic Report with respect to the above-named bonds as required by that certain Continuing Disclosure Certificate (Pinnacle New Homes LLC), dated April __, 2021. The Obligated Owner anticipates that the Periodic Report will be filed by _____.

Dated:_____

Spicer Consulting Group,
as Dissemination Agent

By: _____
Its: _____

cc: Fiscal Agent
District
Participating Underwriter
Property Owner/Obligated Owner

EXHIBIT B

PERIODIC REPORT

\$ _____
**CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENIA)
IMPROVEMENT AREA NO. 2
2021 SPECIAL TAX BONDS**

This Periodic Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated April __, 2021, executed by the undersigned (the “**Property Owner**”) in connection with the issuance of the above-captioned bonds by Community Facilities District No. 16-I (Millenia) (the “**District**”), situated in the City of Chula Vista, County of San Diego, State of California.

Capitalized terms used in this Periodic Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

I. Property Ownership and Development

The information in this section is provided as of _____ (this date must be not more than 30 days before the date of this Periodic Report).

A. Property currently owned by the Property Owner (the “**Property**”) in Improvement Area No. 2 of the District (the “**Improvement Area**”):

Development name: _____

Number of lots (acreage): _____

B. Status of land development, intract improvements, or construction activities with respect to the Property:

C. Status of building permits and any significant amendments or material changes to the description of land use or development entitlements for the Property described in the Official Statement or the Periodic Report last filed in accordance with the Disclosure Certificate:

D. Status of Special Tax payments on all parcels of Property owned by the Property Owner or its Affiliates:

E. Aggregate property in the Improvement Area sold (closed escrows) by the Property Owner to end users:

	Since the Date of Issuance of <u>the Bonds</u>		Since the Last Periodic <u>Report</u>
Acres*	_____		Acres* _____
SF Units	_____		SF Units _____

* For bulk land sales only (excluding sales of finished lots or completed buildings).

F. Status of any land purchase contracts with other merchant builders or owners other than end users, with regard to the Property.

II. Legal and Financial Status of Property Owner

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any change in the legal structure of the Property Owner or its Affiliates or the financial condition and financing plan of the Property Owner or its Affiliates that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Periodic Report, and other than as provided in Section I, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

IV. Other Material Information

In addition to any of the information expressly required above, provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Certification

The undersigned Property Owner hereby certifies that this Periodic Report constitutes the Periodic Report required to be furnished by the Property Owner under the Disclosure Certificate.

ANY STATEMENTS REGARDING THE PROPERTY OWNER, THE DEVELOPMENT OF THE PROPERTY, THE PROPERTY OWNER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE BONDS, OTHER THAN STATEMENTS MADE BY THE PROPERTY OWNER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE PROPERTY OWNER. THE PROPERTY OWNER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE PROPERTY OWNER HAS NO OBLIGATION TO UPDATE THIS PERIODIC REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated: _____

Pinnacle New Homes LLC

By: _____

Name: _____

Title: _____

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
MARKET ABSORPTION STUDY