

## PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2015

NEW ISSUE—BOOK-ENTRY ONLY

RATING: S&P: “\_\_\_\_\_”  
(See “CONCLUDING INFORMATION — Rating” herein)

*In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject to certain qualifications described herein, under existing statutes, regulations, rules and court decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See the caption “CONCLUDING INFORMATION—Tax Matters.”*

COUNTY OF SAN DIEGO

STATE OF CALIFORNIA

\$ \_\_\_\_\_\*

**CHULA VISTA MUNICIPAL FINANCING AUTHORITY  
REVENUE REFUNDING BONDS  
SERIES 2015B**

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

The Chula Vista Municipal Financing Authority Revenue Refunding Bonds, Series 2015B (the “Bonds”), are being issued by the Chula Vista Municipal Financing Authority (the “Authority”) pursuant to an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2015 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), and will be secured as described herein. See the caption “SECURITY FOR THE BONDS.”

The Bonds are being issued to purchase one series of limited obligation refunding bonds (the “Reassessment Bonds”) and four series of special tax refunding bonds (the “CFD Bonds,” and with the Reassessment Bonds, the “Refunding Bonds”). The Reassessment Bonds are obligations of one reassessment district of the City (the “Reassessment District”) pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds on (Division 11-5 of the Streets and Highways Code of the State of California) (the “Refunding Act”). The CFD Bonds are obligations of various community facilities districts (each a “Community Facilities District”, together the “Community Facilities Districts”, and with the Reassessment District, the “District”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “CFD Act”). The Reassessment Bonds will be secured by reassessments levied against certain properties within the Reassessment District. Each series of CFD Bonds will be secured by special tax liens on taxable property within the respective Community Facilities District or an improvement area therein to which such CFD Bonds relate. The Refunding Bonds are being issued to currently refund and redeem the Chula Vista Public Financing Authority’s Revenue Refunding Bonds, Series 2005A. See the captions “INTRODUCTION—Refunding Bonds” and “THE FINANCING PLAN.”

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company (“DTC”), New York, New York. Interest on the Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2016. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases of Bonds will be in principal amounts of \$5,000 or in any integral multiple of \$5,000. Payments of principal and interest will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

**The Bonds are subject to optional redemption, mandatory sinking fund redemption and mandatory redemption following a mandatory redemption of the Refunding Bonds prior to maturity as set forth herein. See the caption “THE BONDS—Redemption.”**

The Bonds are special, limited obligations of the Authority, payable solely from Revenues (as defined herein), consisting of debt service payments on the Refunding Bonds received by the Trustee and amounts in certain funds and accounts pledged under the Indenture. Debt service payments on the Refunding Bonds are calculated to be sufficient to permit the Authority to pay debt service on the Bonds when due. The City of Chula Vista (the “City”) has determined that it will not obligate itself to advance funds from its treasury to cover any delinquency on the Refunding Bonds. See the caption “SECURITY FOR THE BONDS.”

The Refunding Bonds are limited obligations of the Districts. Each series of Refunding Bonds is payable solely from the assets pledged therefor under the respective Refunding Bonds Fiscal Agent Agreement pursuant to which such Refunding Bonds are issued.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE REVENUES, 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 THE DISTRICTS OR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE EXCLUSIVELY FROM REVENUES AS PROVIDED IN THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN.

The Authority has applied for and may obtain municipal bond insurance from a municipal bond insurer (each, an “Insurer”) with respect to all or a portion of the Bonds. If insurance is obtained, the scheduled payment of principal of and interest on such insured Bonds when due will be guaranteed under an insurance policy to be issued by the Insurer concurrently with the issuance of the Bonds. The Authority’s decision whether or not to purchase such insurance, and what maturities of the Bonds to insure, if any, will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the Authority will obtain a commitment from an Insurer or will purchase such insurance. See “INTRODUCTION—Potential for Bond Insurance.”

See the caption “SPECIAL RISK FACTORS” for a discussion of certain risk factors that should be considered in addition to the other matters set forth herein when evaluating the investment quality of the Bonds. This cover page contains certain information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Best Best & Krieger LLP, San Diego, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the City Attorney, for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel, for the Underwriter by Nossaman LLP, Irvine, California, and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about \_\_\_\_\_, 2015.*

\* Preliminary, subject to change.

[STIFEL LOGO]

Dated: \_\_\_\_\_, 2015

\$ \_\_\_\_\_ \*

**CHULA VISTA MUNICIPAL FINANCING AUTHORITY  
REVENUE REFUNDING BONDS  
SERIES 2015B**

**MATURITY SCHEDULE**

**Base CUSIP<sup>®†</sup>: 17131C**

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP<sup>®†</sup></i>
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\$ \_\_\_\_\_ % Term Bonds Due September 1, \_\_\_\_\_ – Yield \_\_\_\_\_ %, CUSIP<sup>®†</sup> \_\_\_\_\_

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\* Preliminary, subject to change.

† Copyright 2015, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. None of the City, the Authority, the Community Facilities Districts nor the Underwriter take any responsibility for the accuracy of such numbers.

**CITY OF CHULA VISTA**

**CITY COUNCIL**

Mary Casillas Salas, Mayor  
Pamela Bensoussan, Deputy Mayor  
Patricia Aquilar, Councilmember  
John McCann, Councilmember  
Steve Miesen, Councilmember

**CITY OFFICIALS**

Gary Halbert, City Manager  
Maria Kachadoorian, Deputy City Manager  
Donna Norris, City Clerk  
Glen R. Googins, City Attorney  
Richard A. Hopkins, Director of Public Works

**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**

**BOARD OF DIRECTORS**

Mary Casillas Salas, Chair  
Pamela Bensoussan, Director  
Patricia Aquilar, Director  
John McCann, Director  
Steve Miesen, Director  
Gary Halbert, Executive Director  
Donna Norris, Secretary

**Bond Counsel**

Best Best & Krieger, LLP  
San Diego, California

**Disclosure Counsel**

Stradling Yocca Carlson & Rauth  
a Professional Corporation  
Newport Beach, California

**Financial Advisor to the City**

Fieldman, Rolapp & Associates  
Irvine, California

**Special Tax Consultant/Reassessment Engineer**

NBS  
Temecula, California

**Verification Agent**

Grant Thornton LLP  
Minneapolis, Minnesota

**Trustee**

U.S. Bank National Association  
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than as 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 Authority (or its members), the City or the Districts. 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 any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein which has been obtained from parties other than the Authority, the City and the Districts is believed to be reliable but is not guaranteed as to accuracy or completeness by the Authority (or its members), the City or the Districts. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City, the Chula Vista Housing Authority or the Districts since the date hereof.

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 applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information herein relating to the Bonds, the Authority, the Districts, the Improvement Areas and the City does not purport to be comprehensive or definitive. All references to the Bonds are qualified in their entirety by reference to the Indenture setting forth the terms and descriptions thereof. The summaries and references to any code, act, resolution, the Indenture or the Refunding Bonds Fiscal Agent Agreements (as defined herein), and to other statutes and documents in this Official Statement do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each statute and document.

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

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,” “intend” or similar words. The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. No assurance is given that actual results will meet the forecasts set forth herein in any way, regardless of the optimism communicated in the information, and such statements speak only as of the date of this Official Statement. The City, the Reassessment District, the Community Facilities Districts and the Authority (and its members) disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Official Statement to reflect any changes in the expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The City maintains a website; however, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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# CITY OF CHULA VISTA

## San Diego, CA



[MAP SHOWING DISTRICT LOCATIONS]



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**CHULA VISTA MUNICIPAL FINANCING AUTHORITY  
REVENUE REFUNDING BONDS  
SERIES 2015B**

**INTRODUCTION**

**Summary**

This Official Statement is provided to furnish certain information in connection with the issuance and sale by the Chula Vista Municipal Financing Authority (the “Authority”) of its Revenue Refunding Bonds, Series 2015B (the “Bonds”). The Authority is a joint powers entity formed by the City of Chula Vista (the “City”) and the Chula Vista Housing Authority (the “CVHA”) for the purpose of assisting the City and related public agencies in financing public capital improvements.

The Bonds will be issued pursuant to the provisions of an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2015 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the California Government Code (the “Bond Law”). Capitalized undefined terms used in this Official Statement have the meanings ascribed thereto in Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF BOND DOCUMENTS.”

The Bonds are being issued to finance the purchase one series of limited obligation refunding bonds (the “Reassessment Bonds”) issued by Reassessment District No. 2015-1 of the City of Chula Vista (the “Reassessment District” or “Reassessment District No. 2015-1”) of the City and of four series of special tax refunding bonds (the “CFD Bonds” and with the Reassessment Bonds, the “Refunding Bonds”), each issued by a community facilities district (each a “Community Facilities District”, together the “Community Facilities Districts” and with the Reassessment District, the “District”) of the City. As described under the caption “THE FINANCING PLAN,” the proceeds from the sale of the Refunding Bonds to the Authority are being used to refund and defease on a current basis the Chula Vista Public Financing Authority’s Revenue Refunding Bonds, Series 2005A (the “Prior Bonds”) in order to reduce the amount of reassessments and special taxes levied in the Districts. See the captions “—Refunding Bonds” and “THE FINANCING PLAN” for a description of the Refunding Bonds.

As the owner of the Refunding Bonds, the Authority, under the Indenture, will pledge the payments of principal and interest that it receives on the Refunding Bonds to pay debt service on the Bonds. Such payments, together with certain other amounts as specified in the Indenture, comprise the Revenues. The Revenues will be applied to pay principal of, premium, if any, and interest on the Bonds.

Each series of Refunding Bonds is a separate and distinct obligation secured by reassessments against certain properties levied in the Reassessment District or special taxes levied against certain properties within the Community Facilities District or applicable improvement area therein to which such Refunding Bonds relates. The Refunding Bonds are limited obligations of the Reassessment District or Community Facilities District payable from reassessments or special taxes, as applicable, pledged under the respective Refunding Bonds Fiscal Agent Agreement (as such term is defined below under the caption “—Refunding Bonds”). See the caption “SECURITY FOR THE BONDS” for a description of the reassessments or special taxes and other funds securing the Refunding Bonds.

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\* Preliminary, subject to change.

## The Bonds

The proceeds of the Bonds will be used by the Authority to acquire the Refunding Bonds.

The Bonds are payable from and secured by the Revenues. “Revenues” is defined under the Indenture to mean: (a) all amounts derived from the Refunding Bonds; and (b) investment income with respect to the funds and accounts established under the Indenture (excepting therefrom the Rebate Fund). *The principal and interest payments on the Refunding Bonds received by the Authority, as the owner of the Refunding Bonds, are initially the primary source of funds to repay the Bonds.* See the caption “SECURITY FOR THE BONDS.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY, THE DISTRICTS OR THE CVHA OR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE EXCLUSIVELY FROM REVENUES AS PROVIDED IN THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN.

## Refunding Bonds

The Refunding Bonds consist of:

- (i) the \$4,605,000\* City of Chula Vista Reassessment District No. 2015-1 Limited Obligation Refunding Bonds, Series 2015 (the “Reassessment Bonds”);
- (ii) the \$4,180,000\* City of Chula Vista Community Facilities District No. 2001-1 (San Miguel Ranch) Improvement Area A Special Tax Refunding Bonds, Series 2015 (the “CFD No. 2001-1 IA A Special Tax Refunding Bonds”);
- (iii) the \$6,200,000\* City of Chula Vista Community Facilities District No. 97-3 (Otay Ranch McMillin Spa One) Special Tax Refunding Bonds, Series 2015 (“CFD No. 97-3 Special Tax Refunding Bonds”);
- (iv) the \$23,175,000\* City of Chula Vista Community Facilities District No. 99-1 (Otay Ranch Spa One – Portions of Village One, Village Five and Village One West) Special Tax Refunding Bonds, Series 2015 (the “CFD No. 99-1 Special Tax Refunding Bonds”); and
- (v) the \$4,180,000\* City of Chula Vista Community Facilities District No. 2000-1 (Sunbow II – Villages 5 through 10) Special Tax Refunding Bonds, Series 2015 (“CFD No. 2000-1 Special Tax Refunding Bonds”);

The Reassessment Bonds will be issued concurrently with the Bonds pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds, constituting Division 11-5 of the Streets and Highways Code of the State of California (the “Refunding Act”) and the CFD Bonds will be issued concurrently with the Bonds pursuant to the Mello-Roos Community Facilities Act of 1982, constituting Section 53311 *et seq.* of the California Government Code (the “CFD Act”). The Refunding Bonds will be issued pursuant to separate Fiscal Agent Agreements, each dated as of \_\_\_\_\_ 1, 2015 (each, a “Refunding Bonds Fiscal Agent Agreement,” and collectively, the “Refunding Bonds Fiscal Agent Agreements”), by and between each

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\* Preliminary, subject to change.

Reassessment District or Community Facilities District, as applicable, and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”). The Reassessment Bonds will be secured by reassessments (the “Reassessments”) levied against certain parcels within the boundaries of the Reassessment District. Each series of CFD Bonds will be separately secured by special taxes (the “Special Taxes”) levied against certain taxable real property within the boundaries of: (i) Community Facilities District No. 2001-1 Improvement Area A; (ii) Community Facilities District No. 97-3; (iii) Community Facilities District No. 99-1; or (iv) Community Facilities District No. 2000-1 (each, a “Community Facilities Entity” and collectively, the “Community Facilities Entities”). See the caption “SECURITY FOR THE BONDS—Payment of the Refunding Bonds.” Each Reassessment District and Community Facilities Entity is referred to herein as a “Taxing Jurisdiction” and collectively as the “Taxing Jurisdictions.”

THE REFUNDING BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICTS. EACH SERIES OF REFUNDING BONDS IS PAYABLE SOLELY FROM THE ASSETS PLEDGED THEREFOR UNDER THE RESPECTIVE REFUNDING BONDS FISCAL AGENT AGREEMENT PURSUANT TO WHICH SUCH REFUNDING BONDS ARE ISSUED. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE AUTHORITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE REFUNDING BONDS. THE AUTHORITY HAS NO TAXING POWER.

### **Limit on Parity Bonds**

Pursuant to the Indenture, the Authority will covenant not to create, or permit the creation of, any pledge, lien, charge, or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are outstanding, except the pledge and assignment created by the Indenture.

Pursuant to each Refunding Bonds Fiscal Agent Agreement, each Reassessment District and Community Facilities District will covenant not to issue additional obligations entitled to a lien on the Tax Revenues of the respective Taxing Jurisdiction, other than for the purpose of refunding the Refunding Bonds relating to such Taxing Jurisdiction. There is no other indebtedness of Districts relating to the Taxing Jurisdictions that will be outstanding on the date that the Special Tax Refunding Bonds are issued.

### **Risk Factors**

**See the caption “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds generally.**

Brief descriptions of the Bonds, the security for the Bonds, the Refunding Bonds, the Taxing Jurisdictions, the Authority, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions in this Official Statement of the Bonds, the Refunding Bonds, the Indenture, the Refunding Bonds Fiscal Agent Agreements and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Refunding Bonds, the Indenture, the Refunding Bonds Fiscal Agent Agreements and other documents.

### **Potential for Bond Insurance**

The Authority has applied to municipal bond insurers (each, an “Insurer”) to obtain a municipal bond insurance policy (the “Policy”). If a Policy is obtained, it would guarantee the scheduled payment of the principal of and interest on the insured Bonds. The Authority’s decision as to whether or not to purchase a Policy and as to which of the Bonds to insure will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the Authority will obtain a commitment for a Policy, and, if a Policy is obtained, whether

such Policy will cover all or less than all of the Bonds. If the Authority purchases a Policy, information regarding the Insurer will be included in the final Official Statement.

**THE FINANCING PLAN**

The Bonds are being issued in order to provide funds for the Authority to purchase from the Reassessment District and the Community Facilities Districts the Refunding Bonds, which are described in the following table.

**TABLE 1  
REFUNDING BONDS**

<i>Refunding Bonds</i>	<i>Principal Amount</i>
City of Chula Vista Reassessment District No. 2015-1 Limited Obligation Refunding Bonds, Series 2015	\$4,605,000*
City of Chula Vista Community Facilities District No. 2001-1 (San Miguel Ranch) Improvement Area A Special Tax Refunding Bonds, Series 2015	6,925,000*
City of Chula Vista Community Facilities District No. 97-3 (Otay Ranch McMillin Spa One) Special Tax Refunding Bonds, Series 2015	6,000,000*
City of Chula Vista Community Facilities District No. 99-1 (Otay Ranch Spa One – Portions of Village One, Village Five and Village One West) Special Tax Refunding Bonds, Series 2015	23,175,000*
City of Chula Vista Community Facilities District No. 2000-1 (Sunbow II – Villages 5 through 10) Special Tax Refunding Bonds, Series 2015	4,180,000*_

Proceeds from the sale of the Refunding Bonds, together with certain available funds on hand, including moneys held in certain funds relating to the Prior Bonds, will be used to refund and defease the Prior Bonds on September 1, 2015 at a redemption price equal to the principal amount thereof, without premium.

The Bonds are being sold in amounts that will provide sufficient proceeds to acquire the Refunding Bonds. Under an Escrow Deposit and Trust Agreement, dated as of \_\_\_\_\_ 1, 2015 (the “Escrow Agreement”), by and between the Chula Vista Public Financing Authority and U.S. Bank National Association, as escrow bank (the “Escrow Bank”), the Chula Vista Public Financing Authority will deliver a portion of the proceeds of the Refunding Bonds, together with moneys held in certain funds related to the Prior Bonds, to the Escrow Bank for deposit in each escrow fund established under the Escrow Agreement (the “Escrow Fund”). From the moneys on deposit in the Escrow Fund, the Escrow Bank will pay on September 1, 2015 the principal of the Prior Bonds maturing after September 1, 2015, plus interest accrued to such date, without premium. The moneys in the Escrow Funds will be held uninvested in cash.

The accuracy of the mathematical calculations demonstrating the sufficiency of the deposits in the Escrow Fund to pay all outstanding Prior Bonds will be verified by Grant Thornton LLP, Minneapolis, Minnesota, as Verification Agent. As a result of the deposit and application of funds as provided in the Escrow Agreement, as of the date of issuance of the Bonds, the Prior Bonds will be defeased pursuant to the provisions of the indenture pursuant to which the Prior Bonds were issued. See the caption “CONCLUDING INFORMATION—Verification of Mathematical Computations.”

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\* Preliminary, subject to change.

The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Prior Bonds. The funds deposited in the Escrow Fund will not be available for the payments of the principal of and interest on the Bonds.

The proceeds from the sale of the Bonds, the Refunding Bonds and certain moneys held in funds of the Prior Bonds will be used as described in the following two tables, respectively.

**TABLE 3  
ESTIMATED SOURCES AND USES  
FOR THE BONDS**

The estimated sources and uses of funds with respect to the Bonds are set forth in the following table:

<i>Sources of Funds</i>	
Principal Amount of Bonds	\$
Plus/Less Net Original Issue Premium/Discount	
Funds on Hand	<u>                    </u>
<b><i>Total Sources</i></b>	<b><u>                    </u></b>
 <i>Uses of Funds</i>	
Program Fund <sup>(1)(2)</sup>	\$
Underwriter's Discount	
<b><i>Total Uses</i></b>	<b><u>                    </u></b>

<sup>(1)</sup> Amounts in the Program Fund will be used to purchase the Refunding Bonds.

<sup>(2)</sup> At the time the Refunding Bonds are purchased by the Authority, the Reassessment District and the Community Facilities Districts will pay to the Trustee amounts sufficient to fund the Reserve Requirement for the Bonds and to pay Costs of Issuance. See Table 4 below.

The estimated sources and uses of funds with respect to the Refunding Bonds and amounts transferred from the Prior Bonds are set forth in the following table:

**TABLE 4  
ESTIMATED SOURCES AND USES  
REFUNDING BONDS**

	<i>Reassessment District No. 2015-1</i>	<i>CFD No. 2001-1 Improvement Area A</i>	<i>CFD No. 97-3</i>	<i>CFD No. 99-1</i>	<i>CFD No. 2000-1</i>	<i>Total</i>
<b>Sources of Funds</b>						
Principal Amount of Refunding Bonds	\$	\$	\$	\$	\$	\$
Plus/Less Net Original Issue Premium/Discount						
Plus Other Available Moneys <sup>(1)</sup>						
Total Sources	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Uses of Funds</b>						
Deposit to Escrow Fund <sup>(2)</sup>	\$	\$	\$	\$	\$	\$
Share of Reserve Fund <sup>(3)</sup>						
Share of Underwriter's Discount						
Share of Costs of Issuance <sup>(4)</sup>						
Total Uses	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

<sup>(1)</sup> Includes moneys on deposit in funds and accounts of the Prior Bonds.

<sup>(2)</sup> To be applied to refund and defease the Prior Bonds.

<sup>(3)</sup> To be paid to the Trustee to be held in the Reserve Fund for the Bonds.

<sup>(4)</sup> Includes share of legal fees, Financial Advisor fees, printing fees, rating fees, Trustee fees, Fiscal Agent fees, Escrow Bank Fees, Special Tax Consultant fees, Verification Agent fees, insurance bond premium, if any, and other Costs of Issuance.

## THE BONDS

### Description of the Bonds

The Bonds will be issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated their date of delivery. The Bonds will bear interest at the rates per annum and will mature, subject to the redemption provisions set forth below, on the dates and in the principal amounts, all as set forth on the inside cover page of this Official Statement.

Interest on the Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2016 (each, an “Interest Payment Date”), to the persons in whose names ownership of the Bonds is registered on the Bond Register at the close of business on the immediately preceding Record Date, except as provided in the Indenture. “Record Date” means, with respect to any Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day. Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Bonds will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless: (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date; (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Dated Date provided in the form of the Bonds; or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date will be payable to the Person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of which will be given to such Owner not less than 15 days prior to such Special Record Date. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; or by wire transfer made on such Interest Payment Date to any Owner of \$1,000,000 or more in aggregate principal amount of Bonds who has requested such transfer pursuant to written notice filed with the Trustee on or before the preceding Record Date.

The principal of and redemption premium, if any, on the Bonds will be paid in lawful money of the United States of America at the Principal Office of the Trustee. Payment of principal on any Bond will be made only upon presentation and surrender of such Bond at the Principal Office of the Trustee at maturity or the prior redemption thereof. The Bonds will mature on September 1 in the principal amounts and years as shown on the inside cover page hereof and are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption as described under the caption “—Redemption.”

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., as nominee of DTC. Payment of interest with respect to any Bond registered as of each Record Date in the name of Cede & Co. will be made by wire transfer of same-day funds to the account of Cede & Co. See Appendix E—“INFORMATION CONCERNING DTC.”

## Redemption

**Optional Redemption.**\* The Bonds maturing on and after September 1, 2026 are subject, at the option of the Authority, to call and redemption from any available source of funds prior to their stated maturity on any date on or after September 1, 2025, as a whole or in part, and by lot, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

For purposes of the selection of Bonds for optional redemption, the Bonds will be selected for redemption among maturities by the Authority (evidenced pursuant to a Written Certificate of the Authority delivered to the Trustee at least 60 days prior to the redemption date or such later date as is acceptable to the Trustee) on such basis that the debt service on the Refunding Bonds on each Interest Payment Date will be sufficient to pay debt service on the Bonds on such Interest Payment Date, as will be demonstrated in a report of an Independent Financial Consultant filed with the Trustee; provided, however, that no such report need be filed with the Trustee if, after such redemption, no Bonds will be Outstanding.

**Mandatory Redemption of the Bonds from Principal Prepayments of the Refunding Bonds.** The Bonds are subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part from such maturities as are selected by the Authority, from and to the extent of Principal Prepayments with respect to the Refunding Bonds 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 Date</i>	<i>Redemption Price</i>
March 1, 2016 through March 1, 2023	103%
September 1, 2023 and March 1, 2024	102
September 1, 2024 and March 1, 2025	101
September 1, 2025 and any Interest Payment Date thereafter	100

The principal amount of the Bonds to be redeemed from Principal Prepayments of the Refunding Bonds will be the greatest principal amount of Bonds, the redemption price of which is less than or equal to such Principal Prepayments, as specified in a Written Request of the Authority delivered to the Trustee. In the event that a Fiscal Agent for any Series of the Refunding Bonds mails notice of redemption of any such Refunding Bonds which will produce Principal Prepayments, the Trustee will concurrently mail notice of the redemption of Bonds pursuant to the Indenture, such redemption to occur on the date fixed for redemption of such Refunding Bonds. On the date of such redemption of such Refunding Bonds, the proceeds of any such redemption will be applied by the Trustee to pay the redemption price of Bonds pursuant to the Indenture.

For purposes of the selection of Bonds for redemption from Principal Prepayments of the Refunding Bonds, the Bonds will be selected for redemption among maturities by the Authority (evidenced pursuant to a Written Certificate of the Authority delivered to the Trustee at least 60 days prior to the redemption date or such later date as is acceptable to the Trustee) on such basis that the debt service on the Refunding Bonds on each Interest Payment Date will be sufficient to pay debt service on the Bonds on such Interest Payment Date, as will be demonstrated in a report of an Independent Financial Consultant filed with the Trustee; provided, however, that no such report need be filed with the Trustee if, after such redemption, no Bonds will be Outstanding.

**Mandatory Sinking Fund Redemption.** The Outstanding Bonds maturing on September 1, \_\_\_\_ are subject to mandatory sinking fund redemption in part, on September 1, \_\_\_\_ and on each September 1

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\* Preliminary, subject to change.



thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

<i>Sinking Fund Redemption Date</i> <i>(September 1)</i>	<i>Principal Amount</i>
	\$

(maturity)

If some but not all of the Bonds maturing on September 1, \_\_\_\_ are redeemed pursuant to the provisions set forth above under the caption “—Optional Redemption,” the principal amount of the Bonds maturing on September 1, \_\_\_\_ to be redeemed pursuant to the mandatory sinking fund redemption provisions of the Indenture on any subsequent September 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the Authority in a Certificate of the Authority filed with the Trustee; provided, however, that the aggregate amount of such reductions may not exceed the aggregate amount of Bonds maturing on September 1, \_\_\_\_ redeemed pursuant to the provisions set forth above under the caption “—Optional Redemption.”

If some but not all of the Bonds maturing on September 1, \_\_\_\_ are redeemed pursuant to the provisions set forth above under the caption “—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds,” the principal amount of the Bonds maturing on September 1, \_\_\_\_ to be redeemed pursuant to the mandatory sinking fund redemption provisions of the Indenture on any subsequent September 1 will be reduced by the aggregate principal amount of the Bonds maturing on September 1, \_\_\_\_ redeemed pursuant to the provisions set forth above under the caption “—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds,” such reduction to be allocated among redemption dates, as determined by the Trustee, so that following such redemption the remaining principal amount of each sinking fund payment on the Bonds maturing on September 1, \_\_\_\_ will match the principal payment on the Refunding Bonds due and payable on the same date, notice of which determination will be given by the Trustee to the Authority.

***Purchase in Lieu of Redemption.*** In lieu of optional redemption as set forth above under the caption “—Optional Redemption” or redemption from Principal Prepayments of the Refunding Bonds as set forth above under the caption “—Mandatory Redemption of the Bonds from Principal Prepayments of the Refunding Bonds,” moneys in the Redemption Account may be used and withdrawn by the Trustee for the purchase of Outstanding Bonds, upon the filing with the Trustee of a Written Certificate of the Authority requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Written Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase, unless a greater purchase price is permitted under Chapter 5 of Division 7 of Title 1 of the California Government Code and the Authority determines that it will have sufficient amounts in the Revenue Fund, following such purchase, to pay the principal of and interest on the Bonds as the same become due and payable.

***Partial Redemption.*** In the event that only a portion of any Bond is called for redemption, upon surrender of such Bond the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond of Authorized Denominations equal in aggregate principal amount or maturity amount, as applicable, representing the unredeemed portion of the Bond to be redeemed.

### **Selection of Bonds of a Maturity for Redemption**

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a maturity, the Trustee will select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Authority in its sole discretion deems appropriate and

fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 Authorized Denominations and such separate Authorized Denominations will be treated as separate Bonds which may be separately redeemed.

### **Notice of Redemption**

*Contents of Notice.* Notice of redemption will be mailed by the Trustee, by first class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to the Securities Depositories and the Information Services at least 30 days but not more than 60 days prior to the redemption date. Neither the failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date. Each notice of redemption will state the redemption date, the place or places of redemption, the CUSIP numbers and the Bond numbers of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective Authorized Denominations of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the principal amount relating thereto or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, plus accrued interest, if any, and through which date such interest will accrue, and that from and after such date interest thereon will cease to accrue and will require that such Bonds be then surrendered at the Principal Office of the Trustee. Neither the failure of any Bond Owner to receive any notice so mailed nor any defect therein will affect the sufficiency of the proceedings for redemption of any Bonds nor the cessation of accrual of interest thereon.

*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 has not been satisfied on or prior to the redemption date, said notice will be of no force and effect and the Authority will not be required to redeem such Bonds and the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

The Authority may rescind any optional redemption and notice thereof for any reason on any date on or 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 will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Redemption Account 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 will 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 will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

### **Effect of Redemption**

Notice having been given as described under the caption “—Notice of Redemption,” and moneys for the redemption (including the interest to the applicable date of redemption and including any applicable premium), having been set aside in the Redemption Fund or any of the accounts therein, the Bonds to be redeemed will become due and payable on said date of redemption, and, upon presentation and surrender thereof at the Principal Office of the Trustee, said Bonds will be paid at the redemption price thereof, together with interest, accrued and unpaid to said date of redemption and premium, if any.

If, on said date of redemption, moneys for the redemption of the Bonds to be redeemed, together with interest to said date of redemption, are held by the Trustee so as to be available therefor on such date of redemption, and, if notice of redemption thereof has been given as aforesaid and not cancelled, then, from and after said date of redemption, interest represented by such Bonds will cease to accrue and become payable. All

moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed without liability for interest thereon.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and destroyed and the Trustee will deliver a certificate of destruction of such Bonds to the Authority.

Notice of the special redemption of Bonds will be given upon receipt of notice of prepayment of the Refunding Bonds. See Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF BOND DOCUMENTS.”

### **Transfers and Exchange**

So long as the Bonds remain in book-entry form, transfer and exchange of any of the Bonds will be accomplished in accordance with the provisions of such book-entry system. In the event of termination of such book-entry system with respect to the Bonds, the Bonds may be transferred and exchanged in accordance with the terms of the Indenture. See Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF BOND DOCUMENTS” and Appendix E—“INFORMATION CONCERNING DTC.”

**Debt Service Schedule**

The following is the debt service schedule for the Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

**TABLE 5  
DEBT SERVICE SCHEDULE**

<i>Year Ending (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
	\$	\$	\$

Total	<u>\$</u>	<u>\$</u>	<u>\$</u>
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Source: Underwriter.

**Sources of Revenue**

Set forth below is the projected sources of Revenues that will be generated by the anticipated payment of debt service on each of the Refunding Bonds while the Bonds are outstanding. The debt service payments due on the Refunding Bonds equal the debt service payments due on the Bonds. In the event of a delinquency in payment on one or more series of Refunding Bonds, amounts will be drawn from the Reserve Fund to pay amounts due on the Bonds. Initially, Revenues will be generated from debt service from all five series of Refunding Bonds. As shown in Table 6 below, after Bond Year 2029, Revenues will be generated only from debt service on three of the five series of Refunding Bonds. The Taxing Jurisdictions contribute varying amounts toward the Revenues each year ranging from a typical contribution of approximately \_\_\_% by \_\_\_\_\_ to a typical contribution of approximately \_\_\_% from \_\_\_\_\_.

**TABLE 6  
SOURCES OF REVENUES FROM REFUNDING BONDS**

<i>Bond Year (Ending 9/1)</i>	<i>Reassessment District No. 2015-1 Refunding Bonds Debt Service</i>	<i>CFD No. 2001-1 Improvement Area A Special Tax Refunding Bonds Debt Service</i>	<i>CFD No. 97-3 Special Tax Refunding Bonds Debt Service</i>	<i>CFD No. 99-1 Special Tax Refunding Bonds Debt Service</i>	<i>CFD No. 2000-1 Special Tax Refunding Bonds Debt Service</i>	<i>Total Refunding Bonds Debt Service</i>	<i>Debt Service Coverage<sup>(1)</sup></i>
2016							100%
2017							100
2018							100
2019							100
2020							100
2021							100
2022							100
2023							100
2024							100
2025							100
2026							100
2027							100
2028							100
2029							100
2030							100
2031							100
2032							<u>100</u>
Total							100%

<sup>(1)</sup> Reflects Total Refunding Bonds Debt Service divided by Bond Debt Service.  
Source: Underwriter.

## SECURITY FOR THE BONDS

### Repayment of the Bonds

*General.* The Bonds are special, limited obligations of the Authority payable solely from and secured solely by the Revenues and other amounts pledged therefor under the Indenture. The Bonds will not be deemed to constitute a debt or liability of the City, the CVHA, the Districts, the State, or any political subdivision thereof, other than the Authority.

***NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE DISTRICTS, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE DISTRICTS, GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR THE CVHA OR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE EXCLUSIVELY FROM REVENUES AS PROVIDED IN THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN.***

*Debt service payments on the Refunding Bonds have been calculated to be sufficient to permit the Authority to pay debt service on the Bonds when due.*

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (including the Reserve Fund but excluding the Residual Account and the Rebate Fund) will be pledged by the Authority to secure the full and timely payment of the principal of and interest and premium, if any, of the Bonds in accordance with their terms and the provisions of the Indenture. Such pledge constitutes a first lien on and security interest in such assets and will attach, be perfected, and be valid and binding from and after delivery of the Bonds by the Trustee, and the Revenues and other items pledged under the Indenture will immediately be subject to the lien of such pledge without any physical delivery thereof or further act.

Subject to the provisions of the Indenture, the Authority will pledge and assign to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues, all of the moneys, and securities in the funds and accounts created under the Indenture (including the Reserve Fund but excluding the Residual Account and the Rebate Fund), as their interests appear, and other amounts pledged in the Indenture, and all of the right, title, and interest of the Authority in the Refunding Bonds. The Authority will collect and receive, or cause to be collected and received by the Trustee, all such Revenues, and Revenues collected or received by the Authority, or collected and received by the Trustee on behalf of the Authority, will be deemed to be held, and to have been collected or received, by the Authority, in trust, and will be paid to the Trustee as set forth in the Indenture. The Trustee is also entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, by itself, all of the rights of the Authority and all of the obligations of the Districts under and with respect to the Refunding Bonds.

***Revenue Fund.*** The Authority will establish with the Trustee a special fund designated the "Revenue Fund" which the Trustee will maintain and hold in trust. Within the Revenue Fund, the Trustee will establish special accounts designated as the "Principal Account," the "Interest Account," the "Redemption Account" and the "Residual Account." Such fund and accounts will be held and maintained as separate and distinct funds and accounts. All Revenues, except for investment earnings on the Reserve Fund which will be applied according to the Indenture, will be promptly transferred to the Trustee by the Authority and deposited by the Trustee upon receipt thereof in the Revenue Fund. All Revenues deposited with the Trustee will be held, disbursed, allocated, and applied by the Trustee only as provided in the Indenture.

On or before each Interest Payment Date, the Trustee will transfer all Revenues (other than Reassessment District Surplus Revenues representing Principal Prepayments and Revenues resulting from the optional redemption of Refunding Bonds, which will be transferred as described in the Indenture) then in the Revenue Fund into the following funds and accounts based upon the following deposit requirements and in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

(a) The Trustee will deposit in the Interest Account an amount which, together with the amounts then on deposit therein, including amounts, if any, transferred by the Trustee from the Reserve Fund pursuant to the Indenture, is sufficient to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on the Bonds on such Interest Payment Date and any amount of interest previously due and unpaid.

(b) The Trustee will deposit in the Principal Account, if necessary, an amount which, together with the amounts then on deposit therein, including amounts, if any, transferred from the Reserve Fund pursuant to the Indenture, is sufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal or mandatory sinking account payment coming due and payable on the Bonds within the Bond Year and any amount of principal previously due and unpaid.

(c) The Trustee will deposit in the Reserve Fund, if necessary, an amount which is sufficient to cause the aggregate amount on deposit in the Reserve Fund to equal the Reserve Requirement.

(d) On or after any Interest Payment Date on which the amount on deposit in the Revenue Fund was inadequate to make the transfers described in clauses (a) and (b) above as a result of a default in the scheduled payment of principal of and/or interest on the Refunding Bonds, the Trustee will immediately notify the Director of Finance of the City of the amount of such payment default. In the event that the Trustee receives all or any portion of the principal of and/or interest on the Bonds the payment of which is in default, the Trustee will disburse or transfer such funds in the following order of priority: (i) for deposit in the Reserve Fund such amount as is necessary to replenish the amount of any transfers from the Reserve Fund to the Interest Account and/or the Principal Account resulting from such payment default; and (ii) for deposit in the Revenue Fund any amount remaining following the transfer required pursuant to clause (i).

(e) The Trustee will deposit in the Rebate Fund, if necessary, an amount which is sufficient to cause the aggregate amount on deposit in the Rebate Fund to equal the amount of any payment then required to be made to the United States.

(f) On each Interest Payment Date following the deposits made pursuant to (a) through (e) above, all Revenues determined to be Reassessment District Surplus Revenues will be transferred to the Reassessment District Surplus Holding Account.

(g) On June 30, after making the deposits required under clauses (a) through (e) above for the preceding March 1 Interest Payment Date and making the determination that there are adequate revenues on deposit with the Fiscal Agent and available to make the scheduled Debt Service payment on the Refunding Bonds due on the following September 1 Interest Payment Date, and on September 1 of each year, after making the deposits required under clauses (a) through (e) above for such September 1 Interest Payment Date, the Trustee will transfer all amounts remaining on deposit in the Revenue Fund to the Residual Account.

The Trustee will deposit in the Redemption Account those Revenues representing Principal Prepayments which are to be used for the mandatory redemption of the Bonds. The Trustee will deposit in the Redemption Account those Revenues resulting from the optional redemption of the Refunding Bonds, and which the Authority has directed the Trustee to use for the optional redemption of the Bonds.

See Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF BOND DOCUMENTS.”

***Application of Interest Account.*** Subject to the provisions of the Indenture, all amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable or, at the Written Request of the Authority filed with the Trustee, to apply to the payment of accrued interest on any Bonds purchased by the Authority pursuant to the Indenture in lieu of redemption. Any amounts on deposit in the Interest Account on September 2 of any year during the term of the Bonds will be transferred from the Interest Account to the Revenue Fund for reallocation pursuant to the Indenture.

***Application of Principal Account.*** Subject to the provisions of the Indenture, all amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal or maturity amount, as applicable, of the Bonds upon the stated maturity thereof or upon any prior redemption of the Bonds with the proceeds of mandatory sinking payments. Any amounts on deposit in the Principal Account on September 2 of any year during the term of the Bonds will be transferred from the Principal Account to the Revenue Fund for reallocation pursuant to the Indenture.

***Application of the Reassessment District Surplus Revenues Holding Account.*** Reassessment District Surplus Revenues allocable to the Reassessment Bonds on deposit in the Reassessment District Surplus Revenues Holding Account will be transferred by the Trustee on any Interest Payment Date to the Interest Account or the Principal Account, as applicable, if the other Revenues on deposit in the Revenue Fund representing the payment of scheduled debt service on the Reassessment Bonds are insufficient to pay the Reassessment District’s portion of the scheduled debt service on such Series of the Bonds allocated to the Reassessment Bonds due and payable on such Interest Payment Date. If, following the transfers pursuant to (a) through (e) above on the Interest Payment Date falling on September 1 of each Bond Year, Reassessment District Surplus Revenues remain on deposit in the Reassessment Districts Surplus Revenues Holding Account, such funds will be transferred to the Fiscal Agent for the Reassessment Bonds.

***Application of Residual Account.*** Amounts in the Residual Account will no longer be considered Revenues and are not pledged to repay the Bonds. So long as the Refunding Bonds are outstanding under the terms of the Refunding Bonds Fiscal Agent Agreements, on July 1 and on September 2 of each year, the remaining balance in the Residual Account will, except as provided below, be transferred to the Special Tax Fund (as such term is defined in the Refunding Bonds Fiscal Agent Agreements) established and held by the Fiscal Agent for each Series of Refunding Bonds proportionately based on their respective Proportionate Share. [“Proportionate Share” means as of the date of calculation for any Series of the Refunding Bonds when computing the proportionate share allocable to such Refunding Bonds among all Outstanding Refunding Bonds, the ratio derived by dividing the then Outstanding principal amount of such Refunding Bonds by the then aggregate Outstanding principal amount of all Refunding Bonds.] Notwithstanding the foregoing, in the event that the Refunding Bonds have been paid in full or defeased, then any amounts in the Residual Account will be paid by the Trustee to the Authority to be used for any lawful purpose.

The amount of the transfer to the Special Tax Fund for a Series of Refunding Bonds calculated pursuant to the preceding paragraph will be reduced by the amount of any outstanding deficiency, as of the date of such transfer, in the payment of debt service on such Refunding Bonds occurring in the Bond Year ending the September 1st immediately preceding such transfer date.

***Establishment and Application of Redemption Account.*** The Authority will establish a special account within the Revenue Fund designated as the “Redemption Account,” which account the Trustee will maintain and hold in trust as a separate and distinct account within such fund. The Trustee will deposit in the Redemption Account any amounts required or permitted to be applied to the redemption of Bonds pursuant to the Indenture.



Subject to the provisions of the Indenture, all amounts deposited in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of redeeming the Bonds in the manner and upon the terms and conditions specified in the Indenture at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable. At any time prior to selection of Bonds for such notice of redemption, the Trustee may, at the Written Request of the Authority, apply amounts on deposit in the Redemption Account to the purchase of such Bonds, for cancellation, at public or private sale, as and when and at prices not exceeding the par amount thereof (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account).

***Establishment and Application of Reserve Fund.*** The Trustee will establish and maintain and hold in trust as a separate and distinct fund designated as the “Reserve Fund.” On the Closing Date, the Trustee will deposit in the Reserve Fund the amount received from the Fiscal Agents specified in the Indenture representing the Reserve Requirement as of that date.

[There will be maintained in the Reserve Fund an amount equal to the Reserve Requirement. “Reserve Requirement” means, as of any date of calculation, an amount equal to the least of: (a) 125% of the average Annual Debt Service on the Bonds for that and any subsequent Bond Year; (b) 100% of the Maximum Annual Debt Service on the Bonds for that or any subsequent Bond Year; or (c) 10% of the issue price (within the meaning of section 148 of the Tax Code) of the Bonds.]

Moneys in the Reserve Fund will be used solely for the purposes set forth in the Indenture. Subject to the limitations set forth in the following paragraph, amounts in the Reserve Fund will be applied to pay the principal of, including sinking fund payments, and interest on the Bonds when due in the event that the moneys in the Interest Account and/or the Principal Account of the Revenue Fund are insufficient therefor. If the amounts in the Interest Account and/or the Principal Account of the Revenue Fund are insufficient to pay the principal of, including sinking fund payments, or interest on the Bonds when due, the Trustee will withdraw from the Reserve Fund for deposit in the Interest Account and/or the Principal Account, as applicable, moneys necessary for such purposes.

In addition, amounts, if any, in the Reserve Fund may be applied in connection with an optional redemption pursuant to the provisions set forth under the caption “THE BONDS—Redemption—*Optional Redemption*” or a mandatory redemption pursuant to the provisions set forth under the caption “THE BONDS—Redemption—*Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds*” or a defeasance pursuant to the Indenture of the Bonds in whole or in part in accordance with the following sentence, or when the balance therein equals the principal and interest due on the Bonds to and including maturity to pay the principal of and interest due on the Bonds to maturity. Any amounts that would otherwise be on deposit in the Reserve Fund following any such optional redemption, mandatory redemption or defeasance that will be in excess of the Reserve Requirement following such event will be applied toward such optional redemption, mandatory redemption or defeasance, as applicable.

In the event that the Trustee receives a Written Request of a Community Facilities District notifying the Trustee of the Prepayment of the Special Tax obligation for any parcel within a Taxing Jurisdiction and requesting the transfer of the applicable Refunding Bonds Prepayment Reserve Fund Credit to the Fiscal Agent for the Series of the Refunding Bonds issued for such Taxing Jurisdiction, the Trustee will transfer from the Reserve Fund not less than five Business Days prior to the redemption date of the Refunding Bonds an amount equal to the Refunding Bonds Prepayment Reserve Fund Credit to such Fiscal Agent.

The Trustee shall, pursuant to a Written Certificate of the Authority, disburse or transfer from the cash amount then on deposit in the Reserve Fund on the final maturity date of each Series of CFD Bonds, an amount equal to the Bonds Reserve Fund Credit Amount applicable to such Series of CFD Bonds, less the amount of any transfer previously made necessitated as a result of a deficiency in the scheduled payment of principal of or interest on such Series of CFD Bonds which has not previously been reimbursed, and such amount shall be transferred to the Interest Account and the Principal Account as a credit against the payments

due on such Series of CFD Bonds on such date with the amount transferred being deposited first to the Interest Account as a credit on the interest due on such bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of such bonds on such date.

On each September 2nd during the term of the Bonds, the Trustee will calculate the Reserve Requirement for the Bond Year commencing on such September 2nd. If the amount then on deposit in the Reserve Fund exceeds the Reserve Requirement as of the date of such calculation (the "Excess Reserve Fund Amount"), the Trustee will not less than five Business Days thereafter transfer the Excess Reserve Fund Amount to the Revenue Fund.

Investment earnings on the investment of money on deposit in the Reserve Fund will be deposited in the Reserve Fund.

### **Payment of the Refunding Bonds**

**General.** The Refunding Bonds are payable solely from and secured by unpaid Reassessments on certain assessable real property located within the Reassessment District and Special Taxes levied against certain taxable real property within the boundaries of the Community Facilities Entities. See "THE FINANCING PLAN" and "THE DISTRICTS" herein.

**Reassessments.** Installments of Reassessments will be billed by the County on the general property tax bill to the owners of parcels within the Reassessment District. The County, upon collection, will remit the portion of the tax payment attributable to the Reassessment installments to the City. Upon receipt by the City, Reassessment installments are to be transferred to the Fiscal Agent of the Reassessment Bonds and deposited into the Redemption Fund thereunder to pay principal and interest payments on the Reassessment Bonds as such becomes due.

*Pursuant to the provisions of California Streets and Highways Code Section 8769, the City has determined not to obligate itself to advance funds from any funds, accounts or revenues of the City to cure any deficiency which may occur in the funds and accounts held for payment of the Reassessment Bonds. If a delinquency occurs in the payment of any Reassessment installment, the City, at the end of the fiscal year of delinquency, has no duty to transfer to the Fiscal Agent the amount of the delinquency out of available funds of the City. NO OTHER FUNDS OF THE CITY ARE PLEDGED FOR PAYMENT OF DELINQUENT REASSESSMENT INSTALLMENTS. THE REASSESSMENT BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS. NEITHER THE FAITH IN CREDIT, NOR THE TAXING POWER OF THE CITY (EXCEPT AS DESCRIBED HEREIN), THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE REFUNDING BONDS.*

The Reassessment Bonds are issued upon and separately secured by the unpaid Reassessments levied on certain properties in the Reassessment District together with interest thereon, and such unpaid Reassessments together with interest thereon constitute a trust fund for the redemption and payment of the principal of and interest on the Reassessment Bonds. The Reassessment Bonds are secured by the monies in the redemption fund created pursuant to the Refunding Bonds Fiscal Agent Agreement relating to the Reassessment Bonds and by the unpaid Reassessments levied on the properties in the Reassessment District. Reassessments collected to pay administrative expenses will be paid into administrative expense subaccounts, and such amounts are not pledged to the payment of the Reassessment Bonds or available for the benefit of the Authority (as the owner of the Reassessment Bonds) or the owners of the Bonds. Reassessment installments cannot be levied or collected in the Reassessment District to cover a shortfall in the collection of Special Taxes in the Community Facilities Entities. The redemption fund for the Reassessment Bonds is not available to cure any deficiency in the collection of the Special Taxes in the Community Facilities Entities. **There are no cross-collateralization or cross-payment provisions in effect with respect to the Districts.**

***Special Taxes.*** The Special Taxes remaining after payment of the Administrative Expense Requirement (the “Net Special Tax Revenues”) and any interest earned on such amounts (while any of such amounts are held in the Special Tax Fund and any account therein) received by a Community Facilities District shall constitute a trust fund for the payment of the principal of, and interest on, the CFD Bonds of such Community Facilities District. Special Taxes and other amounts, if any, deposited in the Administrative Expense Funds established and held pursuant to the respective Refunding Bonds Fiscal Agent Agreement relating to such CFD Bonds are not pledged to the payment of any of the CFD Refunding Bonds, and none of the Administrative Expense Funds shall be construed as a trust fund held for the benefit of the Authority (as the owner of the CFD Refunding Bonds) or the owners of the Bonds. Special Taxes cannot be levied or collected in any Community Facilities District to cover a shortfall in the collection of Special Taxes in another Community Facilities District or in the collection of Reassessments in the Reassessment District. The Special Tax Fund of one Community Facilities District is not available to cure any deficiency in the collection of the Special Taxes within any of the other Community Facilities Districts or in the collection of Reassessments in the Reassessment District. **There are no cross-collateralization or cross-payment provisions in effect with respect to the Community Facilities Districts.**

***Limitations on Reassessments and Special Taxes.*** The amount of Reassessments that the City may levy in any year is strictly limited, and the failure of a property owner to pay an annual Reassessment installment will not result in an increase in Reassessment installments applicable to other properties subject to the Reassessments. The amount of Special Taxes that the Community Facilities Districts may levy in any year is strictly limited by the maximum rates approved by the qualified electors within the Community Facilities Entities and by Section 53321(d) of the CFD Act as described below under the caption “—Rates and Methods of Apportionment of Special Taxes.” The Reassessments and the Special Taxes of a particular Reassessment District or Community Facilities District are not available to pay principal of, interest on or premium on any Refunding Bonds other than the Refunding Bonds of the Reassessment District or the Community Facilities District, as the case may be, in which they were levied.

***Optional Redemption of Refunding Bonds.***\* The Refunding Bonds maturing on or after September 1, 2026 may be redeemed at the option of the Reassessment District and the Community Facilities Districts, as applicable, from any source of funds other than prepayment of Special Taxes, prior to their stated maturity, as a whole or in part (in integral multiples of \$5,000) on any date on or after September 1, 2025, from such maturities as are selected by the applicable Reassessment District or Community Facilities District, and by lot within a maturity, at a redemption price equal to the principal amount of the Refunding Bonds or portions thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Notwithstanding the above, any such optional redemption of the Refunding Bonds will occur only if the Reassessment District or Community Facilities District first delivers to the Fiscal Agent and the Trustee a certificate of an Independent Financial Consultant verifying that, following such redemption of the Refunding Bonds, the principal and interest due on the outstanding Refunding Bonds, if any, and the other outstanding Series of Refunding Bonds is adequate to make the timely payment of principal, including mandatory sinking fund payments, and interest due on the Bonds that will remain outstanding following the corresponding redemption of the Bonds resulting from such optional redemption of the Refunding Bonds.

***Mandatory Redemption of Refunding Bonds.***\* The Refunding Bonds are subject to extraordinary mandatory redemption on any Interest Payment Date, prior to maturity, as a whole or in part on a pro rata basis among maturities from amounts deposited in connection with a prepayment of Reassessments or Special Taxes, as applicable. Such extraordinary mandatory redemption of the Refunding Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the Refunding Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

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\* Preliminary, subject to change.

<i>Redemption Dates</i>	<i>Redemption Prices</i>
March 1, 2016 through March 1, 2023	103%
September 1, 2023 and March 1, 2024	102
September 1, 2024 and March 1, 2025	101
September 1, 2025 and thereafter	100

***Parity Special Tax Refunding Bonds for Refunding Purposes Only.*** Pursuant to each Refunding Bonds Fiscal Agent Agreement, each Reassessment District and Community Facilities District will covenant not to issue additional obligations entitled to a lien on the Net Revenues of the respective Taxing Jurisdiction, other than for the purpose of refunding the Refunding Bonds relating to such Taxing Jurisdiction.

### **Levy and Collection of Reassessments**

Pursuant to the Refunding Act, installments of Reassessments will be billed by the County on the general property tax bill to the owner of parcels within the Reassessment District against which there are unpaid Reassessments. Installments of Reassessments billed against the parcels of property in the Reassessment District will be equal to the total principal and interest coming due on all of the respective Reassessment Bonds that year, plus an administrative charge. The installments billed against each property each year represent a pro rata share of the amount needed to pay the total principal and interest on the Reassessment Bonds coming due that year, based on the percentage which the unpaid Reassessment levied against that property bears to the total of unpaid Reassessments levied to repay the Reassessment Bonds. Reassessments will be collected and are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general taxes, and the parcels upon which the Reassessments are levied are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes.

Each Reassessment and each installment thereof and any interest and penalties thereon constitute a lien against the parcel of land on which it is levied until paid. Only the Reassessments and installments thereof of the Reassessment District are pledged to secure the Reassessment Bonds.

The lien of the Reassessments is co-equal to and independent of the lien for general ad valorem property taxes and other taxes, special taxes and charges collected on the property tax roll. The lien is subordinate to all fixed special assessment liens imposed prior to the date of recordation of the assessment lien for the Reassessment Bonds upon the same property, but has priority over all existing and future private liens and over all fixed special assessment liens which may thereafter be levied against the property.

**Although the Reassessments constitute a fixed lien on the respective assessed parcels, they do not constitute personal indebtedness of the affected property owners.** Further, there are no restrictions on the ability of property owners to sell parcels subject to Reassessments. No assurance can be given as to the ability or the willingness of any assessee to pay the annual installments of the Reassessments when due. The failure of an assessee to pay an annual installment of a Reassessment will not result in an increase in Reassessments against other parcels in the Reassessment District. See “SPECIAL RISK FACTORS—The Reassessments are Not Personal Obligations of the Property Owners” herein.

The City has covenanted in certain circumstances to undertake and diligently prosecute foreclosure proceedings following a delinquency in the payment of Reassessments. See “—Covenant to Foreclose” below. The City is not required to bid at the foreclosure sale.

In the proceedings for the authorization and issuance of the Reassessment Bonds, the City has determined not to obligate itself to advance any available funds from the City treasury to cover any deficiency or delinquency that may occur in the Redemption Funds by reason of the failure of a property owner to pay an annual installment of a Reassessment. This determination does not prevent the City, in its sole discretion, from so advancing such funds.

## Method of Reassessment Spread

The Refunding Act provides for the issuance of refunding bonds, payable from certain reassessments. Such refunding bonds may be issued to refund bonds originally issued under the Improvement Bond Act of 1915 (the “1915 Act”), and the reassessments supersede the original assessments and reassessments which secure such 1915 Act bonds. The Refunding Act generally requires each estimated annual installment of principal and interest on any reassessment to be less than the original assessment being superseded by the same percentage for all subdivisions of land within the Reassessment District. Therefore, the reassessment spread for each parcel will be roughly proportional to the original assessment spread. The City has retained NBS, Temecula, California, as the Reassessment Engineer to calculate the Reassessments in accordance with the Refunding Act.

A copy of the Reassessment Engineer’s Report on the Reassessment apportionment for the Reassessment District prepared by the Reassessment Engineer is available for inspection at the City’s Public Works Department.

## Levy and Collection of Special Taxes

**General.** The Special Taxes are to be levied and collected by the Treasurer-Tax Collector of the County of San Diego in the same manner and at the same time as *ad valorem* property taxes; provided, however, that the Community Facilities Districts may directly bill the Special Tax or collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

Under the respective Refunding Bonds Fiscal Agent Agreements each Community Facilities District will covenant to levy Special Taxes within its applicable Community Facilities Entity each year, up to the maximum amounts permitted under the rate and method of apportionment and the CFD Act, in the amount required for the payment of the principal of and interest on its outstanding Refunding Bonds coming due and payable in the ensuing year, together with an amount necessary to replenish any draw on the Reserve Fund resulting from a delinquency in the payment of scheduled debt service on its Refunding Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year. Notwithstanding this covenant, a Community Facilities District may be unable to levy Special Taxes within its applicable Community Facilities Entity at rates sufficient to produce the required amounts due to the maximum rates in effect under the rate and method of apportionment or due to the limitation in the CFD Act which provides that under no circumstances shall the Special Tax levied against any parcel used for private residential purposes be increased by more than ten percent (10%) as a consequence of a delinquency or a default by an owner of any other parcel or parcels within the Taxing Jurisdiction. See “SPECIAL RISK FACTORS—Insufficiency of Special Taxes.”

Each Community Facilities District will make certain covenants in its Refunding Bonds Fiscal Agent Agreement 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 such Community Facilities District’s ability to collect sufficient Special Taxes to pay debt service on the Refunding Bonds and Administrative Expenses when due in each Taxing Jurisdiction. First, each Community Facilities District will covenant that, to the extent it is legally permitted to do so, it will not modify the maximum Special Tax rates where such modification would: (i) prohibit the Community Facilities District from levying the Special Tax within the respective Taxing Jurisdiction in any Fiscal Year at such a rate as would generate Net Special Tax Revenues in such Fiscal Year at least equal to 110% of Annual Debt Service on all Refunding Bonds then Outstanding in the respective Taxing Jurisdiction; (ii) discontinue or cause the discontinuance of such levy; or (iii) permit the prepayment of the Special Tax except as permitted pursuant to the respective rate and method of apportionment. Second, each Community Facilities District will covenant that in the event that any initiative is adopted by the qualified electors in a Taxing Jurisdiction which purports to reduce the minimum or the maximum Special Tax below the levels specified in the respective rate and method of apportionment or to limit the power of the Community Facilities District to levy the Special Taxes within a Taxing Jurisdiction, it will

commence and pursue legal action in order to preserve its ability to comply with such covenants. See the caption “SPECIAL RISK FACTORS—California Constitution Article XIII C and Article XIII D.”

Although the Special Taxes constitute liens on taxable parcels within the Taxing Jurisdictions, such taxes do not constitute a personal indebtedness of the owners of such property within the Taxing Jurisdictions. Moreover, other liens for taxes and assessments already exist on the property located the Taxing Jurisdictions and other such liens could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners therein. See Tables 16, 23, 30, 37 and 44 under the caption “THE TAXING JURISDICTIONS” for a description of the direct and overlapping tax and assessment debt levied within the Taxing Jurisdictions. See also the captions “SPECIAL RISK FACTORS—Direct and Overlapping Debt” and “SPECIAL RISK FACTORS—Cumulative Burden of Parity Taxes and Special Assessments.” 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 they are financially able to do so, all as more fully described under the caption “SPECIAL RISK FACTORS—The Special Taxes are Not Personal Obligations of the Owners.”

***Special Tax Funds.*** There has been established as a separate fund to be held by the Fiscal Agent under each Refunding Bonds Fiscal Agent Agreement, a “Special Tax Fund,” to the credit of which the applicable Community Facilities District or the City on behalf of the Community Facilities District, will deposit, immediately upon receipt, all Special Tax Revenues received from the applicable Taxing Jurisdiction by the applicable Community Facilities District or the City on behalf of the Community Facilities District, except Special Tax Revenues representing Prepayments, which will be deposited in the Prepayment Account established under each Refunding Bonds Fiscal Agent Agreement. Moneys in each Special Tax Fund will be held by the Fiscal Agent for the benefit of the applicable Community Facilities District and the Owners of the respective Refunding Bonds, will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Refunding Bonds.

Special Tax Revenues (with the exception of Special Tax Revenues representing Prepayments) are to be applied by the Fiscal Agent under the applicable Refunding Bonds Fiscal Agent Agreement in the following order of priority:

First, to the Administrative Expense Fund an amount equal to the Administrative Expense Requirement estimated to be due and payable during the Fiscal Year;

Second, not later than 10 Business Days prior to each Interest Payment Date, to the Bond Fund: (a) the amount representing past due installments of principal, interest and premium on the Refunding Bonds (including any interest thereon pursuant to the Indenture), if any, resulting from the delinquency in the payment of such Special Taxes; and (b) an amount, taking into account any amounts then on deposit in the Bond Fund (other than by reason of the preceding clause (a)) such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Refunding Bonds on the next Interest Payment Date.

See Appendix B under the caption “FISCAL AGENT AGREEMENTS—Funds and Accounts—Bond Fund” for a description of the application of moneys in the Bond Fund to pay principal of and interest on the Refunding Bonds;

Third, no later than ten (10) Business Days prior to each Interest Payment Date, to the Trustee for deposit in the Reserve Fund that amount, in addition to the amount transferred to the Bond Fund pursuant to clause (a) in the second order of priority above, necessary to replenish any draw on the Reserve Fund resulting from the delinquency in the payment of scheduled debt service on the Refunding Bonds of such Taxing Jurisdiction;

Fourth, on September 2 of each year after making the deposits and transfers required under the first two orders of priority above and the transfer, if any, authorized under the third order of priority above, upon receipt on or before the preceding June 30 of written instructions from an Authorized Officer, to the Trustee

the amount specified in such written instructions necessary for the payment of the Proportionate Share of any rebate amount due and owing to the United States of America by the Authority on the Bonds;

Fifth, on September 2 of each year after making the deposits and transfers required under the first four orders of priority above, upon receipt of written instructions from an Authorized Officer, to the Administrative Expense Fund the amount specified in such written instructions necessary for payment of the estimated Administrative Expenses projected to be due and payable in the current Fiscal Year or the reimbursement of any Administrative Expenses incurred during the Fiscal Year ending on June 30 of the prior Fiscal Year and not included in any prior transfer made pursuant to the first order of priority above; and

Sixth, after September 2 of each year, after making the deposits and transfers pursuant to the first five orders of priority above, moneys then on deposit in the Special Tax Fund will remain therein and will be subsequently deposited or transferred pursuant to the first five orders of priority above.

Amounts constituting Prepayments will be transferred by the Treasurer to the Fiscal Agent and placed by the Fiscal Agent in a segregated account within the applicable Bond Fund designated as the “Prepayment Account” and used to redeem Refunding Bonds pursuant to the applicable Refunding Bonds Fiscal Agent Agreement. Any such transfer of Prepayments will be accompanied by written instructions executed by the Treasurer or an Authorized Officer directing the Fiscal Agent to place such Prepayments in the Prepayment Account, specifying the amount of the applicable Refunding Bonds Prepayment Reserve Fund Credit and requesting that the Authority direct the Trustee to transfer such credit to the Fiscal Agent for deposit in the Prepayment Account.

#### **Rates and Methods of Apportionment of Special Taxes**

The Community Facilities Districts have adopted a rate and method of apportionment (each, a “Rate and Method”) for each Taxing Jurisdiction following public hearings and an election conducted pursuant to the provisions of the CFD Act. The form of the Rate and Method for each Taxing Jurisdiction is set forth in full in Appendix F hereto and discussed further in “THE TAXING JURISDICTIONS.”

#### **No Teeter Plan**

The Board of Supervisors of the County of San Diego has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State. As a result of the implementation of the Teeter Plan by the County of San Diego (the “County”), the County apportions secured property taxes and assessments on an accrual basis when due (irrespective of actual collections) to participating local political subdivisions for which the County acts as the levying or collecting agency. The Reassessment District and the Community Facilities Districts do not participate in the Teeter Plan. As a result, the collection of Reassessments and Special Taxes is subject to delinquency risk. As further described under the caption “SPECIAL RISK FACTORS—Insufficiency of Special Taxes” and “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure Delays,” delinquencies in the payment of Reassessments and Special Taxes could have an adverse effect on the Districts’ ability to make timely debt service payments on the Refunding Bonds, which secure the Bonds. Conversely, the Districts will benefit from Reassessments and Special Taxes generated by penalties and interest charged on delinquent Special Taxes.

See Tables 15, 22, 29, 36 and 43 under the caption “THE TAXING JURISDICTIONS” for historical delinquency information with respect to the Taxing Jurisdictions.

#### **Covenant to Foreclose**

**Reassessments.** The Local Obligations issued under the Refunding Act are subject to the provisions of the 1915 Act with respect to foreclosure remedies. The 1915 Act provides that in the event any installment

of an assessment is not paid when due, the City may order the collection of the installment by the institution of a court action to foreclose the lien of such assessment. In such an action, the real property subject to the unpaid assessment may be sold at a judicial foreclosure sale. The City has covenanted that it will determine or cause to be determined, no later than October 1 of each Fiscal Year in which the Reassessment Bonds are outstanding, whether or not any owners of the real property within the Reassessment District are delinquent in the payment of Reassessment installments. The City will covenant in the Refunding Bonds Fiscal Agent Agreement relating to the Reassessment Bonds that it will review the public records of the County of San Diego, California, in connection with the collection of the Reassessment installments not later than July 1 of each year to determine the amount of the Reassessment installments collected in the prior Fiscal Year and will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) properties under common ownership with delinquent Reassessment installments in the aggregate of \$5,000 or more by October 1 following the close of the Fiscal Year in which the Reassessment installments were due, and (ii) against all properties with delinquent Reassessment installments in the aggregate of \$2,500 or more by October 1 following the close of any Fiscal Year if the amount on deposit in the Reserve Account of the Reserve Fund established pursuant to the Indenture is less than the applicable Refunding Bonds Reserve Requirement.

***Special Taxes.*** The net proceeds received following a judicial foreclosure sale of land within the Community Facilities Entities resulting from a landowner's failure to pay the Special Taxes when due are included within the Revenues pledged to the payment of principal of and interest on the Refunding Bonds under the Refunding Bonds Fiscal Agent Agreements relating to the CFD Bonds.

Pursuant to Section 53356.1 of the CFD Act, in the event of any delinquency in the payment of any Special Tax or receipt by the Community Facilities Districts of Special Taxes in an amount which is less than the Special Tax levied, the City Council, as the legislative body of the Community Facilities Districts, 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 CFD Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory.

However, the Community Facilities Districts will covenant in the applicable Refunding Bonds Fiscal Agent Agreements that they will review the public records of the County, in connection with the collection of the applicable Special Taxes not later than July 1 of each year to determine the amount of the Special Tax collected in the prior Fiscal Year and 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 \$2,500 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.

If foreclosure is necessary and other funds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the applicable series of Refunding 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 Authority, the City and the Community Facilities Districts. See the caption "SPECIAL RISK FACTORS—Bankruptcy and Foreclosure Delays." 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 the caption "SPECIAL RISK FACTORS—Taxable Property Values." Although the CFD Act authorizes the Community Facilities Districts to cause such an action to be commenced and diligently pursued to completion, the CFD Act does not impose on the Community Facilities Districts, the Authority 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. However, the City does have the ability to use the foreclosure judgment to purchase property by credit bid at a foreclosure sale, in



which case the City would have no obligation to pay such credit bid for 24 months. The CFD 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.

### **Judicial Foreclosure Sale Proceedings-Reassessments**

The 1915 Act provides that the court in a foreclosure proceeding has the power to order a parcel securing delinquent Reassessments to be sold for an amount not less than all delinquent annual installments of the Reassessments, interest, penalties, costs, fees and other charges that are delinquent at the time the foreclosure action is ordered and certain other fees and amounts as provided in the 1915 Act (the “Minimum Price”). The court may also include subsequent delinquent Reassessments and all other delinquent amounts.

If the parcel is sold to a purchaser other than the City, the City shall pay the proceeds from the sale of the parcel after payment of any expenses related to the foreclosure into the Redemption Fund of the Reassessment District. The City has no obligation to advance any moneys (other than the foreclosure sale proceeds) to the Redemption Fund. However, if the City for any reason voluntarily chooses to advance funds, then the City shall be reimbursed, from the proceeds of a sale, first for amounts advanced by it to the Redemption Fund to cover delinquent installments of the Reassessments and interest with respect to the parcel or parcels sold in such proceedings. Any funds in excess of the amount necessary to reimburse the City may be applied by the City to reimburse other funds, if any, used to cover delinquent installments of the Reassessments and interest or to pay interest and penalties, costs, fees and other charges, to the extent they were included in the sale proceeds.

If the parcel or parcels to be sold fails to sell for the Minimum Price, the City may petition the court to modify the judgment so that the parcel or parcels may be sold at a lesser price or without a Minimum Price. In certain circumstances, as provided in the 1915 Act, the court may modify the judgment after a hearing if the court makes certain determinations, including determinations that the sale at less than the Minimum Price will not result in an ultimate loss to the owners of the Reassessment Bonds or that the owners of at least seventy-five percent (75%) of the principal amount of the Reassessment Bonds outstanding have consented to the petition and the sale will not result in an ultimate loss to nonconsenting owners. The court may also make such modification of the judgment upon consent of the owners of at least seventy-five percent (75%) of the principal amount of the Reassessment Bonds without determining that the sale will not result in an ultimate loss to the nonconsenting owners if: the City is not obligated to advance available funds to cure a deficiency; no bids equal to or greater than the Minimum Price have been received at the foreclosure sale; no funds remain in the Reserve Fund; the City has reasonably determined that a reassessment and refunding proceeding is not practicable or has in good faith endeavored to accomplish a reassessment and refunding and has not been successful, or has completed reassessment and refunding arrangements which will, to the maximum extent feasible, minimize the ultimate loss to the owners; and no other remedy acceptable to the owners or holders of seventy-five percent (75%) or more of the principal amount of the outstanding Refunding Bonds, is reasonably available. As assignee of the Authority, the Trustee for the Bonds will hold one hundred percent (100%) of the Refunding Bonds. Neither the parcel owner nor any holder of a security interest in the parcel nor any defendant in the foreclosure action nor any agent thereof may purchase the parcel at the foreclosure sale for less than the Minimum Price. The assessment lien upon property sold at a lesser price than the Minimum Price is to be reduced by the difference between the Minimum Price and the sale price.

No assurance can be given that in the event of a foreclosure proceeding a parcel could be sold for the full amount of the delinquency or that any bid would be received for such parcel. See “SPECIAL RISK FACTORS—Land Values” herein. The ability of the City to foreclose the lien of a delinquent installment of a Reassessment may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by California law relating to judicial foreclosure. See “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure Delays.”

### **Priority of Lien**

The Reassessments and Special Taxes levied within the Taxing Jurisdictions, and each installment thereof and any interest and penalties thereon, constitute a lien against each of the respective parcels within such Taxing Jurisdiction until the same are paid. There are other liens for special taxes and the recurring lien for general property taxes on parcels within the Taxing Jurisdictions. See the captions “THE TAXING JURISDICTIONS” and “SPECIAL RISK FACTORS—Direct and Overlapping Debt.”

### **No Obligation of the City Upon Delinquency**

The City is under no obligation to transfer any funds of the City into the Redemption Funds or the Special Tax Funds for the payment of the principal of or interest on the Refunding Bonds if a delinquency occurs in the payment of any Reassessments or Special Taxes. See the caption “—Covenant to Foreclose” for a discussion of the Districts’ obligation to foreclose Special Tax liens upon delinquencies. Pursuant to Section 8769 of the California Streets and Highways Code, the City has expressly elected not to obligate itself to advance available funds from the City’s treasury to make up deficiencies in the amount of Reassessment installments collected.

### **Prepayment of Reassessments or Special Taxes**

A property owner may prepay the Reassessments or Special Taxes on a parcel and thereby cause a partial redemption of the Refunding Bonds and the Bonds. See the captions “THE BONDS—Redemption—Mandatory Redemption of the Bonds from Principal Prepayments of the Refunding Bonds” and “SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments.”

### **THE AUTHORITY**

The Chula Vista Municipal Financing Authority was established pursuant to a Joint Exercise of Powers Agreement, dated June 11, 2013, by and between the City and the CVHA. The Authority was created for the purpose of financing or refinancing of public capital improvements for, and working capital requirements of, the City, the CVHA or any other local agency, including community facilities districts created by the City or the CVHA, through the construction and/or acquisition by the Authority of such public capital improvements and/or the purchase by the Authority of bonds of the City, the CVHA or any other local agency pursuant to bond purchase agreements and/or the lending of funds by the Authority to the City, the CVHA or any other local agency. The Authority is governed by a board of five directors, which is composed of the members of the City Council. The Executive Director of the Authority is the City Manager of the City. The Authority is specifically granted all of the powers specified in the Bond Law, including but not limited to the power to issue bonds and to sell such bonds to public or private purchasers at public or by negotiated sale. The Authority is entitled to exercise powers common to its members and necessary to accomplish the purpose for which it was formed. The Authority has no independent staff, and consequently it will be completely dependent upon the officers and employees of the City to administer its program.

THE AUTHORITY IS NOT OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS, EXCEPT FROM REVENUES RECEIVED BY THE AUTHORITY AND AMOUNTS IN THE FUNDS PLEDGED UNDER THE INDENTURE. NEITHER THE CITY, THE CVHA NOR THE DISTRICTS HAS ANY LIABILITY WITH RESPECT TO THE PAYMENT OF THE BONDS, AND NEITHER THE FAITH AND CREDIT OF THE STATE, THE CITY, THE CVHA, THE AUTHORITY OR THE DISTRICTS, NOR THE TAXING POWER OF THE STATE, THE CITY OR THE DISTRICTS IS PLEDGED TO THE PAYMENT OF THE BONDS. THE CVHA AND THE AUTHORITY HAVE NO TAXING POWER.

## THE CITY

The City of Chula Vista is located on San Diego Bay in Southern California, 8 miles south of the City of San Diego and 7 miles north of the U.S.-Mexico border, in the area generally known as the “South Bay.” Chula Vista’s city limits cover approximately 50 square miles. Chula Vista was incorporated March 17, 1911 and became a chartered city in 1949. For more information regarding the City, see Appendix A—“INFORMATION REGARDING THE CITY OF CHULA VISTA.”

## THE TAXING JURISDICTIONS

### The Districts in the Aggregate

**Introduction.** Set forth under this caption is certain information describing the Taxing Jurisdictions in the aggregate. In the following sections information is provided separately on each of the Taxing Jurisdictions. Although the Authority believes the information with respect to the Taxing Jurisdictions in the aggregate is relevant to an informed decision to purchase the Bonds, investors should be aware that the debt service on one issue of Refunding Bonds may not be used to make up any shortfall in the debt service on another issue of Refunding Bonds. Moreover, the parcels in each of the Community Facilities Entities are taxed according to that Community Facilities Entity’s specific Rate and Method, and the Special Taxes of a Community Facilities Entity may only be applied to pay the debt service on the Refunding Bonds of the Community Facilities Entity in which they are levied and not to pay debt service of any other Refunding Bonds.

The total debt service to be paid on the Refunding Bonds equals the debt service due on the Bonds; however, the percentage of revenues contributed by each Taxing Jurisdiction varies significantly. See Table 6 above.

**Development Status.** As of January 1, 2014, approximately 99.9% of the parcels in the Taxing Jurisdictions were classified as developed by the County Assessor. Table 7 below sets forth the development status of the property within the Taxing Jurisdictions as of January 1, 2014 determined in accordance with the land use categories in each Rate and Method, as it relates to Special Taxes, the assessed valuation of such property taken from the County Assessor’s records for Fiscal Year 2014-15 and the projected Fiscal Year 2015-16 levy by land use category based on parcel classification for Fiscal Year 2014-15, as applicable. The actual Special Tax levy for Fiscal Year 2015-16 will be based on the land use classifications under each Rate and Method for Fiscal Year 2015-16. However, as it relates to the Community Facilities Entities, because all of the Special Taxes are projected to be levied on property categorized as Developed Residential and Developed Commercial with no Special Tax to be levied on undeveloped property, the information in Table 7 is not expected to change in any significant way as a result of the actual classifications for Fiscal Year 2015-16.

**TABLE 7**  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**THE TAXING JURISDICTIONS IN AGGREGATE<sup>(1)</sup>**  
**DEVELOPMENT STATUS**

<i>Development Status</i>	<i>No. of Parcels</i>	<i>Total Assessed Value<sup>(2)</sup></i>	<i>Unbilled Principal and Maximum Special Tax<sup>(3)</sup></i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Levy*</i>
Developed Commercial	11	\$ 59,474,702	\$ 777,908	\$ 56,257	1.23%
Developed Residential	6,680	2,757,367,062	13,377,569	4,501,429	98.57
Developed Church	1	7,522,285	4,620	3,140	0.07
Undeveloped Commercial	1	5,000,000	129,569	5,788	0.13
Undeveloped Church	1	1,023,380	4,199	0	0.00
Undeveloped Residential	<u>2</u>	<u>2,678,765</u>	<u>52,503</u>	<u>0</u>	<u>0.00</u>
Total	6,696	\$ 2,833,066,194	\$ 14,346,368	\$ 4,566,614	100.00%

\* Preliminary, subject to change. Based on the preliminary par amount of the Refunding Bonds to be issued.

(1) Aggregate totals will not match the summation of the local obligations due to the overlap of parcels between Reassessment District No. 2015-1 and CFD No. 99-1.

(2) Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

(3) The Unbilled Principal for Reassessment District No. 2015-1 represents the remaining assessment excluding principal levied in fiscal year 2014-15.

Source: NBS.

**Value-To-Lien Ratios.** The value of the taxable property in the Taxing Jurisdictions as compared with the direct and overlapping indebtedness payable from taxes and assessments levied on such taxable property is an important factor in evaluating the investment quality of the Bonds. This relationship is referred to as the value-to-lien ratio. See “SPECIAL RISK FACTORS—Taxable Property Values.”

Table 8 below sets forth the estimated assessed value-to-lien ratio of all the taxable property in the Taxing Jurisdictions in the aggregate and within certain ranges. The calculations are based on the Fiscal Year 2014-15 assessed values and land use classifications for such taxable property, the anticipated fiscal year 2015-16 tax levy and the estimated direct and overlapping tax and assessment debt for such taxable property based on the principal amount of the Refunding Bonds and overlapping tax and assessment debt as of April 1, 2015. Based on this information, the overall estimated value-to-lien ratio for the Taxing Jurisdictions in the aggregate is 23.29\* to 1. Table 8 uses Fiscal Year 2014-15 information for the overlapping tax and assessment debt because information is not yet available for Fiscal Year 2015-16.

Potential investors should be aware that Reassessments and Special Taxes are levied against individual parcels within each Taxing Jurisdiction and that certain individual parcels will have a value-to-lien ratio less than the overall value-to-lien ratio for such Taxing Jurisdiction and less than the overall value-to-lien ratio of the Taxing Jurisdictions in the aggregate. See Tables 18-A, 18-B, 25-A, 25-B, 32-A, 32-B, 39-A, 39-B, 46-A and 46-B herein for the value-to-lien analysis within each Taxing Jurisdiction.

\* Preliminary, subject to change.

**TABLE 8**  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**THE TAXING JURISDICTIONS IN AGGREGATE<sup>(1)</sup>**  
**ASSESSED VALUE-TO-LIEN RATIOS**  
**INCLUDING DIRECT AND OVERLAPPING DEBT**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Total Assessed Value<sup>(2)</sup></i>	<i>Total Overlapping Debt<sup>(3)*</sup></i>	<i>Estimated Fiscal Year 2015-16 Levy*</i>	<i>% of Levy</i>
0.00 to 2.99:1	0	\$ 0	\$ 0	\$ 0	0.00%
3.00 to 4.99:1	0	0	0	0	0.00
5.00 to 9.99:1	10	878,431	115,536	5,715	0.13
10.00 to 14.99:1	10	1,522,295	115,323	5,141	0.11
15.00 to 19.99:1	630	247,469,474	13,186,834	577,287	12.64
20.00 to 24.99:1	4,350	1,757,205,374	78,468,060	3,033,948	66.44
25.00 to 29.99:1	1,462	682,965,135	25,660,039	848,560	18.58
30.00 to 39.99:1	222	125,528,470	3,851,079	89,668	1.96
Greater than 40:1	<u>12</u>	<u>17,497,015</u>	<u>223,353</u>	<u>6,296</u>	<u>0.14</u>
Total	6,696	\$ 2,833,066,194	\$ 121,620,224	\$ 4,566,614	100.00%

\* Preliminary, subject to change. Based on the preliminary par amount of the Refunding Bonds to be issued.  
<sup>(1)</sup> Aggregate totals will not match the summation of the local obligations due to the overlap of parcels between Reassessment District No. 2015-1 and CFD No. 99-1.  
<sup>(2)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.  
<sup>(3)</sup> Total Direct and Overlapping Tax and Assessment Debt as of May 1, 2015, for all taxable parcels within each District per California Municipal Statistics, Inc. adjusted for principal amount of the Refunding Bonds. See Tables 16, 23, 30, 37 and 44 herein.  
Source: NBS.

Table 9 sets forth the historical assessed values for the taxable property in the Taxing Jurisdictions on an aggregate basis for each of the last six fiscal years. Between Fiscal Years 2009-10 and 2014-15, assessed values in the Taxing Jurisdictions increased by approximately 6.3%. For historical assessed valuations within each of the Taxing Jurisdictions, see Tables 13, 20, 27, 34 and 41 herein.

**TABLE 9**  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**THE TAXING JURISDICTIONS IN AGGREGATE<sup>(1)</sup>**  
**HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Land Value<sup>(2)</sup></i>	<i>Structure Value<sup>(2)</sup></i>	<i>Total Assessed Value<sup>(2)</sup></i>	<i>% change in Total Assessed Value</i>
2009-10	\$1,008,012,706	\$1,655,919,078	\$2,663,931,784	N/A
2010-11	985,702,209	1,623,463,720	2,609,165,929	-2.06%
2011-12	990,206,636	1,617,507,938	2,607,714,574	-0.06
2012-13	986,083,134	1,611,570,025	2,597,653,159	-0.39
2013-14	996,233,569	1,630,315,513	2,626,549,082	1.11
2014-15	1,078,020,440	1,755,045,754	2,833,066,194	7.86

<sup>(1)</sup> Aggregate totals will not match the summation of the local obligations due to the overlap of parcels between Reassessment District No. 2015-1 and CFD No. 99-1.  
<sup>(2)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.  
Source: NBS.

Table 10 sets forth the historical Reassessment and Special Tax collections for the taxable property in the Taxing Jurisdictions on an aggregate basis as of June 30 for each of the last six fiscal years. For historical Reassessment and Special Tax collections within each of the Taxing Jurisdictions, see Tables 15, 22, 29, 36 and 43 herein.

**TABLE 10**  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**THE TAXING JURISDICTIONS IN AGGREGATE**  
**HISTORICAL SPECIAL TAX COLLECTIONS**  
**AS OF JUNE 30 EACH FISCAL YEAR**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Amount Delinquent</i>	<i>No. of Parcels Levied</i>	<i>No. of Parcels Delinquent</i>	<i>% of Amount Delinquent</i>
2009-10	\$6,340,179	\$147,214	7,960	220	2.32%
2010-11	6,284,860	91,550	7,959	147	1.46
2011-12	6,287,734	93,122	7,959	163	1.48
2012-13	6,295,572	45,154	7,959	80	0.72
2013-14	6,204,306	35,824	7,959	65	0.58
2014-15 <sup>(1)</sup>	6,210,449	75,327	7,960	152	1.21

<sup>(1)</sup> Delinquency information for fiscal year 2014-15 based on delinquencies as of May 22, 2015.  
Source: NBS.

Table 11 sets forth the Reassessment and Special Tax delinquencies remaining as of May 22, 2015 for the taxable property in the Taxing Jurisdictions for Fiscal Years 2009-10 through 2014-15.

**TABLE 11**  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**THE TAXING JURISDICTIONS IN AGGREGATE**  
**REASSESSMENT AND SPECIAL TAX DELINQUENCIES**  
**AS OF MAY 22, 2015**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Amount Delinquent</i>	<i>No. of Parcels Levied</i>	<i>No. of Parcels Delinquent</i>	<i>% of Amount Delinquent</i>
2009-10	\$6,340,179	\$ 2,059	7,960	4	0.03%
2010-11	6,284,860	2,942	7,959	5	0.05
2011-12	6,287,734	2,817	7,959	4	0.04
2012-13	6,295,572	5,856	7,959	13	0.09
2013-14	6,204,306	20,334	7,959	38	0.33
2014-15	6,210,449	75,327	7,960	152	1.21

Source: NBS.

Table 12 below sets forth the top ten property owners in the Taxing Jurisdictions measured by the percentage share of total Reassessments and Special Taxes projected to be levied in Fiscal Year 2015-16 based on fiscal year 2014-15 ownership information. These top ten property owners are responsible for approximately 10.19\* percent of the Reassessments and Special Taxes projected to be levied in Fiscal Year 2015-16. For a list of top ten property owners within each of the Taxing Jurisdictions see Tables 19, 26, 33, 40 and 47 herein.

\* Preliminary, subject to change.

**TABLE 12  
CHULA VISTA MUNICIPAL FINANCING AUTHORITY  
THE TAXING JURISDICTIONS IN AGGREGATE  
TOP TEN PROPERTY OWNERS<sup>(1)</sup>**

**(Based on the Fiscal Year 2014-15 Parcel Classifications and the Fiscal Year 2015-16 Projected Levy)**

<i>Owner</i>	<i>Land Value<sup>(2)</sup></i>	<i>Structure Value<sup>(2)</sup></i>	<i>Total Value<sup>(2)</sup></i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Levy*</i>	<i>Parcel Count</i>
B R E-F M C A L L C	\$ 12,818,584	\$ 38,894,110	\$ 51,712,694	\$ 142,104	3.11%	2
EQR-TERESINA LP	28,000,000	57,000,000	85,000,000	115,801	2.54	2
CAMDEN USA INC	18,903,807	46,621,526	65,525,333	114,738	2.51	1
TERRA VISTA LP	11,026,136	13,915,312	24,941,448	45,128	0.99	148
N H P/P M B CHULA VISTA L L C	5,149,497	13,723,410	18,872,907	22,690	0.50	1
PREF HERITAGE LLC	2,016,342	4,305,569	6,321,911	6,352	0.14	3
ST PAULS EPISCOPAL HOME INC	5,000,000	0	5,000,000	5,788	0.13	1
MANASES INVESTMENTS INC	1,262,512	2,055,415	3,317,927	5,458	0.12	9
EASTLAKE PROPERTIES L L C	1,022,127	1,405,284	2,427,411	4,115	0.09	6
CALVARY CHAPEL S D INC	1,559,323	5,962,962	7,522,285	3,140	0.07	1
All Others	<u>991,262,112</u>	<u>1,571,162,166</u>	<u>2,562,424,278</u>	<u>4,101,299</u>	<u>89.81</u>	<u>6,522</u>
<b>TOTALS:</b>	<b>\$ 1,078,020,440</b>	<b>\$ 1,755,045,754</b>	<b>\$ 2,833,066,194</b>	<b>\$ 4,566,614</b>	<b>100.00%</b>	<b>6,696</b>

\* Preliminary, subject to change. Based on the preliminary par amount of the Refunding Bonds to be issued.

(1) Aggregate totals will not match the summation of the local obligations due to the overlap of parcels between Reassessment District No. 2015-1 and CFD No. 99-1.

(2) Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

[Map of 2015-1]



**Reassessment District No. 2015-1**

The boundaries of Reassessment District No. 2015-1 are coterminous with the boundaries of its predecessors, Assessment District No. 97-2 and Reassessment District No. 2005-1 (see below). Reassessment District No. 2015-1 is located in the eastern portion of the City, approximately five miles east of the San Diego Freeway (I-5) and two miles east of I-805 on Telegraph Road, and is primarily residential in nature, but also contains some commercial developments. The residences in Reassessment District No. 2015-1 range in size from 629 square feet to 3,834 square feet.

**Assessment District No. 97-2.** Formed in 1997, Assessment District No. 97-2 was part of the master planned community commonly known as “Otay Ranch.” Assessment District No. 97-2 was located in “Village One” of the Otay Ranch project and included approximately 533 acres consisting of 1,567 single family detached homes, 1,170 multifamily homes, approximately 8 acres of commercial uses, parks and open space.

The public improvements financed through Assessment District No. 97-2 included the acquisition of street, water, drainage, and utility improvements, together with appurtenances and appurtenant work, and incidental costs and expenses related thereto. All public improvements financed through Assessment District No. 97-2 have been completed.

**Reassessment District No. 2005-2.** Reassessment District No. 2005-2 was formed in 2005 to reapportion the special assessment originally assessed in Assessment District No. 97-2 among the Property that specially benefited from the improvements financed by Assessment District No. 97-2.

Table 13 sets forth the historical assessed values for the taxable property in Reassessment District No. 2015-1 on an aggregate basis for each of the last six fiscal years. Between Fiscal Years 2009-10 and 2014-15, assessed values in the CFD No. 12-I increased by approximately 6.2%.

**TABLE 13  
REASSESSMENT DISTRICT NO. 2015-1  
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Land Value<sup>(1)</sup></i>	<i>Structure Value<sup>(1)</sup></i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>% change in Total Assessed Value</i>
2009-10	\$264,698,772	\$479,660,099	\$744,358,871	N/A
2010-11	262,000,157	474,081,093	736,081,250	-1.11%
2011-12	264,971,752	476,061,759	741,033,511	0.67
2012-13	267,091,571	478,480,487	745,572,058	0.61
2013-14	270,275,407	485,206,635	755,482,042	1.33
2014-15	285,870,051	504,718,647	790,588,698	4.65

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

**Development Status.** Table 14 below sets forth the Reassessment projected to be levied on the property within Reassessment District No. 2015-1 in Fiscal Year 2015-16 based on the development status within Reassessment District No. 2015-1 as of January 1, 2014. The actual levy for Fiscal Year 2015-16 will be based on the development status as of March 1, 2015 but given that there was only one undeveloped parcel in Fiscal Year 2014-15, the actual levy is not expected to change in any significant way as a result of the actual classifications for Fiscal Year 2015-16. The final maturity of the Reassessment Bonds is September 1, 2029.

**TABLE 14  
REASSESSMENT DISTRICT NO. 2015-1  
DEVELOPMENT STATUS**

<i>Development Status</i>	<i>No. of Parcels</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Unbilled Principal</i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Levy*</i>
Developed Commercial	7	\$ 57,034,702	\$ 767,348	\$ 50,022	10.22%
Developed Residential	1,732	728,553,996	6,649,853	433,491	88.59
Undeveloped Commercial	1	5,000,000	88,795	5,788	1.18
Undeveloped Residential	-	-	-	-	0.00
<b>Total</b>	<b>1,740</b>	<b>\$ 790,588,698</b>	<b>\$ 7,505,996</b>	<b>\$ 489,301</b>	<b>100.00%</b>

\* Preliminary, subject to change. Based on the preliminary par amount of the Reassessment Bonds to be issued.  
<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.  
Source: NBS.

**Delinquencies.** Table 15 below provides a summary of Reassessment levies, collections and delinquency rates in Reassessment District No. 2015-1 for Fiscal Years 2009-10 through 2014-15.

**TABLE 15  
REASSESSMENT DISTRICT NO. 2015-1  
REASSESSMENT LEVIES, DELINQUENCIES AND DELINQUENCY RATES  
FISCAL YEARS 2009-10 TO 2014-15**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End<sup>(1)</sup></i>			<i>Delinquencies as of May 22, 2015</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$804,481	1,740	42	\$12,842	1.60%	1	\$ 198	0.02%
2010-11	803,668	1,740	30	13,567	1.69	1	396	0.05
2011-12	808,369	1,740	33	9,987	1.24	-	-	0.00
2012-13	807,399	1,740	17	5,300	0.66	4	1,145	0.14
2013-14	726,333	1,740	15	4,233	0.58	12	3,542	0.49
2014-15	728,755	1,740	N/A	N/A	N/A	31	7,953	1.09

<sup>(1)</sup> As of June 30 of each Fiscal Year.  
Source: NBS.

**Direct and Overlapping Debt.** The property within Reassessment District No. 2015-1 is subject to taxation by a number of taxing agencies, some of which have issued debt secured by taxes and assessments levied on such property. Table 16 below sets forth the direct and overlapping debt for Reassessment District No. 2015-1 as of April 1, 2015. The Reassessment Bonds for Reassessment District No. 2015-1 will be issued in the amount of \$4,605,000\*.

\* Preliminary, subject to change.

**TABLE 16  
DIRECT AND OVERLAPPING DEBT  
REASSESSMENT DISTRICT NO. 2015-1**

2014-15 Local Secured Assessed Valuation: \$790,588,698 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/15</u>
Metropolitan Water District General Obligation Bonds	0.034%	\$ 37,676
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	6.797	350,063
Southwestern Community College District General Obligation Bonds	1.757	3,943,328
Sweetwater Union High School District General Obligation Bonds	2.098	7,050,741
Chula Vista City School District General Obligation Bonds	2.998	1,703,752
Sweetwater Union High School District Community Facilities District No. 6	61.598	8,646,435
City of Chula Vista Community Facilities District No. 99-1	26.205	8,993,646
<b>City of Chula Vista Reassessment District No. 2005-2</b>	<b>100.000</b>	<b><u>7,871,000</u></b> <sup>(1)</sup>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$38,596,641</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.189%	\$ 662,975
San Diego County Pension Obligation Bonds	0.189	1,286,879
San Diego County Superintendent of Schools Obligations	0.189	27,774
Southwestern Community College District General Fund Obligations	1.757	18,797
Sweetwater Union High School District Certificates of Participation	2.098	884,491
Chula Vista City School District General Fund Obligations	2.998	4,039,274
City of Chula Vista Certificates of Participation	3.422	4,023,571
Otay Municipal Water District Certificates of Participation	3.201	<u>1,446,699</u>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$12,390,460</b>
Less: Otay Municipal Water District Certificates of Participation (100% supported)		<u>1,446,699</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$10,943,761</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		<b>\$50,987,101</b> <sup>(2)</sup>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$49,540,402</b>

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$7,871,000).....</b>	<b>1.00%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	4.88%
Gross Combined Total Debt .....	6.45%
Net Combined Total Debt.....	6.27%

<sup>(1)</sup> Excludes refunding issue to be sold.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Table 17 below sets forth a sample property tax bill for a residential unit with an assessed value approximately equal to the average assessed value for all residential units in Reassessment District No. 2015-1 in Fiscal Year 2014-15. The estimated tax rates and amounts presented are based on information for Fiscal Year 2014-15 except that the amount of the Reassessment levy has been adjusted for the projected levy for Fiscal Year 2015-16. Other tax rates and amounts for Fiscal Year 2015-16 are not yet available. Based on the foregoing, the projected total effective tax for a residential unit with an assessed value approximately equal to the average assuming special taxes levied at the maximum rates is 2.0446% of assessed value. The effective tax rate is 1.7644% of assessed value assuming that special taxes for the community facilities districts listed in Table 17 are levied at their projected levels in Fiscal Year 2015-16. Though these special taxes may be increased in the future, the Mello-Roos Act provides that they may never be increased by more than 10% as the result of delinquencies or defaults by other owners in CFD No. 2001-1 IAB or the other community facilities districts referenced in Table 17 below. See "LEVY AND COLLECTION OF SPECIAL TAXES –

General.” The actual effective tax rates for individual parcels within Reassessment District No. 2015-1 will vary from the effective tax rate shown in Table 18 and the actual total effective tax rate is expected to vary and may increase in future years.

**TABLE 17  
SAMPLE TAX BILL  
REASSESSMENT DISTRICT NO. 2015-1  
TAX YEAR 2014-15**

<u>Assumptions</u>	
Unit Type	Single-Family Detached
Original Assessment Amount (AD 97-2)	\$ 5,100.91
Unit Size	3,625 Square Feet
Lot Size <sup>(1)</sup>	8,700 Square Feet

<u>Assessed Value</u>	
Average Gross Assessed Value	\$ 532,784.00
(Less) Homeowner Exemption	<u>(7,000.00)</u>
Average Net Assessed Value	\$ 525,784.00

<u>Ad Valorem</u>	<u>Tax Rate</u>	
General Purpose Ad Valorem Tax (Proposition 13)	1.00000%	\$ 5,257.84
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00378	19.87
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.00554	29.13
Gen Bond Chula Vista-Prop JJ 11/03/98, 2013A Ref	0.01074	56.47
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00479	25.19
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.00950	49.95
Hi Bond Sweetwater-Prop O 11/07/2006, Ser 2008A	0.02550	134.07
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2014 Ref	0.01428	75.08
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.00624	32.81
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2005B Ref	0.01167	61.36
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009A	0.00212	11.15
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009B	0.00942	49.53
Southwestern Comm Coll-Prop R 11/04/08, Ser 2010C	0.00637	33.49
Otay Water Imp Dist No 27-Debt Service (Water)	0.00500	26.29
MWD D/S Remainder of SDCWA 15019999	<u>0.00350</u>	<u>18.40</u>
Subtotal Ad Valorem Taxes	1.11845	\$ 5,880.63

<u>Special/Direct Assessments</u>	<u>Maximum Amount</u>	<u>Actual Amount</u>
Reassessment District No. 2015-1	\$ 358.28*	\$ 238.73*
Vector Disease Control	5.86	5.86
CWA Water Availability	10.00	10.00
Water Availability	10.00	10.00
Mosquito Surveillance	2.28	2.28
MWD Wtr Standby Chrg	<u>11.50</u>	<u>11.50</u>
Subtotal Special/Direct Assessments	\$ 397.92*	\$ 278.37*

<u>Mello-Roos Community Facilities Districts (CFD)</u>	<u>Maximum Amount</u>	<u>Actual Amount</u>
CFD 97-2	\$ 62.71	\$ 32.30
Chula V. Elem CFD#6 <sup>(2)</sup>	1,414.84	1,061.34
Sweetwater Hi CFD#6 <sup>(3)</sup>	1,742.90	1,267.70
CFD97-1A O R Open Sp	417.23	273.02
CFD97-1B O R Open Sp	<u>977.30</u>	<u>607.00</u>
Subtotal Mello-Roos Community Facilities Districts (CFD)	\$ 4,614.98	\$ 3,241.36

Total Estimated Annual Property Taxes	\$ 10,893.53*	\$ 9,400.36*
Effective Tax Rate	2.0446%*	1.7644%*
Effective Tax Rate - Excluding Reassessments and Special Taxes	1.1112%*	1.1112%*

*Estimate of annual property taxes does not include any new special financing district fees, assessments, and/or special taxes imposed by the state, county, or local agencies that are yet to be established or any future annexation into existing special financing districts required by conditions for approval of development. Information contained within is based upon records and official documents provided by various governmental agencies and third-party sources.*

\* Preliminary, subject to change. Based on the preliminary par amount of the Reassessment Bonds to be issued.

(1) Assumes average density of 5.0 units per acre.

(2) Assumes levied at the maximum special tax rate of \$0.3903 per building square foot.

(3) Assumes levied at the maximum special tax rate of \$0.4808 per building square foot.

Source: Alliant Tax Research.

**Value-To-Lien Ratios.** Table 18-A below sets forth the estimated assessed value-to-lien ratio of all the taxable property in Reassessment District No. 2015-1 within certain ranges based on the Fiscal Year 2014-15 assessed value of the property upon which Reassessments could have been levied, the principal amount of the Reassessment Bonds and the overlapping debt payable from taxes and assessments on the taxable property within Reassessment District No. 2015-1 as of April 1, 2015, as shown in Table 16. Based on this information, the estimated value-to-lien ratio for Reassessment District No. 2015-1 is 24.39\*-to-1 in Fiscal Year 2015-16. Table 18-A uses Fiscal Year 2014-15 information because assessed values and overlapping indebtedness for Fiscal Year 2015-16 are not yet available.

**TABLE 18-A  
REASSESSMENT DISTRICT NO. 2015-1  
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES  
INCLUDING DIRECT AND OVERLAPPING DEBT**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Total Overlapping Debt<sup>(2)</sup></i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Levy*</i>
0.00 to 2.99:1	0	\$ 0	\$ 0	\$ 0	0.00%
3.00 to 4.99:1	0	0	0	0	0.00
5.00 to 9.99:1	6	575,388	74,884	1,227	0.25
10.00 to 14.99:1	3	494,140	39,004	689	0.14
15.00 to 19.99:1	38	62,343,488	3,490,414	55,281	11.30
20.00 to 24.99:1	857	369,605,873	16,371,723	223,884	45.76
25.00 to 29.99:1	620	232,566,653	8,636,565	127,437	26.04
30.00 to 39.99:1	212	121,170,571	3,710,013	79,266	16.20
Greater than 40:1	<u>4</u>	<u>3,832,585</u>	<u>87,695</u>	<u>1,516</u>	<u>0.31</u>
Totals	1,740	\$ 790,588,698	\$ 32,410,298	\$ 489,301	100.00%

\* Preliminary, subject to change. Based on the preliminary par amount of the Reassessment Bonds to be issued.

(1) Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

(2) Total Direct and Overlapping Tax and Assessment Debt as of May 1, 2015, for all taxable parcels within the Reassessment District per California Municipal Statistics, Inc. adjusted for the par amount of the Reassessment Bonds.

Source: NBS.

Table 18-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in the Reassessment District and within certain ranges based on the outstanding principal amount of the Reassessment Bonds, but excluding all overlapping debt. Based on this information, the estimated value-to-lien ratio for CFD No. 2001-1 IAB is 171.69\* to 1 in Fiscal Year 2015-16.

\* Preliminary, subject to change.

**TABLE 18-B**  
**REASSESSMENT DISTRICT NO. 2015-1**  
**ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES**  
**INCLUDING DIRECT DEBT ONLY**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Direct Debt<sup>(2)</sup>*</i>
0.00 to 2.99:1	0	\$ 0	0.00%	\$ 0	\$ 0
3.00 to 4.99:1	0	0	0.00	0	0
5.00 to 9.99:1	0	0	0.00	0	0
10.00 to 14.99:1	0	0	0.00	0	0
15.00 to 19.99:1	0	0	0.00	0	0
20.00 to 24.99:1	0	0	0.00	0	0
25.00 to 29.99:1	0	0	0.00	0	0
30.00 to 39.99:1	1	196	0.04	62,898	1,846
Greater than 40:1	<u>1,739</u>	<u>489,105</u>	<u>99.96</u>	<u>790,525,800</u>	<u>4,603,154</u>
Totals	1,740	\$ 489,301	100.00%	\$ 790,588,698	\$ 4,605,000

\* Preliminary, subject to change. Based on the preliminary par amount of the Reassessment Bonds.

(1) Total Value per Assessed Value as of January 1, 2014 per County of San Diego.

(2) Total Direct Debt includes the Reassessment Bonds.

Source: NBS.

**Top Ten Property Owners.** Table 19 below sets forth the top ten property owners in Reassessment District No. 2015-1 based on the projected Reassessment levy for Fiscal Year 2015-16. In Fiscal Year 2015-16, the top ten property owners are projected to be responsible for approximately 12.46\*% of the Reassessment levy.

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\* Preliminary, subject to change.

**TABLE 19**  
**REASSESSMENT DISTRICT NO. 2015-1**  
**TOP TEN PROPERTY OWNERS**  
**(Based on the Projected Fiscal Year 2014-15 Reassessment Levy)**

<i>Owner</i>	<i>Land Value<sup>(1)</sup></i>	<i>Structure Value<sup>(1)</sup></i>	<i>Total Value<sup>(1)</sup></i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Levy*</i>	<i>Parcel Count</i>
CAMDEN USA INC	\$ 18,903,807	\$ 46,621,526	\$ 65,525,333	\$ 56,025	11.45%	1
B R E-F M C A L L C	12,818,584	38,894,110	51,712,694	48,174	9.85	2
TERRA VISTA L P	11,026,136	13,915,312	24,941,448	21,777	4.45	148
N H P/P M B CHULA VISTA L L C	5,149,497	13,723,410	18,872,907	18,350	3.75	1
ST PAULS EPISCOPAL HOME INC	5,000,000	-	5,000,000	5,788	1.18	1
PREF HERITAGE LLC	2,016,342	4,305,569	6,321,911	5,506	1.13	3
TESORO SIERRA PROPERTIES L L C	1,096,212	617,504	1,713,716	1,534	0.31	2
ELSHAFEI GAMAL E & IRMA	489,754	853,554	1,343,308	625	0.13	3
KUTA LIVING TRUST	379,590	836,099	1,215,689	601	0.12	3
TOLENTINO FAMILY TRUST 10-18-05	297,823	530,201	828,024	465	0.10	2
All Others	<u>228,692,306</u>	<u>384,421,362</u>	<u>613,113,668</u>	<u>330,455</u>	<u>67.54</u>	<u>1,574</u>
TOTAL	\$ 285,870,051	\$ 504,718,647	\$ 790,588,698	\$ 489,301	100.00%	1,740

\* Preliminary, subject to change. Based on the preliminary par amount of the Reassessment Bonds.

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.



## **The Community Facilities Districts**

Community facilities districts were formed to finance public improvements for the general benefit for land within such districts. Bonds issued in connection with community facilities district financings are secured by and payable by the levy of special taxes. The CFD Bonds consist of individual issues of bonds secured by Special Taxes levied in the four community facilities districts, or the improvement area therein, as applicable, located in the City as described below.

[Map of 97-3]

**Community Facilities District No. 97-3 (Otay Ranch McMillin Spa One)** (“CFD No. 97-3”) was formed in 1998. CFD No. 97-3 consists of approximately 293 acres within Otay Ranch and is located approximately three miles east of the downtown area of the City. The first building permits in CFD No. 97-3 were issued on January 29, 1999 and the last certificates of occupancy were issued on July 19, 2005. The residences range in size from 1,028 square feet to 4,411 square feet. As of January 1, 2014, there were no parcels categorized under the Rate and Method for CFD No. 97-3 as Undeveloped Residential Property.

The public improvements financed through CFD No. 97-3 consist of various roadway and landscape improvements. All of the public improvements financed through CFD No. 97-3 have been completed.

Table 20 sets forth the historical assessed values for the taxable property in CFD No. 97-3 on an aggregate basis for each of the last six fiscal years. Between Fiscal Years 2009-10 and 2014-15, assessed values in the CFD No. 97-3 increased by approximately 3.4%.

**TABLE 20  
CFD NO. 97-3  
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Land Value<sup>(1)</sup></i>	<i>Structure Value<sup>(1)</sup></i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>% change in Total Assessed Value</i>
2009-10	\$165,747,553	\$289,246,330	\$454,993,883	N/A
2010-11	160,491,729	280,993,485	441,485,214	-2.97%
2011-12	159,511,859	268,757,443	428,269,302	-2.99
2012-13	159,398,345	267,303,063	426,701,408	-0.37
2013-14	161,094,487	270,685,013	431,779,500	1.19
2014-15	174,555,102	295,883,073	470,438,175	8.95

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.  
Source: NBS.

**Development Status.** Table 21 below sets forth the Assigned Special Taxes projected to be levied on the property within CFD No. 97-3 in Fiscal Year 2015-16 based on the development status within CFD No. 97-3 as of January 1, 2014. The actual levy for Fiscal Year 2015-16 will be based on the development status as of March 1, 2015 but given that there were no undeveloped parcels in Fiscal Year 2014-15, the actual levy is not expected to change in any significant way as a result of the actual classifications for Fiscal Year 2015-16. The Special Taxes in CFD No. 97-3 may not be levied after the 2034-35 Fiscal Year. The final maturity of the CFD No. No. 97-3 Special Tax Refunding Bonds is September 1, 2029.

**TABLE 21  
CFD NO. 97-3  
DEVELOPMENT STATUS**

<i>Development Status</i>	<i>No. of Parcels</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Maximum Special Tax</i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>
Developed Commercial	4	\$ 2,440,000	\$ 1,031	\$ 700	0.10%
Developed Residential	1,088	460,475,890	1,030,390	700,240	99.45
Developed Church	1	7,522,285	4,620	3,140	0.45
Undeveloped Commercial	-	-	-	-	0.00
Undeveloped Residential	-	-	-	-	0.00
<b>Total</b>	<u>1,093</u>	<u>\$ 470,438,175</u>	<u>\$ 1,036,041</u>	<u>\$ 704,081</u>	<u>100.00%</u>

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 97-3.

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

For each Fiscal Year, all Taxable Property within CFD No. 97-3 is classified as Developed Property, Taxable Property Owner Association Property or Undeveloped Property. The Special Tax levied on Developed Property is calculated up to the following maximum amounts: (i) \$0.392 per square foot of Residential Floor Area for Residential Property, (ii) \$4,000 per Acre for Commercial Property and (iii) \$1,000 per Acre for Community Purpose Facility Property. The Maximum Special Tax for Taxable Property Owner Association Property and Undeveloped Property is \$7,954 per Acre. Capitalized terms used in this paragraph (besides Special Tax) are defined in the Rate and Method for CFD No. 97-3 included in Appendix F—“RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.”

As shown in Table 21 above, the Special Tax levy for CFD No. 97-3 in Fiscal Year 2015-16 is projected to be \$704,081\*, which is approximately 68.0%\* of the maximum Assigned Special Tax for all property in CFD No. 97-3.

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\* Preliminary, subject to change.

**Delinquencies.** Table 22 below provides a summary of Special Tax levies, collections and delinquency rates in CFD No. 97-3 for Fiscal Years 2009-10 through 2014-15.

**TABLE 22**  
**CFD NO. 97-3**  
**SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES**  
**FISCAL YEARS 2009-10 TO 2014-15**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End<sup>(1)</sup></i>			<i>Delinquencies as of April 1, 2015</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$893,301	1,092	29	\$18,838	2.11%	1	\$ 657	0.07%
2010-11	892,348	1,092	22	12,158	1.36	1	657	0.07
2011-12	890,161	1,092	36	19,201	2.16	2	1,220	0.14
2012-13	894,761	1,092	13	6,935	0.78	2	897	0.10
2013-14	888,560	1,092	6	2,993	0.34	2	1,218	0.14
2014-15	889,036	1,093	N/A	N/A	N/A	28	12,710	1.43

<sup>(1)</sup> As of June 30 of each Fiscal Year.  
Source: NBS.

**Direct and Overlapping Debt.** The property within CFD No. 97-3 is subject to taxation by a number of taxing agencies, some of which have issued debt secured by taxes and assessments levied on such property. Table 23 below sets forth the direct and overlapping debt for CFD No. 97-3 as of April 1, 2015. The Special Tax Refunding Bonds for CFD No. 97-3 will be issued in the amount of \$6,200,000\*.

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\* Preliminary, subject to change.

**TABLE 23  
DIRECT AND OVERLAPPING DEBT  
CFD NO. 97-3**

2014-15 Local Secured Assessed Valuation: \$470,438,175 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/15</u>
Metropolitan Water District General Obligation Bonds	0.019%	\$ 21,201
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	3.985	205,222
Southwestern Community College District General Obligation Bonds	0.989	2,219,028
Sweetwater Union High School District General Obligation Bonds	1.180	3,967,663
Chula Vista City School District General Obligation Bonds	1.687	958,752
Sweetwater Union High School District Community Facilities District No. 11	59.453	5,357,784
<b>City of Chula Vista Community Facilities District No. 97-3</b>	<b>100.000</b>	<b><u>8,750,000</u></b> <sup>(1)</sup>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$21,479,650</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.106%	\$ 373,076
San Diego County Pension Obligation Bonds	0.106	724,165
San Diego County Superintendent of Schools Obligations	0.106	15,629
Southwestern Community College District General Fund Obligations	0.989	10,577
Sweetwater Union High School District Certificates of Participation	1.180	497,729
Chula Vista City School District General Fund Obligations	1.687	2,273,020
City of Chula Vista Certificates of Participation	1.925	2,264,184
Otay Municipal Water District Certificates of Participation	1.801	<u>814,101</u>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$6,972,481</b>
Less: Otay Municipal Water District Certificates of Participation (100% supported)		<u>814,101</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$6,158,380</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		
		<b>\$28,452,131</b> <sup>(2)</sup>
<b>NET COMBINED TOTAL DEBT</b>		
		<b>\$27,638,030</b>

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$8,750,000)</b> .....	<b>1.86%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	4.57%
Gross Combined Total Debt.....	6.05%
Net Combined Total Debt.....	5.87%

<sup>(1)</sup> Excludes refunding issue to be sold.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.  
Source: California Municipal Statistics, Inc.

Table 24 below sets forth a sample property tax bill for a residential unit with an assessed value approximately equal to the average assessed value for all residential units in CFD No. 97-3 in Fiscal Year 2014-15. The estimated tax rates and amounts presented are based on information for Fiscal Year 2014-15 except that the amount of the Special Tax levy has been adjusted for the projected levy for Fiscal Year 2015-16. Other tax rates and amounts for Fiscal Year 2015-16 are not yet available. Based on the foregoing, the projected total effective tax for a residential unit with an assessed value approximately equal to the average assuming special taxes levied at the maximum rates is 1.9514\*% of assessed value. The effective tax rate is 1.7446\*% of assessed value assuming that special taxes for the community facilities districts listed in Table 24 are levied at their projected levels in Fiscal Year 2015-16. Though these special taxes may be increased in the future, the Mello-Roos Act provides that they may never be increased by more than 10% as the result of

\* Preliminary, subject to change.

delinquencies or defaults by other owners in CFD No. 97-3 or the other community facilities districts referenced in Table 24 below. See “LEVY AND COLLECTION OF SPECIAL TAXES – General.” See Appendix F—“RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.” The actual effective tax rates for individual parcels within CFD No. 97-3 will vary from the effective tax rate shown in Table 24 and the actual total effective tax rate is expected to vary and may increase in future years.

**TABLE 24  
SAMPLE TAX BILL  
CFD NO. 97-3  
TAX YEAR 2014-15**

Assumptions

Unit Type	Single-Family Detached
Unit Size	2,454 Square Feet
Lot Size <sup>(1)</sup>	8,700 Square Feet

Assessed Value

Average Gross Assessed Value	\$ 413,220.00
(Less) Homeowner Exemption	(7,000.00)
Average Net Assessed Value	\$ 406,220.00

Ad Valorem

	<u>Tax Rate</u>	
General Purpose Ad Valorem Tax (Proposition 13)	1.00000%	\$ 4,062.20
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00378	15.36
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.00554	22.50
Gen Bond Chula Vista-Prop JJ 11/03/98, 2013A Ref	0.01074	43.63
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00479	19.46
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.00950	38.59
Hi Bond Sweetwater-Prop O 11/07/2006, Ser 2008A	0.02550	103.59
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2014 Ref	0.01428	58.01
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.00624	25.35
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2005B Ref	0.01167	47.41
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009A	0.00212	8.61
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009B	0.00942	38.27
Southwestern Comm Coll-Prop R 11/04/08, Ser 2010C	0.00637	25.88
Otay Water Imp Dist No 27-Debt Service (Water)	0.00500	20.31
MWD D/S Remainder of SDCWA 15019999	<u>0.00350</u>	<u>14.22</u>
Subtotal Ad Valorem Taxes	1.11845	\$ 4,543.37

Special/Direct Assessments

Vector Disease Control	\$ 5.86
CWA Water Availability	10.00
Water Availability	10.00
Mosquito Surveillance	2.28
MWD Wtr Standby Chrg	<u>11.50</u>
Subtotal Special/Direct Assessments	\$ 39.64

Mello-Roos Community Facilities Districts (CFD)

	Maximum Amount	Actual Amount
Community Facilities District No. 97-03 (Otay Ranch McMillin Spa One)	\$ 961.96*	\$ 653.73*
CFD 97-2	42.45	21.86
Chula V. Elem CFD#6 <sup>(2)</sup>	983.07	804.44
Sweetwater Hi CFD#6 <sup>(3)</sup>	1,210.80	961.08
CFD97-1A O R Open Sp	<u>282.45</u>	<u>184.82</u>
Subtotal Mello-Roos Community Facilities Districts (CFD)	\$ 3,480.74	\$ 2,625.93

Total Estimated Annual Property Taxes	\$ 8,063.74*	\$ 7,208.94*
Effective Tax Rate	1.9514%*	1.7446%*
Effective Tax Rate - Excluding AD 97-2 and CFD Taxes	1.1091%*	1.1091%*

*Estimate of annual property taxes does not include any new special financing district fees, assessments, and/or special taxes imposed by the state, county, or local agencies that are yet to be established or any future annexation into existing special financing districts required by conditions for approval of development. Information contained within is based upon records and official documents provided by various governmental agencies and third-party sources.*

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 97-3.

(1) Assumes average density of 5.0 units per acre.

(2) Assumes levied at the maximum special tax rate of \$0.4006 per building square foot.

(3) Assumes levied at the maximum special tax rate of \$0.4934 per building square foot.

Source: Alliant Tax Research.

**Value-To-Lien Ratios.** Table 25-A below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 97-3 within certain ranges based on the Fiscal Year 2014-15 assessed value of the property upon which Special Taxes could have been levied, the principal amount of the CFD No. 97-3 Special Tax Refunding Bonds and the overlapping debt payable from taxes and assessments on the taxable



property within CFD No. 97-3 as of April 1, 2015, as shown in Table 23. Based on this information, the estimated value-to-lien ratio for CFD No. No. 97-3 is 24.90\* -to-1. Table 25-A uses Fiscal Year 2014-15 information because assessed values and overlapping indebtedness for Fiscal Year 2015-16 are not yet available.

**TABLE 25-A**  
**CFD NO. 97-3**  
**ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES**  
**INCLUDING DIRECT AND OVERLAPPING DEBT**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Total Overlapping Debt<sup>(2)</sup></i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Levy*</i>
0.00 to 2.99:1	0	\$ 0	\$ 0	\$ 0	0.00%
3.00 to 4.99:1	0	0	0	0	0.00
5.00 to 9.99:1	1	88,536	9,009	445	0.06
10.00 to 14.99:1	6	794,349	60,098	2,784	0.40
15.00 to 19.99:1	23	5,104,804	266,283	10,825	1.54
20.00 to 24.99:1	737	254,517,367	11,098,523	416,698	59.18
25.00 to 29.99:1	320	199,698,269	7,412,499	269,043	38.21
30.00 to 39.99:1	1	272,565	8,966	445	0.06
Greater than 40:1	<u>5</u>	<u>9,962,285</u>	<u>74,273</u>	<u>3,840</u>	<u>0.55</u>
Totals	1,093	\$ 470,438,175	\$ 18,929,651	\$ 704,081	100.00%

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 97-3.

(1) Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

(2) Total Direct and Overlapping Tax and Assessment Debt as of May 1, 2015, for all taxable parcels within CFD No. 97-3 per California Municipal Statistics, Inc. adjusted for the par amount of the Special Tax Refunding Bonds for CFD No. 97-3.

Source: NBS.

Table 25-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 97-3 and within certain ranges based on the Fiscal Year 2014-15 assessed value of the property upon which Special Taxes could have been levied and the outstanding principal amount of the CFD No. 97-3 Special Tax Refunding Bonds, but excluding all overlapping debt. Based on this information, the estimated value-to-lien ratio for CFD No. 97-3 is 75.88\* to 1 for the Developed Property upon which Special Taxes will be levied in Fiscal Year 2015-16.

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\* Preliminary, subject to change.

**TABLE 25-B**  
**CFD NO. 97-3**  
**ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES**  
**INCLUDING DIRECT DEBT ONLY**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Direct CFD Debt<sup>(2)*</sup></i>
0.00 to 2.99:1	0	\$ 0	0.00%	\$ 0	\$ 0
3.00 to 4.99:1	0	0	0.00	0	0
5.00 to 9.99:1	0	0	0.00	0	0
10.00 to 14.99:1	0	0	0.00	0	0
15.00 to 19.99:1	0	0	0.00	0	0
20.00 to 24.99:1	1	445	0.06	88,536	3,918
25.00 to 29.99:1	1	580	0.08	131,295	5,107
30.00 to 39.99:1	5	2,204	0.31	663,054	19,412
Greater than 40:1	<u>1,086</u>	<u>700,851</u>	<u>99.54</u>	<u>469,555,290</u>	<u>6,171,563</u>
Totals	1,093	\$ 704,081	100.00%	\$ 470,438,175	\$ 6,200,000

\* Preliminary, subject to change. Based on the preliminary par amount of the CFD No. 97-3 Special Tax Refunding Bonds.

(1) Total Value per Assessed Value as of January 1, 2014 per County of San Diego.

(2) Total Direct CFD Debt includes the CFD No. 97-3 Special Tax Refunding Bonds.

Source: NBS.

**Top Ten Property Owners.** Table 26 below sets forth the top ten property owners in CFD No. 97-3 based on the projected Special Tax levy for Fiscal Year 2015-16.

**TABLE 26**  
**CFD NO. 97-3**  
**TOP TEN PROPERTY OWNERS**  
**(Based on the Fiscal Year 2014-15 Parcel Classifications and the Fiscal Year 2015-16 Projected Special Tax Levy)**

<i>Owner</i>	<i>Land Value<sup>(1)</sup></i>	<i>Structure Value<sup>(1)</sup></i>	<i>Total Value<sup>(1)</sup></i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Levy*</i>	<i>Parcel Count</i>
EQR-TERESINA LP	\$ 28,000,000	\$ 57,000,000	\$ 85,000,000	\$ 115,801	16.45%	2
CALVARY CHAPEL S D INC	1,559,323	5,962,962	7,522,285	3,140	0.45	1
PINOS ENTERPRISES	423,000	687,000	1,110,000	1,650	0.23	2
LIZARRAGA GUILLERMO B TRUST 08-06-01	357,530	532,803	890,333	1,368	0.19	2
BOW TAPE L L C	307,957	588,754	896,711	1,293	0.18	2
HASHEMEE MATI-ULLAH S & REBER-HASHEMEE P	168,476	321,158	489,634	906	0.13	1
HSU ANGELA & ALAN FAMILY 2011 TRUST	215,483	288,746	504,229	890	0.13	1
NOLASCO FAUSTO & ROSA E REVOCABLE 2014 T	234,556	349,185	583,741	868	0.12	2
VESTAL KENNETH P & WONG SUZANNE Y	144,609	272,230	416,839	862	0.12	1
VEGA JESUS R	126,530	295,127	421,657	862	0.12	1
All Others	<u>143,017,638</u>	<u>229,585,108</u>	<u>372,602,746</u>	<u>576,442</u>	<u>81.87</u>	<u>1,078</u>
<b>TOTAL</b>	<b>\$ 174,555,102</b>	<b>\$ 295,883,073</b>	<b>\$ 470,438,175</b>	<b>\$ 704,081</b>	<b>100.00%</b>	<b>1,093</b>

\* Preliminary, subject to change. Based on the preliminary par amount of the CFD No. 97-3 Special Tax Refunding Bonds.

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

[Map of 99-1]

**Community Facilities District No. 99-1 (Otay Ranch SPA One-Portions of Village One, Village Five and Village One West)** (“CFD No. 99-1”) was formed in 1999. CFD No. 99-1 consists of approximately 1,000 acres within Otay Ranch and is located approximately 3.5 miles east of the downtown area of the City. The first building permits in CFD No. 99-1 were issued on March 24, 1999 and the last certificates of occupancy were issued on January 10, 2005. The residences range in size from 629 square feet to 4,047 square feet. As of January 1, 2014, there were no parcels categorized under the Rate and Method for CFD No. 99-1 as Undeveloped Residential Property.

The public improvements financed through CFD No. 99-1 consist of various roadway and landscape improvements and various public utilities. All of the public improvements financed through CFD No. 99-1 have been completed.

Table 27 sets forth the historical assessed values for the taxable property in CFD No. 99-1 on an aggregate basis for each of the last six fiscal years. Between Fiscal Years 2009-10 and 2014-15, assessed values in the CFD No. 99-1 increased by approximately 6.6%.

**TABLE 27  
CFD NO. 99-1  
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Land Value<sup>(1)</sup></i>	<i>Structure Value<sup>(1)</sup></i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>% change in Total Assessed Value</i>
2009-10	\$544,338,732	\$871,517,249	\$1,415,855,981	N/A
2010-11	535,722,530	859,773,830	1,395,496,360	-1.44%
2011-12	538,232,817	862,889,544	1,401,122,361	0.40
2012-13	536,370,398	862,565,531	1,398,935,929	-0.16
2013-14	539,873,221	870,988,007	1,410,861,228	0.85
2014-15	582,098,265	927,357,371	1,509,615,636	7.00

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

**Development Status.** Table 28 below sets forth the Assigned Special Taxes projected to be levied on the property within CFD No. 99-1 in Fiscal Year 2015-16 based on the development status within CFD No. 99-1 as of January 1, 2014. The actual levy for Fiscal Year 2015-16 will be based on the development status as of March 1, 2015 but given that there were only 2 undeveloped parcels in Fiscal Year 2014-15, the actual levy is not expected to change in any significant way as a result of the actual classification for Fiscal Year 2015-16. The Special Taxes in CFD No. 99-1 may not be levied after the 2034-35 Fiscal Year. The final maturity of the CFD No. No. 99-1 Special Tax Refunding Bonds is September 1, 2031.

**TABLE 28  
CFD NO. 99-1  
DEVELOPMENT STATUS**

<i>Development Status</i>	<i>No. of Parcels</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Maximum Special Tax</i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>
Developed Commercial	4	\$ 22,811,846	\$ 9,530	\$ 5,535	0.25%
Developed Residential	3,500	1,480,780,410	3,798,629	2,198,790	99.75
Undeveloped Commercial	1	5,000,000	40,774	-	0.00
Undeveloped Church	1	1,023,380	4,199	-	0.00
Undeveloped Residential	-	-	-	-	0.00
<b>Total</b>	<b>3,506</b>	<b>\$ 1,509,615,636</b>	<b>\$ 3,853,132</b>	<b>\$ 2,204,325</b>	<b>100.00%</b>

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 99-1 to be issued.

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

The Maximum Special Tax for each Assessor's Parcel of Developed Property (as those terms are defined in the Rate and Method for CFD No. 99-1) ranges between three zones as follows: (1) for Residential Property, \$0 per unit plus \$0.28 per square foot of Residential Floor Area to \$400 per unit plus 0.44 per square foot of Residential Floor Area, (2) for Commercial Property from \$1,600 per Acre to \$4,266 per Acre, and (3) for Community Purpose Facility Property from \$400 per Acre to \$1,066 per Acre. The Maximum Special Tax for Taxable Property Owner Association Property and Undeveloped Property is \$8,864 per Acre. Capitalized terms used in this paragraph (besides Special Tax) are defined in the Rate and Method for CFD No. 99-1 included in Appendix F—"RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS."

As shown in Table 28 above, the Special Tax levy for CFD No. 99-1 in Fiscal Year 2015-16 is projected to be \$2,204,325\*, which is approximately 57.2%\* of the maximum Assigned Special Tax for all property in CFD No. 99-1 and approximately 57.9%\* of the maximum Assigned Special Tax for all Developed Property in CFD No. 99-1.

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\* Preliminary, subject to change.

**Delinquencies.** Table 29 below provides a summary of Special Tax levies, collections and delinquency rates in CFD No. 99-1 for Fiscal Years 2009-10 through 2014-15.

**TABLE 29**  
**CFD NO. 99-1**  
**SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES**  
**FISCAL YEARS 2009-10 TO 2014-15**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End<sup>(1)</sup></i>			<i>Delinquencies as of May 22, 2015</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$2,993,077	3,504	91	\$65,351	2.18%	1	\$ 252	0.01%
2010-11	2,982,673	3,504	63	40,656	1.36	2	1,444	0.05
2011-12	2,988,185	3,504	66	41,621	1.39	1	728	0.02
2012-13	2,987,793	3,504	34	21,316	0.71	4	1,880	0.06
2013-14	2,980,393	3,504	32	19,523	0.66	20	12,006	0.40
2014-15	2,987,964	3,504	N/A	N/A	N/A	75	40,069	1.34

<sup>(1)</sup> As of June 30 of each Fiscal Year.  
Source: NBS.

**Direct and Overlapping Debt.** The property within CFD No. 99-1 is subject to taxation by a number of taxing agencies, some of which have issued debt secured by taxes and assessments levied on such property. Table 30 below sets forth the direct and overlapping debt for CFD No. 99-1 as of April 1, 2015. The Special Tax Refunding Bonds for CFD No. 99-1 will be issued in the amount of \$23,175,000.

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\* Preliminary, subject to change.

**TABLE 30  
DIRECT AND OVERLAPPING DEBT  
CFD NO. 99-1**

2014-15 Local Secured Assessed Valuation: \$1,509,361,886 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/15</u>
Metropolitan Water District General Obligation Bonds	0.065%	\$ 71,799
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	12.736	655,923
Southwestern Community College District General Obligation Bonds	3.348	7,514,839
Sweetwater Union High School District General Obligation Bonds	3.998	13,436,669
Chula Vista City School District General Obligation Bonds	5.713	3,246,858
Sweetwater Union High School District Community Facilities District No. 6	81.672	11,464,064
Sweetwater Union High School District Community Facilities District No. 12	100.000	4,077,186
<b>City of Chula Vista Community Facilities District No. 99-1</b>	<b>100.000</b>	<b>34,320,000</b> <sup>(1)</sup>
City of Chula Vista Reassessment District No. 2005-2	76.068	<u>5,709,694</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$80,497,032</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.359%	\$ 1,263,438
San Diego County Pension Obligation Bonds	0.359	2,452,418
San Diego County Superintendent of Schools Obligations	0.359	52,929
Southwestern Community College District General Fund Obligations	3.348	35,821
Sweetwater Union High School District Certificates of Participation	3.998	1,685,583
Chula Vista City School District General Fund Obligations	5.713	7,697,685
City of Chula Vista Certificates of Participation	6.521	7,667,760
Otay Municipal Water District Certificates of Participation	6.100	<u>2,756,988</u>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$23,612,622</b>
Less: Otay Municipal Water District Certificates of Participation (100% supported)		<u>2,756,988</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$20,855,634</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		
		<b>\$104,109,654</b> <sup>(2)</sup>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$101,352,666</b>

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$34,320,000)</b> .....	<b>2.27%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	5.33%
Gross Combined Total Debt.....	6.90%
Net Combined Total Debt.....	6.71%

<sup>(1)</sup> Excludes refunding issue to be sold.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.  
Source: California Municipal Statistics, Inc.

Table 31 below sets forth a sample property tax bill for a residential unit with an assessed value approximately equal to the average assessed value for all residential units in CFD No. 99-1 in Fiscal Year 2014-15. The estimated tax rates and amounts presented are based on information for Fiscal Year 2014-15 except that the amount of the Special Tax levy has been adjusted for the projected levy for Fiscal Year 2015-16. Other tax rates and amounts for Fiscal Year 2015-16 are not yet available. Based on the foregoing, the projected total effective tax for a residential unit with an assessed value approximately equal to the average assuming special taxes levied at the maximum rates is 2.1459\*% of assessed value. The effective tax rate is 1.7746\*% of assessed value assuming that special taxes for the community facilities district listed in Table 31 are levied at their projected levels in Fiscal Year 2015-16. Though these special taxes may be increased in the

\* Preliminary, subject to change.



future, the Mello-Roos Act provides that they may never be increased by more than 10% as the result of delinquencies or defaults by other owners in CFD No. 99-1 or the other community facilities districts referenced in Table 31 below. See “LEVY AND COLLECTION OF SPECIAL TAXES – General.” See Appendix F—“RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.” The actual effective tax rates for individual parcels within CFD No. 99-1 will vary from the effective tax rate shown in Table 31 and the actual total effective tax rate is expected to vary and may increase in future years.

**TABLE 31  
SAMPLE TAX BILL  
CFD NO. 99-1  
TAX YEAR 2014-15**

Assumptions

Unit Type	Single-Family Detached
Unit Size	2,950 Square Feet
Lot Size <sup>(1)</sup>	8,700 Square Feet
Zone	C

Assessed Value

Average Gross Assessed Value	\$ 501,677.00
(Less) Homeowner Exemption	<u>(7,000.00)</u>
Average Net Assessed Value	\$ 494,677.00

Ad Valorem

	<u>Tax Rate</u>	
General Purpose Ad Valorem Tax (Proposition 13)	1.00000%	\$ 4,946.77
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00378	18.70
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.00554	27.41
Gen Bond Chula Vista-Prop JJ 11/03/98, 2013A Ref	0.01074	53.13
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00479	23.70
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.00950	46.99
Hi Bond Sweetwater-Prop O 11/07/2006, Ser 2008A	0.02550	126.14
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2014 Ref	0.01428	70.64
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.00624	30.87
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2005B Ref	0.01167	57.73
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009A	0.00212	10.49
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009B	0.00942	46.60
Southwestern Comm Coll-Prop R 11/04/08, Ser 2010C	0.00637	31.51
Otay Water Imp Dist No 27-Debt Service (Water)	0.00500	24.73
MWD D/S Remainder of SDCWA 15019999	<u>0.00350</u>	<u>17.31</u>
Subtotal Ad Valorem Taxes	1.11845	\$ 5,532.71

Special/Direct Assessments

Vector Disease Control	\$ 5.86
CWA Water Availability	10.00
Water Availability	10.00
Mosquito Surveillance	2.28
MWD Wtr Standby Chrg	<u>11.50</u>
Subtotal Special/Direct Assessments	\$ 39.64

Mello-Roos Community Facilities Districts (CFD)

	Maximum Amount	Actual Amount
Community Facilities District No. 99-1 (Otay Ranch Spa One)	\$ 1,698.00*	\$ 971.40*
CFD 97-2	51.03	26.28
Chula V. Elem CFD#12 <sup>(2)</sup>	892.38	748.42
Sweetwater Hi CFD#12 <sup>(3)</sup>	1,146.96	828.66
CFD 99-2 OR VLG 1 W	<u>1,404.79</u>	<u>755.72</u>
Subtotal Mello-Roos Community Facilities Districts (CFD)	\$ 5,193.16*	\$ 3,330.48*

Total Estimated Annual Property Taxes	\$10,765.51*	\$ 8,902.83*
Effective Tax Rate	2.1459%*	1.7746%*
Effective Tax Rate - Excluding CFD Taxes	1.1107%*	1.1107%*

***Estimate of annual property taxes does not include any new special financing district fees, assessments, and/or special taxes imposed by the state, county, or local agencies that are yet to be established or any future annexation into existing special financing districts required by conditions for approval of development. Information contained within is based upon records and official documents provided by various governmental agencies and third-party sources.***

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 99-1 to be issued.

(1) Assumes average density of 5.0 units per acre.

(2) Assumes levied at the maximum special tax rate of \$0.3025 per building square foot.

(3) Assumes levied at the maximum special tax rate of \$0.3888 per building square foot.

Source: Alliant Tax Research.

**Value-To-Lien Ratios.** Table 32-A below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 99-1 within certain ranges based on the Fiscal Year 2014-15 assessed value of the property upon which Special Taxes could have been levied, the principal amount of the CFD No. 99-1 Special Tax Refunding Bonds and the overlapping debt payable from taxes and assessments on the taxable property within CFD No. 99-1 as of April 1, 2015, as shown in Table 30. Based on this information, the estimated value-to-lien ratio for CFD No. 99-1 is 22.48\*-to-1. Table 32-A uses Fiscal Year 2014-15 information because assessed values and overlapping indebtedness for Fiscal Year 2015-16 are not yet available.

**TABLE 32-A**  
**CFD NO. 99-1**  
**ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES**  
**INCLUDING DIRECT AND OVERLAPPING DEBT**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Total Overlapping Debt<sup>(2)</sup></i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Levy*</i>
0.00 to 2.99:1	0	\$ 0	\$ 0	\$ 0	0.00%
3.00 to 4.99:1	0	0	0	0	0.00
5.00 to 9.99:1	6	575,388	74,884	2,250	0.10
10.00 to 14.99:1	3	613,729	46,574	1,668	0.08
15.00 to 19.99:1	367	162,400,014	8,719,646	329,985	14.97
20.00 to 24.99:1	2,530	1,083,530,347	48,660,701	1,634,314	74.14
25.00 to 29.99:1	585	229,825,177	8,744,980	226,935	10.29
30.00 to 39.99:1	12	28,779,736	818,395	8,233	0.37
Greater than 40:1	<u>3</u>	<u>3,891,245</u>	<u>84,318</u>	<u>939</u>	<u>0.04</u>
Totals	3,506	\$ 1,509,615,636	\$ 67,149,497	\$ 2,204,325	100.00%

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 99-1 to be issued.

(1) Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

(2) Total Direct and Overlapping Tax and Assessment Debt as of May 1, 2015, for all taxable parcels within CFD No. 99-1 per California Municipal Statistics, Inc. adjusted for the par amount of the Special Tax Refunding Bonds for CFD No. 99-1.

Source: NBS.

Table 32-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 99-1 and within certain ranges based on the Fiscal Year 2014-15 assessed value of the property upon which Special Taxes could have been levied and the outstanding principal amount of the CFD No. 99-1 Special Tax Refunding Bonds, but excluding all overlapping debt. Based on this information, the estimated value-to-lien ratio for CFD No. 99-1 is 65.14\* to 1 for the Developed Property upon which Special Taxes will be levied in Fiscal Year 2015-16.

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\* Preliminary, subject to change.

**TABLE 32-B**  
**CFD NO. 99-1**  
**ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES**  
**INCLUDING DIRECT DEBT ONLY**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Direct CFD Debt<sup>(2)*</sup></i>
0.00 to 2.99:1	0	\$ 0	0.00%	\$ 0	\$ 0
3.00 to 4.99:1	0	0	0.00	0	0
5.00 to 9.99:1	0	0	0.00	0	0
10.00 to 14.99:1	0	0	0.00	0	0
15.00 to 19.99:1	2	851	0.04	170,716	8,945
20.00 to 24.99:1	0	0	0.00	0	0
25.00 to 29.99:1	4	1,989	0.09	559,125	20,908
30.00 to 39.99:1	68	46,689	2.12	18,822,753	490,858
Greater than 40:1	<u>3,432</u>	<u>2,154,797</u>	<u>97.75</u>	<u>1,490,063,042</u>	<u>22,654,289</u>
Totals	3,506	\$ 2,204,325	100.00%	\$ 1,509,615,636	\$ 23,175,000

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 99-1 to be issued.

(1) Total Value per Assessed Value as of January 1, 2014 per County of San Diego.

(2) Total Direct CFD Debt includes the Special Tax Refunding Bonds for CFD No. 99-1.

Source: NBS.

**Top Ten Property Owners.** Table 33 below sets forth the top ten property owners in CFD No. 99-1 based on the projected Special Tax levy for Fiscal Year 2015-16.

**TABLE 33**  
**CFD NO. 99-1**  
**TOP TEN PROPERTY OWNERS**  
**(Based on the Fiscal Year 2014-15 Parcel Classifications and the Fiscal Year 2015-16 Projected Special Tax Levy)**

<i>Owner</i>	<i>Land Value<sup>(1)</sup></i>	<i>Structure Value<sup>(1)</sup></i>	<i>Total Value<sup>(1)</sup></i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Levy*</i>	<i>Parcel Count</i>
B R E-F M C A L L C	\$ 12,818,584	\$ 38,894,110	\$ 51,712,694	\$ 93,930	4.26%	2
CAMDEN USA INC	18,903,807	46,621,526	65,525,333	58,714	2.66	1
TERRA VISTA L P	11,026,136	13,915,312	24,941,448	23,351	1.06	148
N H P/P M B CHULA VISTA L L C	5,149,497	13,723,410	18,872,907	4,340	0.20	1
MANASES INVESTMENTS INC	863,673	1,477,803	2,341,476	3,968	0.18	6
LEE BONG CHUN & KYEONG	430,039	645,059	1,075,098	2,275	0.10	2
JUAREZ JOSE A	399,277	581,392	980,669	2,163	0.10	2
EBALO JULIUS E & RACQUEL Z	396,659	661,138	1,057,797	2,144	0.10	2
NUNEZ JAVIER JR & MYRNA	414,645	553,473	968,118	2,135	0.10	2
CHEN FAMILY TRUST 09-24-14	369,626	556,939	926,565	1,985	0.09	2
All Others	<u>531,326,322</u>	<u>809,727,209</u>	<u>1,341,213,531</u>	<u>2,009,321</u>	<u>91.15</u>	<u>3,338</u>
TOTAL	\$ 582,098,265	\$ 927,357,371	\$ 1,509,615,636	\$ 2,204,325	100.00%	3,506

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 99-1 to be issued.

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

[Map of 2000-1]

**Community Facilities District No. 2000-1 (Sunbow II-Villages 5 through 10)** (“CFD No. 2000-1”) was formed in 2000. CFD No. 2000-1 consists of approximately 141 acres located approximately five miles east of the downtown area of the City and 10 miles southeast of downtown San Diego. The first building permits in CFD No. 2000-1 were issued on August 2, 2000 and the last certificates of occupancy were issued on January 30, 2003. The residences range in size from 1,860 square feet to 3,654 square feet. As of January 1, 2014, there were no parcels categorized under the Rate and Method for CFD No. 2000-1 as Undeveloped Residential Property.

The public improvements financed through CFD No. 2000-1 consist of various roadway and landscape improvements and various public utilities. All public improvements financed through CFD No. 2000-1 have been completed.

Table 34 sets forth the historical assessed values for the taxable property in CFD No. 2000-1 on an aggregate basis for each of the last six fiscal years. Between Fiscal Years 2009-10 and 2014-15, assessed values in the CFD No. 2000-1 increased by approximately 5.8%.

**TABLE 34  
CFD NO. 2000-1  
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Land Value<sup>(1)</sup></i>	<i>Structure Value<sup>(1)</sup></i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>% change in Total Assessed Value</i>
2009-10	\$88,907,714	\$149,265,612	\$238,173,326	N/A
2010-11	88,058,272	147,356,131	235,414,403	-1.16%
2011-12	88,628,919	148,151,721	236,780,640	0.58
2012-13	88,746,125	147,859,986	236,606,111	-0.07
2013-14	89,858,713	149,748,989	239,607,702	1.27
2014-15	94,238,302	157,787,310	252,025,612	5.18

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

**Development Status.** Table 35 below sets forth the Assigned Special Taxes projected to be levied on the property within CFD No. 2000-1 in Fiscal Year 2015-16 based on the development status within CFD No. 2000-1 as of January 1, 2014. The actual levy for Fiscal Year 2015-16 will be based on the development status as of March 1, 2015 but given that there were no undeveloped parcels in Fiscal Year 2014-15, the actual levy is not expected to change in any significant way as a result of the actual classification for Fiscal Year 2015-16. The Special Taxes in CFD No. 2000-1 may not be levied after the 2035-36 Fiscal Year. The final maturity of the CFD No. No. 2000-1 Special Tax Refunding Bonds is September 1, 2030.

**TABLE 35  
CFD NO. 2000-1  
DEVELOPMENT STATUS**

<i>Development Status</i>	<i>No. of Parcels</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Maximum Special Tax</i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>
Developed Commercial	-	\$ -	\$ -	\$ -	0.00%
Developed Residential	595	252,025,612	668,748	478,651	100.00
Undeveloped Commercial	-	-	-	-	0.00
Undeveloped Residential	-	-	-	-	0.00
<b>Total</b>	<u>595</u>	<u>\$ 252,025,612</u>	<u>\$ 668,748</u>	<u>\$ 478,651</u>	<u>100.00%</u>

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 2000-1 to be issued.

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

The Maximum Special Tax for each Assessor’s Parcel of Property (as those terms are defined in the Rate and Method for CFD No. 2000-1) is calculated as follows: (1) for Residential Property, \$0 per unit plus \$0.44 per square foot of Residential Floor Area, and (2) for Undeveloped Property and Taxable Property Owner Association Property, \$7,851 per Acre. The terms “Residential Property,” “Residential Floor Area,” “Undeveloped Property,” “Taxable Property Owner Association Property” and “Acre” are defined in the Rate and Method for CFD No. 2000-1 included in Appendix F—“RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.”

As shown in Table 35 above, the Special Tax levy for CFD No. 99-1 in Fiscal Year 2015-16 is projected to be \$478,651\*, which is approximately 71.6\*% of the maximum Assigned Special Tax for all property in CFD No. 2000-1.

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\* Preliminary, subject to change.



**Delinquencies.** Table 36 below provides a summary of Special Tax levies, collections and delinquency rates in CFD No. 2000-1 for Fiscal Years 2009-10 through 2014-15.

**TABLE 36**  
**CFD NO. 2000-1**  
**SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES**  
**FISCAL YEARS 2009-10 TO 2014-15**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End<sup>(1)</sup></i>			<i>Delinquencies as of May 22, 2015</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$578,833	595	11	\$9,414	1.63%	1	\$ 951	0.16%
2010-11	542,385	595	10	8,161	1.50	1	446	0.08
2011-12	535,071	595	15	10,004	1.87	1	869	0.16
2012-13	536,071	595	6	3,825	0.71	2	1,311	0.24
2013-14	541,671	595	4	2,995	0.55	1	879	0.16
2014-15	537,921	595	N/A	N/A	N/A	5	4,205	0.78

<sup>(1)</sup> As of June 30 of each Fiscal Year.  
Source: NBS.

**Direct and Overlapping Debt.** The property within CFD No. 2000-1 is subject to taxation by a number of taxing agencies, some of which have issued debt secured by taxes and assessments levied on such property. Table 37 below sets forth the direct and overlapping debt for CFD No. 2000-1 as of April 1, 2015. The Special Tax Refunding Bonds for CFD No. 2000-1 will be issued in the amount of \$4,180,000\*.

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\* Preliminary, subject to change.

**TABLE 37  
DIRECT AND OVERLAPPING DEBT  
CFD NO. 2000-1**

2014-15 Local Secured Assessed Valuation: \$252,025,612 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/15</u>
Metropolitan Water District General Obligation Bonds	0.011%	\$ 11,982
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	2.252	115,985
Southwestern Community College District General Obligation Bonds	0.559	1,254,124
Sweetwater Union High School District General Obligation Bonds	0.667	2,242,396
Chula Vista City School District General Obligation Bonds	0.953	541,856
Sweetwater Union High School District Community Facilities District No. 4	45.049	3,384,623
Chula Vista City School District Community Facilities District	6.398	245,055
<b>City of Chula Vista Community Facilities District No. 2000-1</b>	<b>100.000</b>	<b><u>5,635,000</u></b> <sup>(1)</sup>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$13,431,021
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.060%	\$ 210,850
San Diego County Pension Obligation Bonds	0.060	409,275
San Diego County Superintendent of Schools Obligations	0.060	8,833
Southwestern Community College District General Fund Obligations	0.559	5,978
Sweetwater Union High School District Certificates of Participation	0.667	281,301
Chula Vista City School District General Fund Obligations	0.953	1,284,638
City of Chula Vista Certificates of Participation	1.088	1,279,644
Otay Municipal Water District Certificates of Participation	1.018	<u>460,104</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$3,940,623
Less: Otay Municipal Water District Certificates of Participation (100% supported)		<u>460,104</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$3,480,519
 GROSS COMBINED TOTAL DEBT		 \$17,371,644 <sup>(2)</sup>
NET COMBINED TOTAL DEBT		\$16,911,540

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$5,635,000)</b> .....	<b>2.24%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	5.33%
Gross Combined Total Debt.....	6.89%
Net Combined Total Debt.....	6.71%

<sup>(1)</sup> Excludes refunding issue to be sold.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Table 38 below sets forth a sample property tax bill for a residential unit with an assessed value approximately equal to the average assessed value for all residential units in CFD No. 2000-1 in Fiscal Year 2014-15. The estimated tax rates and amounts presented are based on information for Fiscal Year 2014-15 except that the amount of the Special Tax levy has been adjusted for the projected levy for Fiscal Year 2015-16. Other tax rates and amounts for Fiscal Year 2015-16 are not yet available. Based on the foregoing, the projected total effective tax for a residential unit with an assessed value approximately equal to the average assuming special taxes levied at the maximum rates is 2.0437% of assessed value. The effective tax rate is 1.7803% of assessed value assuming that special taxes for the community facilities district listed in Table 38 are levied at their projected levels in Fiscal Year 2015-16. Though these special taxes may be increased in the future, the Mello-Roos Act provides that they may never be increased by more than 10% as the result of

\* Preliminary, subject to change.

delinquencies or defaults by other owners in CFD No. 2000-1 or the other community facilities districts referenced in Table 38 below. See “LEVY AND COLLECTION OF SPECIAL TAXES – General.” See Appendix F—“RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.” The actual effective tax rates for individual parcels within CFD No. 2000-1 will vary from the effective tax rate shown in Table 38 and the actual total effective tax rate is expected to vary and may increase in future years.

**TABLE 38  
SAMPLE TAX BILL  
CFD NO. 2000-1  
TAX YEAR 2014-15**

Assumptions

Unit Type	Single-Family Detached
Unit Size	2,956 Square Feet
Lot Size <sup>(1)</sup>	8,700 Square Feet

Assessed Value

Average Gross Assessed Value	\$ 443,279.00
(Less) Homeowner Exemption	<u>(7,000.00)</u>
Average Net Assessed Value	\$ 436,279.00

Ad Valorem

	<u>Tax Rate</u>	
General Purpose <i>Ad Valorem</i> Tax (Proposition 13)	1.00000%	\$ 4,362.79
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00378	16.49
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.00554	24.17
Gen Bond Chula Vista-Prop JJ 11/03/98, 2013A Ref	0.01074	46.86
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00479	20.90
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.00950	41.45
Hi Bond Sweetwater-Prop O 11/07/2006, Ser 2008A	0.02550	111.25
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2014 Ref	0.01428	62.30
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.00624	27.22
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2005B Ref	0.01167	50.91
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009A	0.00212	9.25
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009B	0.00942	41.10
Southwestern Comm Coll-Prop R 11/04/08, Ser 2010C	0.00637	27.79
Otay Water Imp Dist No 27-Debt Service (Water)	0.00500	21.81
MWD D/S Remainder of SDCWA 15019999	<u>0.00350</u>	<u>15.27</u>
Subtotal <i>Ad Valorem</i> Taxes	1.11845	\$ 4,879.56

Special/Direct Assessments

Vector Disease Control	5.86
CWA Water Availability	10.00
Water Availability	10.00
Mosquito Surveillance	2.28
MWD Wtr Standby Chrg	<u>11.50</u>
Subtotal Special/Direct Assessments	\$ 39.64

Mello-Roos Community Facilities Districts (CFD)

	Maximum Amount	Actual Amount
Community Facilities District No. 2000-1 (Sunbow II-Villages 5 through 10)	\$ 1,300.64*	\$ 930.92*
Chula V. Elem CFD#4 <sup>(2)</sup>	913.40	618.18
Sweetwater Hi CFD#4 <sup>(3)</sup>	1,451.40	1,069.04
CFD 98-3 (Open Space Dist #35)	<u>474.45</u>	<u>354.30</u>
Subtotal Mello-Roos Community Facilities Districts (CFD)	\$ 4,139.89*	\$ 2,972.44*

Total Estimated Annual Property Taxes	\$ 9,059.09*	\$ 7,891.64*
Effective Tax Rate	2.0437%*	1.7803%*
Effective Tax Rate - Excluding CFD Taxes	1.1097%*	1.1097%*

*Estimate of annual property taxes does not include any new special financing district fees, assessments, and/or special taxes imposed by the state, county, or local agencies that are yet to be established or any future annexation into existing special financing districts required by conditions for approval of development. Information contained within is based upon records and official documents provided by various governmental agencies and third-party sources.*

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 2000-1 to be issued.

(1) Assumes average density of 5.0 units per acre.

(2) Assumes levied at the maximum special tax rate of \$0.3090 per building square foot.

(3) Assumes levied at the maximum special tax rate of \$0.4910 per building square foot.

Source: Alliant Tax Research.

**Value-To-Lien Ratios.** Table 39-A below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 2000-1 within certain ranges based on the Fiscal Year 2014-15 assessed value of the property upon which Special Taxes could have been levied, the principal amount of the CFD No. 2000-1 Special Tax Refunding Bonds and the overlapping debt payable from taxes and assessments on the taxable property within CFD No. 2000-1 as of April 1, 2015, as shown in Table 37. Based on this information, the estimated value-to-lien ratio for CFD No. No. 2000-1 is 32.33\* -to-1. Table 39-A uses Fiscal Year 2014-15 information because assessed values and overlapping indebtedness for Fiscal Year 2015-16 are not yet available.

**TABLE 39**  
**CFD NO. 2000-1**  
**ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES**  
**INCLUDING OVERLAPPING DEBT**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Total Overlapping Debt<sup>(2)</sup></i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Levy*</i>
0.00 to 2.99:1	0	\$ -	\$ -	\$ -	0.00%
3.00 to 4.99:1	0	-	-	-	0.00
5.00 to 9.99:1	1	98,372	8,118	777	0.16
10.00 to 14.99:1	0	-	-	-	0.00
15.00 to 19.99:1	149	61,545,708	2,064,850	135,027	28.21
20.00 to 24.99:1	439	187,612,058	5,654,413	338,519	70.72
25.00 to 29.99:1	6	2,769,474	68,641	4,328	0.90
30.00 to 39.99:1	0	0	0	-	0.00
Greater than 40:1	0	0	0	-	0.00
<b>Totals</b>	<b>595</b>	<b>\$ 252,025,612</b>	<b>\$ 7,796,022</b>	<b>\$ 478,651</b>	

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 2000-1 to be issued.

(1) Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

(2) Total Direct and Overlapping Tax and Assessment Debt as of May 1, 2015, for all taxable parcels within CFD No. 2000-1 per California Municipal Statistics, Inc.

Source: NBS.

Table 39-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 2000-1 and within certain ranges based on the Fiscal Year 2014-15 assessed value of the property upon which Special Taxes could have been levied and the outstanding principal amount of the CFD No. 2000-1 Special Tax Refunding Bonds, but excluding all overlapping debt. Based on this information, the estimated value-to-lien ratio for CFD No. 2000-1 is 60.30\* to 1 for the Developed Property upon which Special Taxes will be levied in Fiscal Year 2015-16.

\* Preliminary, subject to change.

**TABLE 39-B**  
**CFD NO. 2000-1**  
**ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES**  
**INCLUDING DIRECT DEBT ONLY**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Direct CFD Debt<sup>(2)*</sup></i>
0.00 to 2.99:1	0	\$ 0	0.00%	\$ 0	\$ 0
3.00 to 4.99:1	0	0	0.00	0	0
5.00 to 9.99:1	0	0	0.00	0	0
10.00 to 14.99:1	1	777	0.16	98,372	6,785
15.00 to 19.99:1	0	0	0.00	0	0
20.00 to 24.99:1	0	0	0.00	0	0
25.00 to 29.99:1	0	0	0.00	0	0
30.00 to 39.99:1	0	0	0.00	0	0
Greater than 40:1	<u>594</u>	<u>477,874</u>	<u>99.84</u>	<u>251,927,240</u>	<u>4,173,215</u>
Totals	595	\$ 478,651	100.00%	\$ 252,025,612	\$ 4,180,000

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 2000-1 to be issued.

(1) Total Value per Assessed Value as of January 1, 2014 per County of San Diego.

(2) Total Direct CFD Debt includes the Special Tax Refunding Bonds for CFD 2000-1.

Source: NBS.

**Top Ten Property Owners.** Table 40 below sets forth the top ten property owners in CFD No. 2000-1 based on the projected Special Tax levy for Fiscal Year 2015-16.

**TABLE 40**  
**CFD NO. 2000-1**  
**TOP TEN PROPERTY OWNERS**  
**(Based on the Fiscal Year 2014-15 Parcel Classifications and the Fiscal Year 2015-16 Projected Special Tax Levy)**

<i>Owner</i>	<i>Land Value<sup>(1)</sup></i>	<i>Structure Value<sup>(1)</sup></i>	<i>Total Value<sup>(1)</sup></i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Levy*</i>	<i>Parcel Count</i>
VILLAMIL VIRGILIO S SR & TEODORA B	\$ 357,333	\$ 502,392	\$ 859,725	\$ 1,673	0.35%	2
BENNER LUCY LIVING TRUST 07-24-14	261,501	571,788	833,289	1,573	0.33	2
DELAVEGA LIVING TRUST 04-21-08	353,846	429,095	782,941	1,487	0.31	2
VALBUENA LOUIE M & MAXIMA S	143,221	362,396	505,617	1,050	0.22	1
QAMOH WALED & JANITTE	129,961	356,449	486,410	1,050	0.22	1
NORMANDY PENNY D	141,355	321,571	462,926	1,050	0.22	1
LEE BYUNG SOK & YOUNG SOOK	144,609	344,054	488,663	1,050	0.22	1
TAPIA IVAN A	215,000	305,000	520,000	1,050	0.22	1
LIN HENRY C & TAM MAY C	208,000	312,000	520,000	1,050	0.22	1
LARDIZABAL LIVING TRUST 03-14-12	141,091	313,537	454,628	1,050	0.22	1
All Others	<u>92,142,385</u>	<u>153,969,028</u>	<u>246,111,413</u>	<u>466,567</u>	<u>97.48</u>	<u>582</u>
TOTAL	\$ 94,238,302	\$ 157,787,310	\$ 252,025,612	\$ 478,651	100.00%	595

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 2000-1 to be issued.

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

[Map of 2001-1 Improvement Area A]



**Community Facilities District No. 2001-1 (San Miguel Ranch)** (“CFD No. 2001-1”) was formed in 2001. Improvement Area A was designated within CFD No. 2001-1 upon formation of CFD No. 2001-1. Improvement Area A of CFD No. 2001-1 consists of approximately 475 acres and is located east of Interstate 805 approximately seven miles southeast of downtown San Diego. The first building permits in Improvement Area A of CFD No. 2001-1 were issued on January March 21, 2002 and the last certificates of occupancy were issued on May 8, 2007. The residences range in size from 1,037 square feet to 3,684 square feet. As of January 1, 2014, there were two parcels categorized under the Rate and Method for CFD No. Improvement Area A of CFD No. 2001-1 as Undeveloped Residential Property.

The public improvements financed through Improvement Area A of CFD No. 2001-1 included various roadway and landscape improvements. All of the public improvements financed through CFD No. 2001-1 for Improvement Area A have been completed.

Table 41 sets forth the historical assessed values for the taxable property in Improvement Area A of CFD No. 2001-1 on an aggregate basis for each of the last six fiscal years. Between Fiscal Years 2009-10 and 2014-15, assessed values in Improvement Area A of CFD No. 2001-1 increased by approximately 9.1%.

**TABLE 41  
IMPROVEMENT AREA A OF CFD NO. 2001-1  
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Land Value<sup>(1)</sup></i>	<i>Structure Value<sup>(1)</sup></i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>% change in Total Assessed Value</i>
2009-10	\$146,288,666	\$226,501,509	\$372,790,175	N/A
2010-11	139,249,498	218,087,681	357,337,179	-4.15%
2011-12	140,763,283	219,791,553	360,554,836	0.90
2012-13	137,760,714	215,610,349	353,371,063	-1.99
2013-14	140,624,658	218,730,281	359,354,939	1.69
2014-15	158,823,809	247,924,771	406,748,580	13.19

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

**Development Status.** Table 42 below sets forth the Assigned Special Taxes projected to be levied on the property within Improvement Area A of CFD No. 2001-1 in Fiscal Year 2015-16 based on the development status within Improvement Area A of CFD No. 2001-1 as of January 1, 2014. The actual levy for Fiscal Year 2015-16 will be based on the development status as of March 1, 2015 but given that there were only 2 undeveloped parcels in Fiscal Year 2014-15, the actual levy is not expected to change in any significant way as a result of the actual classification for Fiscal Year 2015-16. The Special Taxes in Improvement Area A of CFD No. 2001-1 may not be levied after the 2037-38 Fiscal Year. The final maturity of the CFD No. 2001-1 Special Tax Refunding Bonds is September 1, 2032.

**TABLE 42  
IMPROVEMENT AREA A OF CFD NO. 2001-1  
DEVELOPMENT STATUS**

<i>Development Status</i>	<i>No. of Parcels</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Maximum Special Tax</i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>
Developed Commercial	-	\$ -	\$ -	\$ -	0.00%
Developed Residential	1,028	404,069,815	1,229,949	690,256	100.00
Undeveloped Commercial	-	-	-	-	0.00
Undeveloped Residential	<u>2</u>	<u>2,678,765</u>	<u>52,503</u>	<u>-</u>	<u>0.00</u>
Total	1,030	\$ 406,748,580	\$ 1,282,452	\$ 690,256	100.00%

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 2001-1 to be issued.

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

The Assigned Special Tax for each Assessor’s Parcel of Developed Property (as those terms are defined in the Rate and Method for Improvement Area A of CFD No. 2001-1) is calculated as follows: (1) for Residential Property, \$475 per unit plus \$0.34 per square foot of Residential Floor Area, and (2) for Commercial Property, \$5,091 per Acre. The terms “Residential Property,” “Residential Floor Area,” “Commercial Property” and “Acre” are defined in the Rate and Method for Improvement Area A of CFD No. 2001-1 included in Appendix F—“RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.”

As shown in Table 42 above, the Special Tax levy for Improvement Area A of CFD No. 2001-1 in Fiscal Year 2015-16 is \$690,256, which is approximately 53.8% of the maximum Assigned Special Tax for all property in Improvement Area A of CFD No. 2001-1 and approximately 56.1% of the maximum Assigned Special Tax for all Developed Property in Improvement Area A of CFD No. 2001-1.

**Delinquencies.** Table 43 below provides a summary of Special Tax levies, collections and delinquency rates in Improvement Area A of CFD No. 2001-1 for Fiscal Years 2009-10 through 2014-15.

**TABLE 43**  
**IMPROVEMENT AREA A OF CFD NO. 2001-1**  
**SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES**  
**FISCAL YEARS 2009-10 TO 2014-15**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End<sup>(1)</sup></i>			<i>Delinquencies as of April 1, 2015</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$1,070,487	1,029	47	\$40,770	3.81%	-	\$ -	0.00%
2010-11	1,063,785	1,028	22	17,009	1.60	-	-	0.00
2011-12	1,065,947	1,028	13	12,309	1.15	-	-	0.00
2012-13	1,069,548	1,028	10	7,779	0.73	1	624	0.06
2013-14	1,067,348	1,028	8	6,080	0.57	3	2,689	0.25
2014-15	1,066,774	1,028	N/A	N/A	N/A	13	10,392	0.97

<sup>(1)</sup> As of June 30 of each Fiscal Year.  
Source: NBS.

**Direct and Overlapping Debt.** The property within Improvement Area A of CFD No. 2001-1 is subject to taxation by a number of taxing agencies, some of which have issued debt secured by taxes and assessments levied on such property. Table 44 below sets forth the direct and overlapping debt for Improvement Area A of CFD No. 2001-1 as of April 1, 2015. The Special Tax Refunding Bonds for Improvement Area A of CFD No. 2001-1 will be issued in the amount of \$6,925,000\*.

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\* Preliminary, subject to change.

**TABLE 44  
DIRECT AND OVERLAPPING DEBT  
IMPROVEMENT AREA A OF CFD NO. 2001-1**

2014-15 Local Secured Assessed Valuation: \$406,748,580 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/15</u>
Metropolitan Water District General Obligation Bonds	0.018%	\$ 19,354
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	3.638	187,345
Southwestern Community College District General Obligation Bonds	0.902	2,025,726
Sweetwater Union High School District General Obligation Bonds	1.078	3,622,035
Chula Vista City School District General Obligation Bonds	1.540	875,234
Sweetwater Union High School District Community Facilities District No. 13	64.884	3,382,627
<b>City of Chula Vista Community Facilities District No. 2001-1, I.A. A</b>	<b>100.000</b>	<b><u>12,045,000</u></b> <sup>(1)</sup>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$22,157,321</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.097%	\$ 340,577
San Diego County Pension Obligation Bonds	0.097	661,082
San Diego County Superintendent of Schools Obligations	0.097	14,268
Southwestern Community College District General Fund Obligations	0.902	9,656
Sweetwater Union High School District Certificates of Participation	1.078	454,372
Chula Vista City School District General Fund Obligations	1.540	2,075,014
City of Chula Vista Certificates of Participation	1.758	2,066,948
Otay Municipal Water District Certificates of Participation	1.644	<u>743,183</u>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$6,365,100</b>
Less: Otay Municipal Water District Certificates of Participation (100% supported)		<u>743,183</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$5,621,917</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		<b>\$28,522,421</b> <sup>(2)</sup>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$27,779,238</b>

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$12,045,000)</b> .....	<b>2.96%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	5.45%
Gross Combined Total Debt.....	7.01%
Net Combined Total Debt.....	6.83%

<sup>(1)</sup> Excludes refunding issue to be sold.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.  
Source: California Municipal Statistics, Inc.

Table 45 below sets forth a sample property tax bill for a residential unit with an assessed value approximately equal to the average assessed value for all residential units in Improvement Area A of CFD No. 2001-1 in Fiscal Year 2014-15. The estimated tax rates and amounts presented are based on information for Fiscal Year 2014-15 except that the amount of the Special Tax levy has been adjusted for the projected levy for Fiscal Year 2015-16. Other tax rates and amounts for Fiscal Year 2015-16 are not yet available. Based on the foregoing, the projected total effective tax for a residential unit with an assessed value approximately equal to the average assuming special taxes levied at the maximum rates is 1.7119%\* of assessed value. The effective tax rate is 1.5118%\* of assessed value assuming that special taxes for the community facilities district listed in Table 45 are levied at their projected levels in Fiscal Year 2015-16. Though these special taxes may be increased in the future, the Mello-Roos Act provides that they may never be increased by more than 10% as

\* Preliminary, subject to change.

the result of delinquencies or defaults by other owners in Improvement Area A of CFD No. 2001-1 or the other community facilities districts referenced in Table 45 below. See “LEVY AND COLLECTION OF SPECIAL TAXES – General.” See Appendix F—“RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.” The actual effective tax rates for individual parcels within Improvement Area A of CFD No. 2001-1 will vary from the effective tax rate shown in Table 45 and the actual total effective tax rate is expected to vary and may increase in future years.

**TABLE 45  
SAMPLE TAX BILL  
IMPROVEMENT AREA A OF CFD NO. 2001-1  
TAX YEAR 2014-15**

Assumptions

Unit Type	Single-Family Detached
Unit Size	2,206 Square Feet
Lot Size <sup>(1)</sup>	8,700 Square Feet

Assessed Value

Average Gross Assessed Value	\$ 456,169.00
(Less) Homeowner Exemption	<u>(7,000.00)</u>
Average Net Assessed Value	\$ 449,169.00

Ad Valorem

	<u>Tax Rate</u>	
General Purpose Ad Valorem Tax (Proposition 13)	1.00000%	\$ 4,491.69
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00378	16.98
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.00554	24.88
Gen Bond Chula Vista-Prop JJ 11/03/98, 2013A Ref	0.01074	48.24
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00479	21.52
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.00950	42.67
Hi Bond Sweetwater-Prop O 11/07/2006, Ser 2008A	0.02550	114.54
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2014 Ref	0.01428	64.14
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.00624	28.03
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2005B Ref	0.01167	52.42
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009A	0.00212	9.52
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009B	0.00942	42.31
Southwestern Comm Coll-Prop R 11/04/08, Ser 2010C	0.00637	28.61
Otay Water Imp Dist No 27-Debt Service (Water)	0.00500	22.46
MWD D/S Remainder of SDCWA 15019999	<u>0.00350</u>	<u>15.72</u>
Subtotal Ad Valorem Taxes	1.11845	\$ 5,023.73

Special/Direct Assessments

Vector Disease Control	\$ 5.86
CWA Water Availability	10.00
Water Availability	10.00
Mosquito Surveillance	2.28
MWD Wtr Standby Chrg	<u>11.50</u>
Subtotal Special/Direct Assessments	\$ 39.64

Mello-Roos Community Facilities Districts (CFD)

	Maximum Amount	Actual Amount
Community Facilities District No. 2001-1 (San Miguel Ranch), Improvement Area A	\$ 1,225.04*	\$ 659.36*
Chula V. Elem CFD#13 <sup>(2)</sup>	665.55	574.58
Sweetwater Hi CFD#13 <sup>(3)</sup>	<u>855.27</u>	<u>599.12</u>
Subtotal Mello-Roos Community Facilities Districts (CFD)	\$ 2,745.86*	\$ 1,833.06*

Total Estimated Annual Property Taxes	\$ 7,809.23*	\$ 6,896.43*
Effective Tax Rate	1.7119%*	1.5118%*
Effective Tax Rate - Excluding CFD Taxes	1.1100%*	1.1100%*

***Estimate of annual property taxes does not include any new special financing district fees, assessments, and/or special taxes imposed by the state, county, or local agencies that are yet to be established or any future annexation into existing special financing districts required by conditions for approval of development. Information contained within is based upon records and official documents provided by various governmental agencies and third-party sources.***

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 2001-1 to be issued.

(1) Assumes average density of 5.0 units per acre.

(2) Assumes levied at the maximum special tax rate of \$0.3017 per building square foot.

(3) Assumes levied at the maximum special tax rate of \$0.3877 per building square foot.

Source: Alliant Tax Research.

***Value-To-Lien Ratios.*** Table 46-A below sets forth the estimated assessed value-to-lien ratio of all the taxable property in Improvement Area A of CFD No. 2001-1 within certain ranges based on the Fiscal Year 2014-15 assessed value of the property upon which Special Taxes could have been levied, the principal amount of the CFD No. 2001-1 Special Tax Refunding Bonds and the overlapping debt payable from taxes and

assessments on the taxable property within Improvement Area A of CFD No. 2001-1 as of April 1, 2015, as shown in Table 44. Based on this information, the estimated value-to-lien ratio for Improvement Area A of CFD No. 2001-1 is 23.87\* -to-1. Table 46-A uses Fiscal Year 2014-15 information because assessed values and overlapping indebtedness for Fiscal Year 2015-16 are not yet available.

**TABLE 46-A  
IMPROVEMENT AREA A OF CFD NO. 2001-1  
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES  
INCLUDING DIRECT AND OVERLAPPING DEBT**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Total Overlapping Debt<sup>(2)</sup></i>	<i>Projected Fiscal Year 2015-16 Levy</i>	<i>% of Projected Fiscal Year 2015-16 Levy</i>
0.00 to 2.99:1	0	\$ -	\$ -	\$ -	0.00%
3.00 to 4.99:1	0	-	-	-	0.00
5.00 to 9.99:1	2	116,135	16,740	1,016	0.15
10.00 to 14.99:1	-	-	-	-	0.00
15.00 to 19.99:1	91	18,418,948	956,881	46,169	6.69
20.00 to 24.99:1	644	231,545,602	10,098,179	420,532	60.92
25.00 to 29.99:1	288	152,436,100	5,871,349	220,816	31.99
30.00 to 39.99:1	3	1,553,030	49,757	1,723	0.25
Greater than 40:1	<u>2</u>	<u>2,678,765</u>	<u>44,416</u>	<u>-</u>	0.00
Totals	1,030	\$ 406,748,580	\$ 17,037,321	\$ 690,256	

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 2001-1 to be issued.

(1) Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

(2) Total Direct and Overlapping Tax and Assessment Debt as of May 1, 2015, for all taxable parcels within Improvement Area A of CFD No. 2001-1 per California Municipal Statistics, Inc. adjusted for the par amount of the Special Tax Refunding Bonds for CFD No. 2001-1.

Source: NBS.

Table 46-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in Improvement Area A of CFD No. 2001-1 and within certain ranges based on the Fiscal Year 2014-15 assessed value of the property upon which Special Taxes could have been levied and the outstanding principal amount of the CFD No. 2001-1 Special Tax Refunding Bonds, but excluding all overlapping debt. Based on this information, the estimated value-to-lien ratio for Improvement Area A of CFD No. 2001-1 is 58.74\* to 1 for the Developed Property upon which Special Taxes will be levied in Fiscal Year 2015-16.

\* Preliminary, subject to change.

**TABLE 46-B  
IMPROVEMENT AREA A OF CFD NO. 2001-1  
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES  
INCLUDING DIRECT DEBT ONLY**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>Total Assessed Value<sup>(1)</sup></i>	<i>Direct CFD Debt<sup>(2)*</sup></i>
0.00 to 2.99:1	0	\$ 0	0.00%	\$ 0	\$ 0
3.00 to 4.99:1	0	0	0.00	0	0
5.00 to 9.99:1	0	0	0.00	0	0
10.00 to 14.99:1	2	1,016	0.15	116,135	10,190
15.00 to 19.99:1	0	0	0.00	0	0
20.00 to 24.99:1	0	0	0.00	0	0
25.00 to 29.99:1	1	464	0.07	129,594	4,660
30.00 to 39.99:1	43	20,968	3.04	7,983,226	210,363
Greater than 40:1	<u>984</u>	<u>667,808</u>	<u>96.75</u>	<u>398,519,625</u>	<u>6,699,788</u>
Totals	1,030	\$ 690,256	100.00%	\$ 406,748,580	\$ 6,925,000

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 2001-1 to be issued.

(1) Total Value per Assessed Value as of January 1, 2014 per County of San Diego.

(2) Total Direct CFD Debt includes the Special Tax Refunding Bonds for CFD No. 2001-1.

Source: NBS.

**Top Ten Property Owners.** Table 47 below sets forth the top ten property owners in Improvement Area A of CFD No. 2001-1 based on the projected Special Tax levy for Fiscal Year 2015-16.



**TABLE 47  
IMPROVEMENT AREA A OF CFD NO. 2001-1  
TOP TEN PROPERTY OWNERS**

**(Based on the Fiscal Year 2014-15 Parcel Classifications and the Fiscal Year 2015-16 Projected Special Tax Levy)**

<i>Owner</i>	<i>Land Value<sup>(1)</sup></i>	<i>Structure Value<sup>(1)</sup></i>	<i>Total Value<sup>(1)</sup></i>	<i>Projected Fiscal Year 2015-16 Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Levy*</i>	<i>Parcel Count</i>
C W C REGIONAL HOUSING FUND L P	\$ 410,662	\$ 537,022	\$ 947,684	\$ 1,887	0.27%	3
MURPHY JASON R & RACHEL L REVOCABLE 2008	521,101	449,067	970,168	1,585	0.23	2
HERNANDEZ AXEL I & LINDA L	332,977	614,539	947,516	1,527	0.22	2
EASTLAKE PROPERTIES L L C	303,371	510,306	813,677	1,463	0.21	2
ESPARZA MARIA	294,604	514,410	809,014	1,400	0.20	2
MILLARD DEREK A & LUZ M	323,708	431,622	755,330	1,301	0.19	2
HOLLAND DANIEL & RENEE	293,220	541,437	834,657	1,286	0.19	2
BRUNETTO STEPHEN M	251,231	524,821	776,052	1,270	0.18	2
URBANO ARTHUR & MARIA E	355,000	385,000	740,000	1,217	0.18	2
PARK GYU JANG & SUSAN	317,061	397,913	714,974	1,216	0.18	2
All Others	<u>155,420,874</u>	<u>243,018,634</u>	<u>398,439,508</u>	<u>676,104</u>	<u>97.95</u>	<u>1,009</u>
<b>TOTAL</b>	<b>\$ 158,823,809</b>	<b>\$ 247,924,771</b>	<b>\$ 406,748,580</b>	<b>\$ 690,256</b>	<b>100.00%</b>	<b>1,030</b>

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 2001-1 to be issued.

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014. This data does not reflect any appeals or other changes to value that may have been updated after January 2014.

Source: NBS.

## **SPECIAL RISK FACTORS**

There are certain risks associated with the purchase of the Bonds and the following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the Bonds.

### **The Bonds are Limited Obligations of the Authority**

The Revenues for the payment of the principal of and the interest on the Bonds are derived from debt service payments on the Refunding Bonds, which are derived only from annual payments of Reassessments and Special Taxes levied within the Taxing Jurisdictions. The amount of annual installments of Reassessments and Special Taxes that are collected could be insufficient to pay principal of and interest on the Refunding Bonds due to non-payment of such Reassessments and Special Taxes levied or due to insufficient proceeds received from a judicial foreclosure sale of land within the Taxing Jurisdiction following delinquency. The Bonds are special, limited obligations of the Authority payable solely from and secured solely by the Revenues and other amounts pledged therefor under the Indenture. The only other amounts expected to be available under the Indenture are amounts in the Reserve Fund which could be depleted in the event of a significant level of Reassessment or Special Tax delinquencies. The Bonds cannot be accelerated in the event of any default.

### **The Refunding Bonds are Limited Obligations**

The Refunding Bonds are limited obligations of the Districts payable only from Net Reassessments and Special Tax Revenues. The City has no liability for any payments due on the Refunding Bonds issued by the Districts. In addition, there is no cross-collateralization or any applicable cross-payment provisions among the Taxing Jurisdictions. The levy of Reassessments or Special Taxes collected in a Taxing Jurisdiction cannot be used to make the debt service payments on the Refunding Bonds of another Taxing Jurisdiction.

Failure by owners of the parcels to pay Reassessments or Special Tax installments when due, delay in foreclosure proceedings, or the inability to sell parcels which have been subject to judicial foreclosure proceedings for amounts sufficient to cover the delinquent installments of Reassessments or Special Taxes levied against such parcels may result in the inability of the Districts to make full or timely payments of debt service on the Refunding Bonds, which may in turn result in the depletion of the Reserve Fund and the inability of the Authority to make full or timely payment on the Bonds.

### **The Reassessments are Not Personal Obligations of the Property Owners**

Under the provisions of the Act, Reassessment installments will be billed to the owner of each parcel in the Reassessment District against which there is an unpaid Reassessment, with such billing to be made on the regular property tax bills sent to such owners. The Reassessment installments are due and payable at the same time and bear the same late charges and penalties as for non-payment of regular property tax installments.

The obligation to pay Reassessment installments does not constitute a personal obligation of the current or subsequent owners of the respective parcels which are subject to the Reassessment liens. Enforcement of Reassessment payment obligations by the City is limited to judicial foreclosure in the San Diego County Superior Court pursuant to Sections 8830 et seq. of the California Streets and Highways Code. There is no assurance that any current or subsequent owner of a parcel subject to a Reassessment lien will be able to pay the Reassessment installments or that such owner will choose to pay such installments even though financially able to do so.

## **The Special Taxes are Not Personal Obligations of the Owners**

An owner of a taxable parcel is not personally obligated to pay the Special Tax levied on such parcel. Rather, the Special Tax is an obligation which is secured only by a lien against the parcel. If Special Taxes are delinquent, the only remedy that the Community Facilities Districts have is to commence a judicial foreclosure action. If the proceeds from the sale of a delinquent parcel following foreclosure are insufficient to pay the delinquent Special Taxes, the applicable Community Facilities District has no recourse against the owner for any shortfall.

## **Potential Early Redemption of Bonds from Prepayments**

Property owners within the Taxing Jurisdictions are permitted to prepay their Reassessments and Special Taxes at any time. Such prepayments will result in a redemption of Refunding Bonds on the first March 1 or September 1 which is more than 30 days following the receipt of the prepayment. The proceeds of the Refunding Bonds so redeemed will then be used to make a mandatory redemption of the Bonds. The Bonds will be called from the proceeds of the Refunding Bonds redeemed from prepayments as set forth under the caption “THE BONDS—Redemption—Mandatory Redemption of the Bonds from Principal Prepayments of the Refunding Bonds.”

## **Risks of Real Estate Secured Investments Generally**

The Bondowners 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 the Taxing Jurisdictions, the supply of or demand for competitive properties in such area, and the market value of comparable residential property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and laws relating to threatened and 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 the individual homeowners will pay Reassessments or Special Taxes in the future or that they will be able to pay such Reassessments or Special Taxes on a timely basis. See the caption “—Bankruptcy and Foreclosure Delays” for a discussion of certain limitations on the Districts’ ability to pursue judicial proceedings with respect to delinquent parcels.

## **Insufficiency of Special Taxes**

Notwithstanding that the maximum Special Taxes that may be levied in each Taxing Jurisdiction exceeds debt service due on the related series of Refunding Bonds, the Special Taxes collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation as permitted in the Rate and Method for an Taxing Jurisdiction. Moreover, under the CFD Act, and the Rate and Method for each Community Facilities District, under no circumstances will the Special Tax levied against any Assessor’s Parcel of Residential Property be increased by more than ten percent per year as a consequence of delinquency or default in the payment of Special Taxes by the owner of any other Assessor’s Parcel.

In the event of significant delinquencies in a Taxing Jurisdiction causing a default in payment of debt service on the related series of Refunding Bonds and depletion of all amounts on deposit in the Reserve Fund, there would not be sufficient Special Tax Revenues to pay the full amount of annual debt service on the Bonds until the delinquent Special Taxes were collected through foreclosure action or otherwise. See the caption “—Bankruptcy and Foreclosure Delays” for a discussion of potential delays in foreclosure actions.

The CFD Act provides that, if any property within the Taxing Jurisdictions 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 CFD 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 CFD Act have not been tested in the courts. Due to the problems of collecting taxes from public agencies, if a substantial portion of land within the Taxing Jurisdictions were 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.

### **Risks Related to Homeowners with High Loan to Value Ratios or Negative Equity**

There are certain risks in the housing market associated with homeowners with little equity, no equity or negative equity in their homes. Any future declines in assessed values in the Taxing Jurisdictions could result in property owner unwillingness or inability to pay mortgage payments, as well as *ad valorem* taxes, assessments and special taxes, when due. Under such circumstances, there is the potential for certain parcels to be affected by bankruptcy proceedings. Bankruptcy by homeowners with delinquent Reassessments or Special Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent Reassessments or Special Taxes. See the caption “—Bankruptcy and Foreclosure Delays.”

### **Bankruptcy and Foreclosure Delays**

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 Districts to foreclose the lien of delinquent unpaid Reassessments or Special Taxes pursuant to its covenant to pursue judicial foreclosure proceedings set forth in the Refunding Bonds Fiscal Agent Agreements (see the caption “SECURITY FOR THE BONDS—Covenant to Foreclose”) may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed for many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the United States Bankruptcy Code might prevent moneys on deposit under the Refunding Bonds Fiscal Agent Agreements from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

Although a bankruptcy proceeding would not cause the lien of the Reassessments and the Special Taxes to become extinguished, the amount and priority of any Reassessment or 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 a bankruptcy court. In addition, the bankruptcy of a property owner could result in a stay of enforcement or other delay in procuring Superior Court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Reassessment or the Special Taxes. If enough parcels were involved in bankruptcy proceedings, court delays would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent tax installments not being paid in full.

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, including the Bonds and the Refunding Bonds, by moratorium, bankruptcy, reorganization,

insolvency or other similar laws affecting the rights of creditors generally, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of Reassessments and Special Taxes or the timing of enforcement of Reassessments and Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of such military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if a court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

### **FDIC/Federal Government Interests in Properties**

**General.** The ability of the Districts to foreclose the lien of delinquent unpaid Reassessment and 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 agencies such as the Federal National Mortgage Association ("FNMA") or Freddie Mac, 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."

The foregoing is generally interpreted to mean that, unless the United States Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Reassessments and Special Taxes within the Taxing Jurisdiction but does not pay taxes and assessments levied on the parcel (including Reassessments and Special Taxes), the applicable State and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless the United States Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the Districts wish to foreclose on the parcel as a result of delinquent Reassessments and 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 Reassessments and Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* 597 F.2d 174 (9th Cir. 1979), the United States Court of Appeal, Ninth Circuit (the "Ninth Circuit"), held that 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. For a discussion of risks associated with taxable parcels within the Taxing Jurisdictions becoming owned by the federal government, federal government entities or federal government sponsored entities, see the caption "—Insufficiency of Special Taxes."

The Districts have 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 Reassessments or the Special Taxes within the Taxing Jurisdictions, 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 the Taxing Jurisdictions 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 Districts to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Reassessments and 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 that 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 that it purports to secure the payment of any such amounts. Special taxes imposed under the CFD 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 issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from CFD Act special taxes.

The Community Facilities Districts are 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 the Taxing Jurisdiction in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes from being foreclosed 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.

### **Direct and Overlapping Debt**

Neither the Authority, the City nor the Districts have control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within the Taxing Jurisdictions which may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the property within the Taxing Jurisdictions. Other public agencies may issue additional indebtedness on property within the Taxing Jurisdictions at any time. Furthermore, nothing prevents the owners of property within the Taxing Jurisdictions from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes on a parity with the Reassessments and the Special Taxes or assessments which would be subordinate to the Reassessments and the Special Taxes. To the extent that such indebtedness is payable from other assessments, other special taxes levied pursuant to the CFD Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within the Taxing Jurisdictions.

Accordingly, the debt on the property within the Taxing Jurisdictions could increase, without any corresponding increase in the value of the property therein. The imposition of such additional indebtedness could reduce the willingness and ability of the property owners within the Taxing Jurisdictions to pay the Reassessments and the Special Taxes when due. See the caption “—Cumulative Burden of Parity Taxes and Special Assessments.” Moreover, in the event of a delinquency in the payment of Reassessments and the Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of property with delinquent

Reassessments and Special Taxes would be sufficient to pay the delinquent Reassessments and Special Taxes. See the caption “SPECIAL RISK FACTORS—Taxable Property Values.”

### **Disclosures to Future Purchasers**

The willingness or ability of an owner of a parcel to pay the Reassessment or Special Tax even if the value of the parcel is sufficient may be affected by whether or not the owner was given due notice of the Reassessment or Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Reassessment or Special Tax on the parcel should the Reassessment or 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 Community Facilities Districts have caused a notice of the Special Tax lien to be recorded in the Office of the Recorder of the County of San Diego 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 the Taxing Jurisdictions or lending of money thereon.

The CFD Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code § 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.

### **Natural Disasters**

The Districts, like all California communities, may be subject to unpredictable seismic activity, fires due to the vegetation and topography, or flooding in the event of unseasonable rainfall. The occurrence of seismic activity, fires or flooding in or around the Districts could result in substantial damage to properties in the Taxing Jurisdictions which, in turn, could substantially reduce the value of such properties. As a result of the occurrence of such an event, a substantial portion of the property owners may be unable or unwilling to pay the Reassessment or Special Tax installments when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in the Taxing Jurisdictions could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Reassessment or Special Tax installments.

### **Taxable Property Values**

The value of land within the Taxing Jurisdictions is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of a Reassessment or Special Tax installment, the Districts’ only remedy is to commence foreclosure proceedings on such property. Prospective purchasers of the Bonds should not assume that the property within the Taxing Jurisdictions could be sold for the assessed value described herein at a foreclosure sale for delinquent Reassessment or Special Tax installments or for an amount adequate to pay delinquent Reassessment or Special Tax installments. Reductions in property values within the Taxing Jurisdictions due to a downturn in the economy or the real estate market, events such as earthquakes, wildfires, droughts, or floods, stricter land use regulations, threatened or endangered species or other events may adversely impact the security underlying the liens. The property within the Taxing Jurisdictions is fully developed.

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 San Diego County Assessor, generally not to exceed

an increase of more than 2% per Fiscal Year as limited by Proposition 13, as amended by Proposition 8. Within the last several years, several counties in the State, including the County of San Diego, have reassessed certain properties acquired at the peak of the real estate market in 2006 and 2007. The Authority cannot predict whether the County of San Diego will further reduce assessed values within the Taxing Jurisdictions in future years. Accordingly, if the County of San Diego did decide to broadly reassess recent home transactions in the County of San Diego, it is possible that in future years the assessed values shown in this Official Statement could be adjusted downward from the values reflected on the Fiscal Year 2014-15 Assessor's Roll. No assurance can be given that Fiscal Year 2014-15 assessed values reflect market values or that a parcel could actually be sold for its assessed value.

The actual market value of the property is subject to future events such as a downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the land in the Taxing Jurisdictions, which is the security for the Refunding Bonds, which secure the Bonds. As discussed herein, many factors could adversely affect property values within the Taxing Jurisdictions.

### **Hazardous Substances**

A claim with regard to a hazardous substance on a parcel of land subject to any of the Reassessments or the Special Taxes can result in a significant potential reduction in the value of the parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions 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 well known, but State laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the Taxing Jurisdictions be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition because the prospective purchaser of such a parcel will, upon becoming the owner of such parcel, become obligated to remedy the condition just as the seller of such a parcel is obligated to remedy the condition.

Hazardous substance liabilities may arise in the future with respect to any of the parcels within the Taxing Jurisdictions resulting from the existence, currently, 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. Additionally, such liabilities may arise from the method of handling such substance. These possibilities could significantly affect the value of a parcel and could result in substantial delays in completing planned development on parcels that are currently undeveloped.

### **Cumulative Burden of Parity Taxes and Special Assessments**

Property within the Taxing Jurisdictions is subject to taxes imposed by public agencies that also have jurisdiction over the land within the Taxing Jurisdictions. See the caption "THE TAXING JURISDICTIONS."

The Reassessments and the Special Taxes constitute a lien against the parcels of land on which they have been levied. Such lien is on a parity with all special taxes or 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.

Neither the Authority, the City nor the Districts have control over the ability of other entities to issue indebtedness secured by *ad valorem* taxes, special taxes or assessments levied on all or a portion of the property within the Taxing Jurisdictions. In addition, the owners of the property within the Improvements Areas may, without the consent or knowledge of the Authority, the City or the Community Facilities District,



petition other public agencies to issue public indebtedness secured by *ad valorem* taxes, special taxes of assessments. The property within the Taxing Jurisdictions is subject to a number of overlapping tax and assessment liens, some of which secure outstanding indebtedness. See Tables 16, 17, 23, 24, 30, 31, 37, 38, 44 and 45 and the caption “THE TAXING JURISDICTIONS.”

### **Loss of Tax Exemption**

As discussed under the caption “CONCLUDING INFORMATION—Tax Matters,” in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Authority, and the Districts will covenant in the Indenture and each Refunding Bonds Fiscal Agent Agreement, respectively, and the City will covenant in the Tax Certificate, not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date that the Bonds were issued, as a result of acts or omissions of the Authority, the City, or the Districts in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain Outstanding to maturity or until redeemed under the optional or mandatory redemption provisions of the Indenture.

Current or 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 Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislative changes have been proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Bonds. The introduction or enactment of any of the pending or future legislative proposals, clarification of the Code or court decisions may also affect 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, as to which Bond Counsel expresses no opinion.

It is possible that subsequent to the issuance of the Bonds there might be federal, State, or local statutory changes (or judicial or regulatory interpretations of federal, State, or local law) that affect the federal, State, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur. See “CONCLUDING INFORMATION—Tax Matters” below.

### **IRS Audit of Tax-Exempt Bond Issues**

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). See “CONCLUDING INFORMATION—Tax Matters” below.

### **California Constitution Article XIIC and Article XIID**

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which contain, among other things, a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

**Regarding Reassessments.** Article XIID requires that, beginning July 1, 1997, the proceedings for the levy of any special assessment (including, if applicable, any increase in such assessment or any

supplemental assessment) must be conducted in conformity with the provisions of Section 4 of Article XIID. Section 9525(b) of the California Streets and Highways Code provides that any reassessment approved and confirmed pursuant to Section 9525 of the California Streets and Highways Code shall not be deemed to be an assessment within the meaning of, and may be ordered without compliance with the procedural requirements of, Article XIID. The Reassessments were approved and confirmed pursuant to Section 9525 of the California Streets and Highways Code. Furthermore, the original assessment districts' assessments (which are supplanted and superseded by the Reassessments) were levied prior to July 1, 1997. Therefore, neither the Original Assessment Districts' assessments nor the Reassessments are subject to the provisions of Section 4 of Article XIID. In addition, under Section 10400 of the California Streets and Highways Code, any challenge (including any constitutional challenge) to the proceedings or the assessment must be brought within 30 days after the date the assessment was levied.

Article XIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. This provision of Article XIIC is not, by its terms, restricted in its application to assessments which were established or imposed on or after July 1, 1997. In the case of the unpaid Reassessments which are pledged as security for the payment of the Reassessment Bonds, the Act provides a mandatory, statutory duty of the City and the County Auditor to post installments on account of the unpaid Reassessments to the property tax roll of the City each year while any of the Reassessment Bonds are outstanding, in amounts equal to the principal of and interest on the related issue of Reassessment Bonds coming due in the succeeding calendar year. While the matter is not free from doubt, it is likely that a court would hold that the initiative power cannot be used to reduce or repeal the unpaid Reassessments which are pledged as security for payment of the Reassessment Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the City and the County Auditor with respect to the unpaid Reassessments which are pledged as security for payment of such Reassessment Bonds.

**Regarding Special Taxes.** Among other things, Section 3 of Article XIII states that "... the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The CFD 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 CFD 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 CFD 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 Special Taxes if such reduction would interfere with the timely retirement of the Refunding Bonds. The provisions of the initiative relating to the exercise of the initiative power have not been interpreted by the courts and no assurance can be given as to the outcome of any such litigation.

It may be possible, however, for voters or the City Council, acting as the legislative body of the Community Facilities Districts, 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, each Community Facility District will covenant that it will not approve a modification of the maximum Special Tax rates on parcels within a Taxing Jurisdiction that would prohibit such Taxing Jurisdiction from levying Special Taxes at a rate that would generate Net Special Tax Revenues in each Fiscal Year in an amount equal to at least 110% of annual debt service on such Taxing Jurisdiction's CFD Bonds. The Community Facilities Districts will further covenant that, in the event that an initiative is adopted which purports to alter the respective Rates and Methods, the applicable Community Facilities District will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. See the caption "SECURITY FOR THE BONDS—Levy and Collection of Special Taxes—General." However, no assurance can be given as to the enforceability of the foregoing covenants.

With respect to the approval of the Special Taxes, on August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997) (the "San Diego Decision"). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego (the "City"). 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 the entire City. 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.

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in the City). The elections held in each of the Taxing Jurisdictions had less than 12 registered voters within each Taxing Jurisdiction 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 does not apply to the Special Tax elections in the Taxing Jurisdictions. 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. Voters within the Taxing Jurisdictions approved the Special Tax and the issuance of bonds years ago, and bonds issued on behalf of the Taxing Jurisdictions secured by the Special Taxes have been issued years ago. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rates and Methods may now be brought.

The interpretation and application of Articles XIII C and XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at the current time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See the caption "—Limitations on Remedies."

## **No Acceleration**

Under the Indenture and the Refunding Bonds Fiscal Agent Agreements, neither the Bonds nor the Refunding Bonds, respectively, are subject to acceleration in the event of payment default or in the event that interest on the Bonds becomes included in gross income for federal income tax purposes. Similarly, there is no provision in the Refunding Act, the CFD Act, the Indenture or the Refunding Bonds Fiscal Agent Agreements for the acceleration of the Reassessments or the Special Taxes in the event of a payment default by an owner of a parcel within a Taxing Jurisdiction or otherwise, or upon any adverse change in the tax status of interest on the Bonds.

## **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 Districts have committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bondowners on a timely basis. See the caption “CONCLUDING INFORMATION—Continuing Disclosure.” The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, 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.

## **Limitations on Remedies**

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest and premium, if any, 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, the Indenture and the Refunding Bonds Fiscal Agent Agreements to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditors’ rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay in the exercise of, or limitations on or modifications to, the rights of the Owners.

Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the Districts, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against governmental entities in the State. See the captions “—Bankruptcy and Foreclosure Delays,” and “—FDIC/Federal Government Interests in Properties.”

## CONCLUDING INFORMATION

### Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) pursuant to a Bond Purchase Agreement, dated \_\_\_\_\_, 2015 (the “Purchase Agreement”), by and among the Underwriter, the Authority and the Districts. The Underwriter has agreed to purchase the Bonds at a price of \$\_\_\_\_\_ (being the aggregate principal amount thereof, plus/less a net original issue premium/discount of \$\_\_\_\_\_ and less an Underwriter’s discount of \$\_\_\_\_\_). The Purchase Agreement 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 Agreement, the approval of certain legal matters by counsel and certain other conditions.

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

### Financial Advisor

Fieldman, Rolapp & Associates, Irvine, California (the “Financial Advisor”), served as financial advisor with respect to the sale of the Bonds. The Financial Advisor will receive compensation contingent upon the sale and delivery of the Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

### Legal Opinion; Legal Matters

The legality of the Bonds and certain other legal matters are subject to the approval of Best Best & Krieger LLP, Bond Counsel. Bond Counsel will render an opinion with respect to the validity and enforceability of the Bonds and the Indenture, and a copy of the opinion will accompany each Bond. Such opinion will be subject to the various assumptions, exceptions and limitations stated therein. Bond Counsel also will render an opinion with respect to the validity and enforceability of the Refunding Bonds. See Appendix C—“FORM OF BOND COUNSEL OPINION.” Certain legal matters will be passed upon for the Authority and the City by the City Attorney, for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel, for the Underwriter by Nossaman LLP, Irvine, California, and for the Trustee by its counsel.

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

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 Authority, the District, the Underwriter and others and is subject to the condition that the Authority and the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations adopted pursuant to the Code (the "Treasury Regulations") that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code and the Treasury Regulations might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the District have covenanted to comply with all such requirements.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

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.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, 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. As one example, the Obama Administration announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally have limited 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.

The Internal Revenue Service (the "IRS") has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit (or by an audit of similar bonds).

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided the Authority and the District continue 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 opinion of Bond Counsel is attached hereto as Appendix C.

### **Financial Interests**

Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and the Trustee is contingent upon the sale and delivery of the Bonds. Bond Counsel and Disclosure Counsel have from time to time represented the Underwriter in connection with various matters unrelated to the Bonds or the Refunding Bonds.

### **No Litigation**

There is no action, suit, or proceeding pending or, to the best knowledge of the City, the Reassessment District, the Community Facilities Districts and the Authority, threatened at the present time restraining or enjoining the delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City, the Districts or the Authority taken with respect to the execution or delivery thereof. A no litigation opinion rendered by the City Attorney will be required to be delivered to the Underwriter simultaneously with the delivery of the Bonds.

### **Verification of Mathematical Computations**

Grant Thornton LLP, Minneapolis, Minnesota, an independent firm of certified public accountants, will deliver to the Community Facilities Districts its reports indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the City and its representatives. Included in the scope of its examination will be a verification of: (i) the mathematical accuracy of the mathematical computations of the adequacy of the cash deposited with the Escrow Bank to pay the interest, principal and redemption price coming due on the Prior Special Tax Bonds on their redemption date as described under the caption "THE FINANCING PLAN;" and (ii) the computations of

yield of the Bonds which support Bond Counsel's opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes.

### **Rating**

The District expects that Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P") will assign the Bonds the rating of "\_\_\_\_\_." Certain information was supplied by the Community Facilities Districts to the rating agency to be considered in evaluating the Bonds. The ratings issued reflect only the views of the rating agency, and any explanation of the significance of such rating should be obtained from the rating agency. There is no assurance that any rating obtained will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Neither the Authority nor the Community Facilities Districts undertake any responsibility either to bring to the attention of the holders of the Bonds any downward revision or withdrawal. Any such downward revision or withdrawal of a rating obtained may have an adverse effect on the market price of the Bonds.

### **Continuing Disclosure**

The Authority will covenant for the benefit of holders and beneficial owners of the Bonds: (1) to provide certain financial information and operating data (the "Annual Report") relating to the Taxing Jurisdictions not later than January 31 after the end of the City's Fiscal Year, commencing with the report for Fiscal Year 2014-15; and (2) to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Authority or a dissemination agent appointed by the Authority with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/> ("EMMA"). The notices of enumerated events will be filed by the Authority or a dissemination agent appointed by the Authority with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Agreement. See Appendix D—"FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule").

It should be noted that the Authority is required to file certain financial statements with the Annual Report. This requirement has been included in the Continuing Disclosure Agreement solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the Authority or the City other than as described in this Official Statement. See the captions "SPECIAL RISK FACTORS—The Bonds are Limited Obligations of the Authority" and "SPECIAL RISK FACTORS—The Refunding Bonds are Limited Obligations."

Certain of the Districts, the City and the Authority have failed on two occasions to comply in all material respects with their previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events in the last five years. The full text of the Continuing Disclosure Agreement is set forth in Appendix D. Specifically: (i) in connection with the City's 2004 Certificates of Participation and 2006 Certificates of Participation, the City was four months late in filing its audited financial reports in 2011; and (ii) in connection with previous undertakings of certain of the City's community facilities districts, such community facilities filed their audited financial reports 12 days late in 2013.

### **Miscellaneous**

All of the preceding summaries of the Indenture, the Bonds, the Refunding Bonds Fiscal Agent Agreements, applicable legislation, agreements and other documents are made subject to the provisions of such documents and legislation and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.



This Official Statement does not constitute a contract with the purchasers of the Bonds.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement have been authorized by the members of the Board of Directors of the Authority and by the members of the City Council, as the legislative body of the Districts.

**CHULA VISTA MUNICIPAL FINANCING  
AUTHORITY**

By: \_\_\_\_\_  
Executive Director

**APPENDIX A**

**INFORMATION REGARDING THE CITY OF CHULA VISTA**

*The information and expressions of opinion set forth herein have been obtained from sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness. Statements contained herein which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. The information and expressions of opinion herein are subject to change without notice, and neither 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 the affairs of the City or in any other information contained herein since the date of the Official Statement. The Bonds are not general obligations of the County of San Diego (the "County"). The following information is provided only to give prospective investors an overview of the general economic condition of the region surrounding the City.*

**General Information**

Chula Vista 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. With a January 2015 estimated population of 257,989, Chula Vista 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 2011 and 2015.

**TABLE NO. A-1  
POPULATION  
2011 - 2015**

<i>Year</i>	<i>Chula Vista</i>	<i>San Diego County</i>
2011	245,958	3,115,810
2012	248,044	3,128,387
2013	252,586	3,164,818
2014	255,580	3,192,457
2015	257,989	3,227,496

Source: State of California, Department of Finance, *E-4 City/County Population Estimates, 2011-2015*, with 2010 Benchmark, Sacramento, CA, May 2015.

## Employment and Industry

The following table summarizes the civilian labor force, civilian employment and civilian unemployment figures over the period from 2010 through 2014 in the City of Chula Vista, the County of San Diego, the State of California and the United States.

**TABLE NO. A-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<sup>(1)</sup></i>	<i>Civilian Unemployment<sup>(2)</sup></i>	<i>Civilian Unemployment Rate<sup>(3)</sup></i>
2010				
Chula Vista	117,700	102,000	15,700	13.3%
San Diego County	1,516,000	1,353,100	162,900	10.7
California	18,330,500	16,063,500	2,267,000	12.4
United States <sup>(4)</sup>	153,889,000	139,064,000	14,825,000	9.6
2011				
Chula Vista	118,300	103,200	15,100	12.8%
San Diego County	1,526,000	1,368,700	157,300	10.3
California	18,404,500	16,237,300	2,167,200	11.8
United States <sup>(4)</sup>	153,617,000	139,869,000	13,747,000	8.9
2012				
Chula Vista	119,400	105,800	13,600	11.4%
San Diego County	1,544,600	1,403,600	141,000	9.1
California	18,519,000	16,589,700	1,929,300	10.4
United States <sup>(4)</sup>	154,975,000	142,469,000	12,506,000	8.1
2013				
Chula Vista	119,100	107,500	11,600	9.7%
San Diego County	1,546,200	1,425,800	120,400	7.8
California	18,596,800	16,933,300	1,663,500	8.9
United States <sup>(4)</sup>	155,389,000	143,929,000	11,460,000	7.4
2014				
Chula Vista	118,500	108,900	9,500	8.1%
San Diego County	1,544,600	1,445,400	99,200	6.4
California	18,811,400	17,397,100	1,414,300	7.5
United States <sup>(4)</sup>	155,922,000	146,305,000	9,617,000	6.2

Note: Data is not seasonally adjusted.

<sup>(1)</sup> Includes persons involved in labor-management trade disputes.

<sup>(2)</sup> Includes all persons without jobs who are actively seeking work.

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

<sup>(4)</sup> 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 shows industry employment figures for the San Diego-Carlsbad MSA for calendar years 2010 through 2014. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the MSA.

**TABLE NO. A-3**  
**SAN DIEGO-CARLSBAD MSA**  
**INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE**  
**Calendar Years 2010 through 2014**

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Civilian Labor Force	1,516,000	1,526,000	1,544,600	1,546,200	1,544,600
Civilian Employment	1,353,100	1,368,700	1,403,600	1,425,800	1,445,400
Civilian Unemployment	162,900	157,300	141,000	120,400	99,200
Civilian Unemployment Rate	10.7%	10.3%	9.1%	7.8%	6.4%
Total Farm	10,500	9,800	9,800	9,800	10,000
Total Nonfarm	1,237,100	1,247,000	1,280,500	1,317,800	1,348,000
Total Private	1,006,600	1,018,000	1,052,700	1,088,300	1,116,100
Goods Producing	148,900	149,000	151,900	156,600	160,300
Mining and Logging	400	400	400	400	400
Construction	55,400	55,200	57,000	60,900	63,500
Manufacturing	93,100	93,400	94,500	95,200	96,400
Service Providing	1,088,200	1,098,000	1,128,600	1,161,200	1,187,700
Trade, Transportation & Utilities	197,400	201,000	208,000	212,400	214,800
Wholesale Trade	40,200	41,500	43,500	43,900	43,900
Retail Trade	130,700	133,400	137,200	141,300	144,200
Transportation, Warehousing & Utilities	26,500	26,100	27,300	27,200	26,800
Information	25,100	24,200	24,500	24,300	24,600
Financial Activities	67,200	67,600	70,200	71,400	70,500
Professional & Business Services	207,900	210,200	216,700	224,700	230,000
Educational & Health Services	159,600	162,800	170,500	181,100	186,900
Leisure and Hospitality	154,500	155,600	161,700	168,600	176,800
Other Services	46,100	47,700	49,200	49,300	52,300
Government	<u>230,500</u>	<u>229,000</u>	<u>227,800</u>	<u>229,500</u>	<u>231,900</u>
Total, All Industries	<u>1,247,600</u>	<u>1,256,800</u>	<u>1,290,300</u>	<u>1,327,600</u>	<u>1,358,000</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 D.

Source: State of California, Employment Development Department, *San Diego-Carlsbad-San Marcos MSA Industry Employment & Labor Force - by Annual Average, March 2014 Benchmark*.

The major employers operating within the City and their respective number of employees as of June 30, 2014 are as follows:

<i>Name of Company</i>	<i>Employment</i>	<i>Type of Business/Product</i>
Sweetwater Union High School District	4,096	Education
Chula Vista Elementary School District	2,803	Education
Rohr Inc./Goodrich Aerospace	2,468	Aerospace Manufacturing
Sharp Chula Vista Medical Center	1,832	Hospital
Southwestern Community College	1,699	Education
Wal-Mart	1,239	General Merchandise
City of Chula Vista	1,154	Government
Scripps Mercy Hospital Chula Vista	1,132	Hospital
Target	659	Retail
24 Hour Fitness	568	Fitness Club

Source: City of Chula Vista.

### **Income**

The following table summarizes per capita personal income for San Diego County, California and the United States for 2008 through 2014.

**TABLE NO. A-4  
PER CAPITAL PERSONAL INCOME<sup>(1)</sup>  
2008-2014**

<i>Year</i>	<i>San Diego County</i>	<i>California</i>	<i>United States</i>
2008	46,920	43,608	40,873
2009	44,864	41,587	39,379
2010	45,501	42,282	40,144
2011	48,260	44,749	42,332
2012	50,664	47,505	44,200
2013	51,384	48,434	44,765
2014	<sup>(2)</sup>	50,109	46,129

<sup>(1)</sup> Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

<sup>(2)</sup> County data not yet available.

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

**Commercial Activity**

Table No. A-5 summarizes the volume of retail sales and taxable transactions for Chula Vista for 2009 through 2013.

**TABLE NO. A-5  
CITY OF CHULA VISTA  
TOTAL TAXABLE TRANSACTIONS  
(in Thousands)  
2009 – 2013**

<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>
2009	1,976,176	2,543	2,199,592	4,005
2010	2,070,662	2,649	2,303,400	4,064
2011	2,184,654	2,714	2,421,666	4,095
2012	2,258,846	2,778	2,501,497	4,149
2013	2,333,365	2,835	2,589,379	4,182

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 2007 through 2011.

**TABLE NO. A-6  
CITY OF CHULA VISTA  
BUILDING ACTIVITY AND VALUATION  
(in Thousands)  
2009 - 2013**

	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Residential	\$ 60,719,922	\$ 109,274,635	\$ 140,672,439	\$ 206,328,697	\$ 167,859,012
Non-Residential	<u>21,159,969</u>	<u>28,134,101</u>	<u>30,276,573</u>	<u>19,841,124</u>	<u>54,727,472</u>
Total Valuation	<u>\$ 81,879,891</u>	<u>\$ 137,408,736</u>	<u>\$ 170,949,012</u>	<u>\$ 226,169,821</u>	<u>\$ 222,586,484</u>
Total Permits	266	518	722	789	606

Source: Construction Industry Research Board.

**APPENDIX B**

**SUMMARY OF CERTAIN PROVISIONS OF BOND DOCUMENTS**

**[TO COME]**

## APPENDIX C

### FORM OF BOND COUNSEL OPINION

Chula Vista Municipal Financing Authority  
276 Fourth Avenue  
Chula Vista, California 91910

#### FINAL OPINION

Dear Ladies and Gentlemen:

We have acted as bond counsel to the Chula Vista Municipal Financing Authority (the "Authority") in connection with the sale and delivery of the Authority's Special Tax Revenue Refunding Bonds, Series 2015 in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds"). The Bonds are issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Government Code Section 6584 and following), a resolution adopted by the Board of Directors of the Authority on \_\_\_\_\_, 2015 (the "Resolution of Issuance"), and an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2015 (the "Indenture"), and entered into by and between the Authority and U.S. Bank National Association, as trustee. Capitalized terms used herein, but not defined herein, have the meanings ascribed to those terms in the Indenture.

The Bonds are special, limited obligations of the Authority. The Bonds are payable solely from and secured by a lien upon and pledge of the Revenues of the Authority and from certain other amounts on deposit in the funds and accounts created under the Indenture.

We have examined the Indenture, the Resolution of Issuance, the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications, documents and written opinions provided to us by persons believed to be responsible without undertaking to verify such facts by independent investigation. We have also assumed the genuineness of the signatures appearing upon such records, proceedings, certifications, documents and opinions.

We call attention to the fact that the rights and obligations under the Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

We have not been engaged to take, and have not undertaken, any responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based upon our examination and subject to the foregoing, we are of the opinion, as of the date hereof, that:

1. The Authority is a joint powers authority duly organized and validly existing under the laws of the State of California and has duly and validly authorized all the acts undertaken by it in connection with the authorization, issuance, sale and delivery of the Bonds.

2. The Indenture has been duly entered into by the Authority and constitutes a legal, valid and binding limited obligation of the Authority enforceable in accordance with its terms.



3. The Indenture creates valid liens on the funds pledged by the Indenture for the security of and payment on the Bonds.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the sources provided for in the Indenture.

5. Under existing statutes, regulations, rulings and court decisions, and assuming compliance by the Authority with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

6. Interest on the Bonds is exempt from State of California personal income tax.

The opinions expressed in paragraph 5. above as to the exclusion from gross income for federal income tax purposes of interest on the Bonds are subject to the condition that the Authority and the Community Facilities Districts comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code 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 Authority and the Community Facilities Districts each have covenanted to comply with all such requirements. Except as set forth in paragraph 5. above, we express no opinion as to any federal tax consequences related to the Bonds.

We are admitted to the practice of law only in the State of California and our opinions is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Our engagement as Bond Counsel with respect to the Bonds terminates upon the issuance of the Bonds and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken (or not taken) or do occur (or do not occur).

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover matters not directly addressed by such authorities.

Respectfully submitted,

BEST BEST & KRIEGER LLP

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

*Upon issuance of the Bonds, the Authority proposes to enter into a Continuing Disclosure Agreement in substantially the following form:*

THIS CONTINUING DISCLOSURE AGREEMENT (“Disclosure Agreement”), dated as of \_\_\_\_\_ 1, 2015, is executed and delivered by the CHULA VISTA MUNICIPAL FINANCING AUTHORITY (the “Issuer”), and WILLDAN FINANCIAL SERVICES, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of the Chula Vista Municipal Financing Authority Revenue Refunding Bonds, Series 2015B (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust (the “Indenture”) dated as of \_\_\_\_\_ 1, 2015 between the Issuer and U.S. Bank National Association (the “Trustee”). The proceeds of the Bonds will be used to acquire the Refunding Bonds (as defined below) and refund certain outstanding bonds of the Districts (as defined below), to fund the reserve funds securing the Bonds and to pay costs of issuance of the Bonds. The Issuer and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

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

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

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

“City” shall mean the City of Chula Vista, California.

“Disclosure Representative” shall mean the Executive Director of the Issuer, or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean Willdan Financial Services, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee and the Issuer a written acceptance of such designation.

“Districts” shall mean City of Chula Vista Reassessment District No. 2015-1, City of Chula Vista Community Facilities District No. 97-3 (Otay Ranch McMillin Spa One), City of Chula Vista Community Facilities District No. 99-1 (Otay Ranch Spa One – Portions of Village One, Village Five and Village One West), City of Chula Vista Community Facilities District No. 2000-1 (Sunbow II – Villages 5 through 10) and City of Chula Vista Community Facilities District No. 2001-1 (San Miguel Ranch).

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

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

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

“Official Statement” means the Official Statement for the Bonds dated \_\_\_\_\_, 2015.

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

“Owners” shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Trustee.

“Refunding Bonds” shall mean, collectively, City of Chula Vista Reassessment District No. 2015-1 Limited Obligation Refunding Bonds, Series 2015, City of Chula Vista Community Facilities District No. 97-3 (Otay Ranch McMillin Spa One) 2015 Special Tax Refunding Bonds, City of Chula Vista Community Facilities District No. 99-1 (Otay Ranch Spa One – Portions of Village One, Village Five and Village One West) 2015 Special Tax Refunding Bonds, City of Chula Vista Community Facilities District No. 2000-1 (Sunbow II – Villages 5 through 10) 2015 Special Tax Refunding Bonds and City of Chula Vista Community Facilities District No. 2001-1 (San Miguel Ranch) 2015 Improvement Area A Special Refunding Tax Bonds.

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

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

### Section 3. Provision of Annual Reports.

(a) The Issuer shall, or upon written direction shall cause the Dissemination Agent to, not later than January 31 after the end of the Issuer’s Fiscal Year (currently June 30) commencing with the report due by January 31, 2016, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer and the City, if any exist, may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year of the Issuer or the City changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) Not later than (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to inquire if the Issuer is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall timely send a notice to the Repository, in the form required by the Repository.

- (d) The Dissemination Agent shall:
  - (i) determine each year prior to date for providing the Annual Report the name and address of the Repository if other than the MSRB; and
  - (ii) file a report with the Issuer certifying that the Annual Report has been sent to the Repository and the date it was provided.
- (e) Notwithstanding any other provision of this Disclosure Agreement, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the Issuer and the City for the prior fiscal year, if any have been prepared and which, if prepared, shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided, however, that the Issuer and the City may, from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer or the City shall modify the basis upon which its financial statements are prepared, the Issuer or the City, as applicable, shall provide the information referenced in Section 8 below. If the Issuer or the City are preparing audited financial statements and such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report.

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

- (i) the principal amount of Bonds outstanding as of the September 2 preceding the filing of the Annual Report;
- (ii) the balance in each fund under the Indenture and the Reserve Requirement as of the September 2 preceding the filing of the Annual Report;
- (iii) any changes to the Rates and Methods of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a description of any parcels for which the Special Taxes have been prepaid in the Fiscal Year for which the Annual Report is being prepared;
- (iv) an update of Tables \_\_\_\_\_ in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;
- (vi) the percentage of the maximum Special Taxes levied by the Districts with respect to each series of Reassessments or Special Tax Refunding Bonds;
- (vi) a statement regarding the amount of Special Tax prepayments, if any, in the Fiscal Year for which the Annual Report is being prepared;
- (vii) the status of any foreclosure actions being pursued by the Districts with respect to delinquent Special Taxes; and

(viii) any information not already included under (i) through (vii) above that the Districts are required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Marks-Roos Local Bond Pooling Act.

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

Section 5. Reporting of Significant Events.

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

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

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

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
3. appointment of a successor or additional trustee or the change of the name of a trustee;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. notices of redemption; and
7. release, substitution or sale of property securing repayment of the Bonds.

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

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with the Repository in a timely manner not more than 10 business days after the event.

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

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be Willdan Financial Services. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

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

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

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

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

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

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Trustee at the written direction of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement, but only to the extent funds have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorney. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Issuer: Chula Vista Municipal Financing Authority  
276 Fourth Avenue  
Chula Vista, CA 91910  
Attention: Executive Director

Dissemination Agent: Willdan Financial Services  
27368 Via Industria, Suite 200  
Temecula, CA 92590

Participating Underwriter: Stifel, Nicolaus & Company, Incorporated  
One Montgomery Street, 35th Floor  
San Francisco, CA 94104

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notice or communications should be sent.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

CHULA VISTA MUNICIPAL FINANCING  
AUTHORITY

By: \_\_\_\_\_  
Its: Executive Director

WILLDAN FINANCIAL SERVICES, as Dissemination  
Agent

By: \_\_\_\_\_  
Its: Authorized Officer



## APPENDIX E

### INFORMATION CONCERNING DTC

*The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the Community Facilities Districts, the City and the Underwriter believe to be reliable, but none of the Authority, the Community Facilities Districts, the City or the Underwriter takes any 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.*

The Depository Trust Company ("DTC"), New York, NY, 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 annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://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 the 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 redemptions, 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 redeemed, 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 Authority 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 Authority or the Trustee, 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 Trustee, or the Authority, 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 Authority or the Trustee, 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 Trustee, 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 Trustee. 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 Trustee'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 Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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

**THE TRUSTEE, 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 F

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

#### CITY OF CHULA VISTA COMMUNITY FACILITIES DISTRICT NO. 97-03 (OTAY RANCH MCMILLIN SPA ONE)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property in City of Chula Vista Community Facilities District No. 97-03 ("CFD No. 97-03") and collected each Fiscal Year commencing in Fiscal Year 1999-2000, in an amount determined by the City Council through the application of the appropriate Special Tax for "Developed Property," "Taxable Property Owner Association Property," and "Undeveloped Property" as described below. All of the real property in CFD No. 97-03, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

#### A. 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, parcel map, condominium plan, record of survey, or other recorded document creating or describing the parcel. If the preceding maps are not available, the Acreage shall be determined by the City Engineer.

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

**"Administrative Expenses"** means the following actual or reasonably estimated costs directly related to the administration of CFD No. 97-03: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City, or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 97-03 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 97-03 or any designee thereof of complying with City, CFD No. 97-03 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 97-03 or any designee thereof related to an appeal of the Special Tax; and the costs associated with the release of funds from an escrow account, if any. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 97-03 for any other administrative purposes of CFD No. 97-03, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

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

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

**“Available Funds”** means the balance in the reserve fund established pursuant to the terms of the indenture in excess of the reserve requirement as defined in such Indenture, delinquent special tax payments, foreclosure proceeds, the portion of proceeds of Backup Special Tax payments and Special Tax prepayments collected to pay interest on Bonds, and other sources of funds available as a credit to the Special Tax Requirement as specified in such Indenture.

**“Backup Special Tax”** means the special tax that is required to be paid as a condition precedent to the issuance of building permits or recordation of final maps, as determined in accordance with Section E below.

**“Bonds”** means any bonds or other debt (as defined in the Act), whether in one or more series, issued by CFD No. 97-03 under the Act.

**“CFD Administrator”** means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

**“CFD No. 97-03”** means City of Chula Vista Community Facilities District No. 97-03 (Otay Ranch McMillin SPA One).

**“City”** means the City of Chula Vista.

**“Council”** means the City Council of the City, acting as the legislative body of CFD No. 97-03.

**“Commercial Property”** means all Assessor’s Parcels of Developed Property for which a building permit(s) was issued for a non-residential use, excluding Community Purpose Facility Property.

**“Community Purpose Facility Property”** means all Assessor’s Parcels of Developed Property which are classified as community purpose facilities and meet the requirements of City of Chula Vista Ordinance No. 2452.

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

**“Developed Property”** means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Properly Owner Association Property for which a building permit for new construction was issued prior to April 1 of the prior Fiscal Year.

**“Development Projection”** means an annual calculation for each Planning Area of CFD No 97-03 of (i) the number and total Residential Floor Area of existing dwelling units of Residential Property, the number of existing Acres of Commercial Property, and the number of existing Acres of Community Purpose Facility Property and (ii) a projection of all future development, including the acreage, projected number of residential dwelling units, projected Residential Floor Area, projected Commercial Property Acres, projected Community Purpose Facility Property Acres, and an absorption schedule for all future development in CFD No. 97-03. The Development Projection shall be dated as of April 1 and prepared each Fiscal Year by the Master Developer. Upon submittal, the CFD Administrator shall review, modify if necessary, and approve the Development Projection. If the Development Projection is not received by the CFD Administrator on or before May 1, the CFD Administrator shall then prepare or cause to be prepared a Development Projection.

**“Final Residential Subdivision”** means a subdivision of property created by recordation of a final map, parcel map, or lot line adjustment, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which residential building permits may be issued without further subdivision of such property.

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

**“Indenture”** means the indenture, fiscal agent agreement, trust agreement, 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.

**“Land Use Class”** means any of the classes listed in Table 1.

**“Master Developer”** means the owner or owners of the predominant amount of Undeveloped Property in CFD No. 97-03.

**“Maximum Annual Special Tax”** means the maximum annual Special Tax, determined in accordance with the provisions of Section C below, that may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

**“Occupied Residential Property”** means all Assessor’s Parcels of Residential Property which have closed escrow to an end user.

**“Outstanding Bonds”** means all Bonds which remain outstanding.

**“Planning Areas”** means those areas shown on Exhibit A. Minor adjustments in the boundaries of the Planning Areas may be made by the CFD Administrator to conform to the tentative and final maps approved for these areas.

**“Property Owner Association Property”** means any property within the boundaries of CFD No. 97-03 owned by or dedicated to a property owner association, including any master or sub-association.

**“Proportionately”** means for Developed Property that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Assessor’s Parcels of Developed Property within CFD No. 97-03. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Annual Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property in CFD No. 97-03.

**“Public Property”** means any property within the boundaries of CFD No. 97-03 that is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State of California, the County, the City or any other public agency.

**“Residential Property”** means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

**“Residential Floor Area”** means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to appropriate records kept by the City’s Building Department. Residential Floor Area will be based on the building permits issued for each dwelling unit prior to it being classified as Occupied Residential Property, and shall not change as a result of additions or modifications made after such classification as Occupied Residential Property.

**“Special Tax”** means the (i) annual special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax Requirement and (ii) the backup special tax that may be required as a result of changes in development.

**“Special Tax Requirement”** means that amount required in any Fiscal Year for CFD No. 97-03 to: (i) pay annual debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay reasonable Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture; (v) and pay directly for acquisition and/or construction of which are authorized to be financed by CFD No. 97-03; (vi) less a credit for Available Funds.

**“State”** means the State of California.

**“Taxable Property”** means all of the Assessor’s Parcels within the boundaries of CFD No. 97-03 which are not exempt from the Special Tax pursuant to law or Section F below.

**“Taxable Property Owner Association Property”** means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section F below.

**“Trustee”** means the trustee, fiscal agent, or paying agent under the Indenture.

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

**B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Taxable Property within CFD No. 97-03 shall be classified as Developed Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to the levy of annual Special Taxes determined pursuant to Sections C and D below. Developed Property shall be assigned to Land Use Classes 1 through 3 as listed in Table 1 based on the primary land use of each such Assessor’s Parcel.

The Maximum Annual Special Tax for Residential Property shall be based on the Residential Floor Area of the dwelling units located on the Assessor’s Parcel. The Maximum Annual Special Tax for Commercial Property and Community Purpose Facility Property shall be based on the Acreage of the Assessor’s Parcel.

**C. MAXIMUM ANNUAL SPECIAL TAX RATE**

**1. Developed Property**

The Maximum Annual Special Tax for each Land Use Class of Developed Property shall be the amount shown in Table 1 below.

**TABLE 1**

**Maximum Annual Special Taxes for Developed Property  
Community Facilities District No. 97-03**

Land Use Class	Description	Maximum Annual Special Tax
1	Residential Property	\$0.392 per square foot of Residential Floor Area
2	Commercial Property	\$4,000 per Acre
3	Community Purpose Facility Property	\$1,000 per Acre

**2. Undeveloped Property and Taxable Property Owner Association Property**

The Maximum Annual Special Tax for Undeveloped Property and Taxable Property Owner Association Property in CFD No. 97-03 shall be \$7,954 per Acre.

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing with Fiscal Year 1999-2000 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Annual Special Tax.

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

Third: if additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property at up to the Maximum Annual Special Tax for Taxable Property Owner Association Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Occupied Residential Property be increased by more than ten percent per year as a consequence of delinquency or default in the payment of Special Taxes by the owner of any other Assessor's Parcel within the CFD.

**E. BACKUP SPECIAL TAX**

The following definitions apply to this Section E.

**“Actual Average Special Tax Per Unit”** means, for each Planning Area, the Actual Special Tax Revenue divided by the sum of the number of units included in any current building permit application(s) plus the number of units within such Planning Area for which building permits have previously been issued. Any building permits issued after an Assessor's Parcel has been classified as Occupied Residential Property shall not be included in determining the Actual Average Special Tax Per Unit.

**“Actual Special Tax Revenue”** means, for each Planning Area, the sum of the total Residential Floor Area shown on any current building permit application(s) plus the total Residential Floor Area from any previously issued building permits within the Planning Area multiplied by the applicable Maximum Annual Special Tax. Any building permits issued after an Assessor's Parcel has been classified as Occupied Residential Property shall not be included in determining the Actual Special Tax Revenue.

**“Backup Special Tax Fund”** means, for each Planning Area, the fund or account identified in the Indenture to hold Backup Special Tax payments received from property owners within such Planning Area.

**“Expected Special Tax Revenue”** means, with respect to each Planning Area, the amount shown in the column so labeled in Table 2

**“Required Average Special Tax Per Unit/Acre”** means, for each Planning Area, the Expected Special Tax Revenue divided by the total expected number of dwelling units or non-residential Acres (as applicable) expected to be developed within the Planning Area, as determined by the CFD Administrator based on tentative maps, Final Residential Subdivision maps, the Development Projection, and all other relevant information available to the CFD Administrator. In cases where residential and non-residential property are both included within a Planning Area, the CFD Administrator may adjust the Required Average Special Tax Per Unit/Acre as necessary.

**“Share of Annual Debt Service”** means, for each Planning Area, the maximum annual debt service on the Bonds multiplied by that Planning Area’s percentage of the total Special Tax revenue, as shown in Table 2 below. A Planning Area’s Share of Annual Debt Service shall be adjusted to reflect any prepayments within that Planning Area.

**1. Expected Development and Special Tax Revenues**

Table 2 below identifies the amount of development and Special Tax revenue that is currently expected from each Planning Area. Table 2 may be revised by the CFD Administrator if the Planning Area boundaries are modified.

**TABLE 2**

**Expected Development and Special Tax Revenue by Planning Area  
Community Facilities District No. 97-03**

PLANNING AREA	EXPECTED PRODUCT TYPE	NUMBER OF UNITS/ ACRES	TOTAL RESIDENTIAL FLOOR AREA	EXPECTED SPECIAL TAX REVENUE	PERCENT OF TOTAL REVENUE
R-I-11	Residential Property	120 units	344,760	\$135,146	14.22%
R-I-22	Residential Property	86 units	156,864	\$61,491	6.47%
R-I-23	Residential Property	87 units	173,391	\$67,969	7.15%
R-I-24	Residential Property	138 units	352,038	\$137,999	14.52%
R-I-46	Residential Property	117 units	158,535	\$62,146	6.54%
CPF-I-4	Community Purpose Facility Property	4.8 acres	NA	\$4,800	0.51%
R-I-12	Residential Property	103 units	205,279	\$80,469	8.48%
R-I-41	Residential Property	90 units	166,500	\$65,268	6.87%
R-I-42	Residential Property	74 units	134,976	\$52,911	5.57%
R-I-40	Residential Property	201 units	251,250	\$98,490	10.37%
R-I-43	Residential Property	240 units	234,000	\$91,728	9.65%
R-I-44	Residential Property	200 units	195,000	\$76,440	8.05%
R-I-45	Residential Property	18 units	17,550	\$6,880	0.72%
C-I-2	Commercial Property	2.1 acres	NA	\$8,400	0.88%
TOTAL	NA	1,474 units	NA	\$950,137	100.00%

**2. Calculation of Required Average Special Tax Per Unit/Acre**

At the time the first building permit application for a Planning Area is submitted to the City, the CFD Administrator shall calculate the Required Average Special Tax Per Unit/Acre.

**3. Backup Special Tax due to Loss of Units/Acres**

If at any time after the Required Average Special Tax Per Unit/Acre has been calculated initially for a Planning Area, the CFD Administrator determines that based on tentative maps, Final Residential Subdivision maps, the Development Projection, and any other available



information there has been a reduction in the total expected number of dwelling units or non-residential Acres within that Planning Area, then a Backup Special Tax payment shall be required for each lost unit or Acre prior to the issuance of any additional building permits or the recordation of any additional final maps for such Planning Area.

**4. Backup Special Tax due to Loss of Residential Floor Area**

For Planning Areas that include Residential Property, before each building permit (or group of permits) is issued, the CFD Administrator shall calculate the Actual Average Special Tax Per Unit for the Planning Area. If the Actual Average Special Tax Per Unit is less than the Required Average Special Tax Per Unit then a Backup Special Tax payment will be required prior to issuance of the building permit(s) included within the calculation.

**5. Calculation of Backup Special Tax**

The Backup Special Tax payment amount will be calculated using the prepayment formula described in Section I.1, with the following exceptions: (i) if the Backup Special Tax is required as a result of Section E.3, then the amount used in Paragraph 1 of the prepayment formula described in Section I.1 shall equal the number of lost units or Acres, as applicable, times the Required Average Special Tax Per Unit/Acre; (ii) if the Backup Special Tax is required as a result of Section E.4, then the amount used in Paragraph 1 of the prepayment formula described in Section I.1 shall equal the difference between the Actual Average Special Tax Per Unit and the Required Average Special Tax Per Unit times the sum of the number of units for which permits are being issued plus the number of units within the Planning Area for which building permits have previously been issued. The amount determined pursuant to the preceding sentence shall be reduced by the balance in the Backup Special Tax Fund that has been established for such Planning Area; (iii) in Paragraph 5 of the prepayment formula described in Section I.1, compute the amount needed to pay interest on the Bond Redemption Amount until the first redemption date that occurs after five years from the date of the first Backup Special Tax payment in the Planning Area; (iv) any Backup Special Tax payments received for a Planning Area (less Administrative Fees and Expenses) shall be deposited into the Backup Special Tax Fund for that Planning Area and disbursed pursuant to the Indenture; and (v) the Maximum Annual Special Taxes applicable to property within a Planning Area shall not be reduced or relieved as a result of payment of the Backup Special Tax.

**6. Use/Release of Backup Special Tax Payments**

When a Planning Area reaches full buildout (i.e. all expected building permits have been issued), the CFD Administrator shall calculate the actual Developed Property Maximum Annual Special Tax revenues that will be generated from such Planning Area. If the actual Developed Property Maximum Annual Special Tax revenues are greater than or equal to 1.1 times that Planning Area's Share of Annual Debt Service, the balance in the Backup Special Tax Fund shall be returned to the payer. If Backup Special Taxes have been paid by more than one entity, the amount of Backup Special Taxes returned to each payer shall be in proportion to the amount paid by each entity. If the actual Developed Property Maximum Annual Special Tax revenues are less than 1.1 times that Planning Area's Share of Annual Debt Service, then to the extent necessary to generate 110% coverage, the balance in the Backup Special Tax Fund shall be used to redeem bonds on the next available redemption date. Any moneys remaining in Backup Special Tax Fund shall be returned to the payer. If a Planning Area has not reached full buildout within five years after the first payment of Backup Special Taxes for such Planning Area, then all moneys in the Backup Special Tax Fund shall be used to redeem bonds on the next available redemption date.

**F. EXEMPTIONS**

No Special Tax shall be levied on up to 155.385 Acres of Property Owner Association Property and Public Property. Tax-exempt status will be irrevocably assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property.

After the limit of 155.385 exempt Acres has been reached, the Maximum Annual Special Tax obligation for any additional Public Property shall be prepaid in full by the seller pursuant to Section I.1, prior to the transfer/dedication of such property.

Property Owner Association Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the third step in Section D above, at up to 100% of the Maximum Annual Special Tax for Taxable Property Owner Association Property.

**G. REVIEW/APEAL COMMITTEE**

The Council shall establish as part of the proceedings and administration of CFD No. 97-03 a special three-member Review/Appeal Committee. Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may file a written notice with the Review/Appeal Committee appealing the amount of the Special Tax levied on such Assessor's Parcel. The Review/Appeal Committee may establish such procedures as it deems necessary to undertake the review of any such appeal. The Review/Appeal Committee shall interpret this Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as herein specified. The decision of the Review/Appeal Committee shall be final and binding as to all persons.

**H. MANNER OF COLLECTION**

The annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 97-03 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Assessor's Parcels which are delinquent in the payment of Special Taxes.

Landowners shall pay the Backup Special Tax directly to the City upon notification of the Backup Special Tax amount due, prior to the issuance the building permits or recordation of the final map, as applicable, upon which the calculation of such Backup Special Tax is based. Backup Special Tax payments may be made in cash or as a letter of credit with terms acceptable to the CFD Administrator.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by the Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Council.

**I. PREPAYMENT OF MAXIMUM ANNUAL SPECIAL TAX**

The following definition applies to this Section I:

**“Outstanding Bonds”** means all previously issued Bonds which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Annual Special Taxes.

**1. Payment in Full**

The Maximum Annual Special Tax obligation may only be prepaid and permanently satisfied by an Assessor’s Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, or Public Property. The Maximum Annual Special Tax obligation applicable to such Assessor’s Parcel may be fully prepaid and the obligation of the Assessor’s Parcel to pay the Maximum Annual Special Tax permanently satisfied as described herein, provided that a prepayment may be made 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 intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor’s Parcel and may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
<u>less</u>	<u>Capitalized Interest Credit</u>
Total: equals	Prepayment Amount

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

Paragraph No.:

1. For Assessor’s Parcels of Developed Property, compute the Maximum Annual Special Tax for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Undeveloped Property to be prepaid, compute the Maximum Annual 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. For Assessor’s Parcels of Public Property to be prepaid, compute the Maximum Annual Special Tax for such Assessor’s Parcel using the Maximum Special Tax for Undeveloped Property.
2. Divide the Maximum Annual Special Tax computed pursuant to paragraph 1 by the total expected Special Tax revenues as shown in Table 2 in Section F, excluding any Assessor’s Parcels which have been prepaid.
3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the “*Bond Redemption Amount*”).
4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the “*Redemption Premium*”).

5. 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 earliest redemption date for the Outstanding Bonds.
6. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
7. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
8. Compute the amount the CFD Administrator expects to derive from the reinvestment of the Prepayment Amount less the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
9. Add the amounts computed pursuant to paragraphs 5 and 7 and subtract the amount computed pursuant to paragraph 8 (the "*Defeasance Amount*").
10. Verify the administrative fees and expenses of CFD No. 97-03, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").
11. If reserve funds for the Outstanding Bonds, if any, are at or above 95% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit (the "*Reserve Fund Credit*") shall be calculated as follows: (i) if the reserve funds are at or above 100% of the reserve requirement, the Reserve Fund Credit shall equal the actual reduction in the reserve requirement, if any, as a result of the prepayment, or (ii) if the reserve funds are at 95% or between 95% and 100% of the reserve requirement, the amount calculated pursuant to paragraph 11 (0 shall be reduced by the percentage by which the reserve fund is below the reserve requirement. No Reserve Fund Credit shall be granted if reserve funds are below 95% of the reserve requirement.
12. 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 2 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "*Capitalized Interest Credit*").
13. The Maximum Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 9 and 10, less the amounts computed pursuant to paragraphs 11 and 12 (the "*Prepayment Amount*").

From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 9, 11 and 12 shall be deposited into the appropriate funds as established under the Indenture. The amount computed pursuant to paragraph 10 shall be retained by CFD No. 97-03.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 7 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Maximum Annual Special Taxes

and the release of the Maximum Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Maximum Annual Special Tax shall cease.

Notwithstanding the foregoing, no Maximum Annual Special Tax prepayment shall be allowed unless the amount of Maximum Annual Special Taxes that may be levied on Taxable Property within CFD No. 97-03 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

Tenders of Bonds in prepayment of Maximum Annual Special Taxes may be accepted upon the terms and conditions established by the Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Council.

## **2. Prepayment in Part**

The Maximum Annual Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of 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 I.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E - F.$$

These terms have the following meaning:

PP = the partial prepayment  
P<sub>E</sub> = the Prepayment Amount calculated according to Section I.1  
F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Annual Special Tax.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Annual Special Tax shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Annual Special Tax, (ii) the percentage by which the Maximum Annual Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if applicable. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Maximum Annual Special Tax for an Assessor's Parcel within thirty (30) 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 the Indenture, and (ii) indicate in the records of CFD No. 97-03 that there has been a partial prepayment of the Maximum Annual Special Tax and that a portion of the Maximum Annual Special Tax equal to the outstanding percentage (1.00 - F) of the remaining Maximum Annual Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

## **J. TERM OF MAXIMUM ANNUAL SPECIAL TAX**

The Maximum Annual Special Tax shall be levied commencing in Fiscal Year 1999-2030 to the extent necessary to meet the Special Tax Requirement for a period not to exceed thirty-five years.

## RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

### CITY OF CHULA VISTA COMMUNITY FACILITIES DISTRICT NO. 99-1 (OTAY RANCH SPA ONE – PORTIONS OF VILLAGE ONE, VILLAGE FIVE AND VILLAGE ONE WEST)

A Special Tax as hereinafter defined shall be levied on all Taxable Property within the City of Chula Vista Community Facilities District No. 99-1 (“CFD No. 99-1”) and collected each Fiscal Year commencing in Fiscal Year 2000-2001, in an amount determined by the City Council through the application of the appropriate Special Tax for “Developed Property”, “Taxable Property Owner Association Property”, and “Undeveloped Property” as described below. All of the real property in CFD No. 99-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

#### A. 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, parcel map, condominium plan, record of survey, or other recorded document creating or describing the parcel. If the preceding maps are not available, the Acreage shall be determined by the City Engineer.

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

“**Administrative Expenses**” means the following actual or reasonable estimated costs directly related to the administration of CFD No. 99-1, including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City, or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 99-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 99-1 or any designee thereof of complying with City, CFD No. 99-1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 99-1 or any designee thereof related to an appeal of the Special Tax; the costs of any credit enhancement obtained by the City or CFD No. 99-1 (but excluding the costs of any credit enhancement required to be provided by the Master Developer or any other owner of property within CFD 99-1), and the costs associated with the release of funds from an escrow account, if any. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 99-1 for any other administrative purposes of CFD No. 99-1, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

“**Annexation Parcels**” means those specific Assessor’s Parcels that are subject to future annexation into CFD No. 99-1 as depicted in Exhibit B attached herein. Any Annexation Parcels that annex to CFD No. 99-1 will be subject to the Maximum Annual Special Tax and the Backup Special Tax of the zone of CFD 99-1 within which such Annexation Parcel is located and the appropriate land use category of CFD No. 99-1 to which such Annexation Parcel.

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

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

**“Available Funds”** means the balance in the reserve fund established pursuant to the terms of the Indenture in excess of the reserve requirement as defined in such Indenture, delinquent special tax payments, foreclosure proceeds, the portion of proceeds of Backup Special Tax payments and Special Tax prepayments collected to pay interest on Bonds, and other sources of funds available as a credit to the Special Tax Requirement as specified in such Indenture.

**“Backup Special Tax”** means the Special Tax that is required to be paid as a condition precedent to the issuance of building permits or recordation of final maps, as determined in accordance with Section E below.

**“Bonds”** means any bonds or other debt (as defined in the Act), whether in one or more series, issued by CFD No. 99-1 under the Act and secured by the levy of the Special Taxes.

**“CFD Administrator”** means an official of the City acting for and on behalf of CFD 99-1, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

**“CFD No. 99-1”** means City of Chula Vista Community Facilities District No. 99-1 (Otay Ranch SPA One - Portions of Village One, Village Five, and Village One West), as depicted in Exhibit A.

**“City”** means City of Chula Vista.

**“Commercial Property”** means all Assessor’s Parcels of Developed Property for which a building permit(s) was issued for a non-residential use, excluding Community Purpose Facility Property.

**“Community Purpose Facility Property”** means all Assessor’s Parcels of Developed Property, which are classified as community purpose facilities and meet the requirements of City of Chula Vista Ordinance No. 2452.

**“Council”** means the City Council of the City, acting as the legislative body of CFD No. 99-1.

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

**“Developed Property”** means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property, for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

**“Development Projection”** means an annual calculation for each Planning Area of CFD No. 99-1 of: (i) the number and total Residential Floor Area of existing dwelling units of Residential Property, the number of existing Acres of Commercial Property, and the number of existing Acres of Community Purpose Facility Property, and (ii) a projection of all future development, including the acreage, projected number of residential dwelling units, projected Residential Floor Area, projected Commercial Property Acres, projected Community Purpose Facility Property Acres, and an absorption schedule for all future development within CFD No. 99-1. The Development Projection shall be dated as of March 1 and prepared each Fiscal Year by the Master Developer. Upon submittal, the CFD Administrator shall review, modify if necessary, and approve the Development Projection. If the

Development Projection is not received by the CFD administrator on or before April 1 of each year, the CFD Administrator shall then prepare or cause to be prepared a Development Projection.

**“Final Residential Subdivision”** means a subdivision of property created by recordation of a final map or parcel map, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*), recordation of a lot line adjustment approved by the City which creates a parcel for which a building permit may be issued or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which residential building permits may be issued without further subdivision of such property.

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

**“Indenture”** means the indenture, fiscal agent agreement, trust agreement, 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.

**“Land Use Class”** means any of the classes listed in Tables 1, 2, and 3 of Section C.

**“Master Developer”** means the owner or owners of the predominant amount of Undeveloped Property in CFD No. 99-1.

**“Maximum Annual Special Tax”** means the maximum annual Special Tax, determined in accordance with the provisions of Section C below, that may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

**“Occupied Residential Property”** means all Assessor’s Parcels of Residential Property, which have closed escrow to an end user.

**“Outstanding Bonds”** means all Bonds, which remain outstanding.

**“Planning Areas”** means those areas shown on Exhibit C. Minor adjustments in the boundaries of the Planning Areas may be made by the CFD Administrator to conform to the tentative and final maps, lot line adjustment or other property line adjustment approved by the City for these areas. The Planning Areas in Exhibit C existing at the time of formation of CFD No. 99-1 may be expanded to include Annexation Parcels from time to time or additional Planning Areas may be established to include Annexation Parcels from time to time.

**“Property Owner Association Property”** means any property within the boundaries of CFD No. 99-1 owned by or dedicated to a property owner association, including any master or sub-association.

**“Proportionately”** means for Developed Property that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Assessor’s Parcels of Developed Property within CFD No. 99-1. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Annual Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property within CFD No. 99-1.

**“Public Property”** means any property within the boundaries of CFD No. 99-1 that is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State of California, the County, the City or any other public agency.

**“Residential Property”** means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.



**“Residential Floor Area”** means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to appropriate records kept by the City’s Building Department. Residential Floor Area will be based on the building permit(s) issued for each dwelling unit prior to it being classified as Occupied Residential Property, and shall not change as a result of additions or modifications made after such classification as Occupied Residential Property.

**“Special Tax”** means the: (i) annual special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax Requirement pursuant to Section D, and (ii) the Backup Special Tax required to be paid as a result of changes in development.

**“Special Tax Requirement”** means that amount required in any Fiscal Year for CFD No. 99-1 to: (i) pay annual debt service on all Outstanding Bonds as defined in Section A; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture; (v) and pay directly for acquisition and/or construction of facilities, which are authorized to be financed by CFD No. 99-1; (vi) less a credit for Available Funds.

**“State”** means the State of California.

**“Taxable Property”** means all of the Assessor’s Parcels within the boundaries of CFD No. 99-1 which are not exempt from the Special Tax pursuant to law or the provisions of Section F below.

**“Taxable Property Owner Association Property”** means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to the provisions of Section F below.

**“Trustee”** means the trustee, fiscal agent, or paying agent under the Indenture.

**“Undeveloped Property”** means, for each Fiscal year, all Taxable Property not classified as Developed Property or Taxable Property Owner Association Property.

**“Zone A”** applies only to Developed Property, and means a specific geographic location known as the Village One area as depicted in Exhibit A attached herein.

**“Zone B”** applies only to Developed Property, and means a specific geographic location known as the Village Five area as depicted in Exhibit A attached herein.

**“Zone C”** applies only to Developed Property, and means a specific geographic location known as the Village One West area as depicted in Exhibit A attached herein.

**B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Taxable Property within CFD No. 99-1 shall be classified as Developed Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to the levy of annual Special Taxes determined pursuant to Sections C and D below. Developed Property shall further be assigned to Zone A, Zone B, or Zone C.

The Maximum Annual Special Tax for an Assessor’s Parcel of Residential Property shall be based on the Residential Floor Area and the number of the dwelling units located on such Assessor’s Parcel. The Maximum Annual Special Tax for an Assessor’s Parcel of Commercial Property and Community Purpose Facility Property shall be based on the Acreage of such Assessor’s Parcel.

**C. MAXIMUM ANNUAL SPECIAL TAX RATE**

**1. Developed Property**

The Maximum Annual Special Tax for each Land Use Class of Developed Property within Zone A, Zone B, or Zone C shall be the applicable amount shown on Tables 1, 2, and 3 below. The Maximum Annual Special Tax for each Assessor’s Parcel of Residential Property shall equal the specified amount per dwelling unit times the number of dwelling units on such Assessor’s Parcel plus the specified amount per square foot times the square footage of Residential Floor Area on such Assessor’s Parcel.

**TABLE 1**

**Maximum Annual Special Tax for Developed Property in Zone A (Village One)  
Community Facilities District No. 99-1**

Land Use Class	Description	Maximum
1	Residential Property	\$0 per dwelling unit + \$.28 per square foot of Residential Floor Area
2	Commercial Property	\$1,600 per Acre
3	Community Purpose Facility Property	\$400 per Acre

**TABLE 2**

**Maximum Annual Special Tax for Developed Property in Zone B (Village Five)  
Community Facilities District No. 99-1**

Land Use Class	Description	Maximum Annual Special Tax
1	Residential Property	\$400 per dwelling unit + \$.29 per square foot of Residential Floor Area
2	Commercial Property	\$3,717 per Acre
3	Community Purpose Facility Property	\$929 per Acre

**TABLE 3**

**Maximum Annual Special Tax for Developed Property in Zone C (Village One West)  
Community Facilities District No. 99-1**

Land Use Class	Description	Maximum Annual Special Tax
1	Residential Property	\$400 per dwelling unit + \$.44 per square foot of Residential Floor Area
2	Commercial Property	\$4,266 per Acre
3	Community Purpose Facility Property	\$1,066 per Acre

**2. Undeveloped Property and Taxable Property Owner Association Property**

The Maximum Annual Special Tax for each Assessor's Parcel classified as Undeveloped Property and Taxable Property Owner Association Property shall be \$8,864 per Acre.

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing with Fiscal Year 1999-2000 and for each following Fiscal Year, the Council shall determine or cause to be determined the Special Tax Requirement and shall determine or cause to be determined the applicable annual Special Tax so that the amount of Special Taxes equals the Special Tax Requirement for such Fiscal Year. The annual Special Tax shall be calculated and levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property within Zone A, Zone B, or Zone C at up to 100% of the applicable Maximum Annual Special Tax to satisfy the Special Tax Requirement.

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Annual Special Tax for Undeveloped Property.

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property and Public Property, if applicable, as provided for in Section F at up to the Maximum Annual Special Tax for Taxable Property Owner Association Property and Public Property, if applicable.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Occupied Residential Property be increased by more than ten percent per year as a consequence of delinquency or default in the payment of Special Taxes by the owner of any other Assessor's Parcel of CFD No. 99-1.

**E. BACKUP SPECIAL TAX**

The following definitions apply to this Section E:

**"Actual Average Special Tax Per Unit"** means, for each Planning Area, the Actual Special Tax Revenue divided by the sum of the number of units included in any current building permit application(s) plus the number of units within such Planning Area for which building permits have previously been issued. Any Residential Floor Area created by building permits issued after an Assessor's Parcel has been classified as Occupied Residential Property shall not be included in determining the Actual Average Special Tax Per Unit.

**"Actual Special Tax Revenue"** means, for each Planning Area, the sum of the total Residential Floor Area shown on any current building permit application(s) plus the total Residential Floor Area from any previously issued building permits within the Planning Area multiplied by the applicable Maximum Annual Special Tax. Any Residential Floor Area created by building permits issued after an Assessor's Parcel has been classified as Occupied Residential Property shall not be included in determining the Actual Special Tax Revenue.

**"Backup Special Tax Fund"** means, for each Planning Area, the fund or account identified in the Indenture to hold Backup Special Tax payments received from property owners within such Planning Area.

**“Expected Special Tax Revenue”** means, with respect to each Planning Area, the amount shown in the column so labeled in Tables 4, 5, and 6.

**“Required Average Special Tax Per Unit/Acre”** means, for each Planning Area, the Expected Special Tax Revenue divided by the total expected number of dwelling units or non-residential Acres (as applicable) expected to be developed within the Planning Area, as determined by the CFD Administrator based on tentative maps, Final Residential Subdivision maps, the Development Projection, and all other relevant information available to the CFD Administrator. In cases where residential and non-residential property are both included within a Planning Area, the CFD Administrator may adjust the Required Average Special Tax Per Unit/Acre as necessary.

**“Share of Annual Debt Service”** means, for each Planning Area, the maximum annual debt service on the Bonds multiplied by that Planning Area’s percentage of the total Special Tax revenue, as shown in Table 4, 5, and 6 below. A Planning Area’s Share of Annual Debt Service shall be adjusted to reflect any prepayments within that Planning Area.

**1. Expected Development and Special Tax Revenues**

Tables 4, 5, and 6 below identify the amount of development and Special Tax revenue that is currently expected from each Planning Area in Zone A, Zone B, or Zone C. Tables 4, 5, and 6 may be revised by the CFD Administrator if the Planning Area boundaries are modified as a result of the annexation of Annexation Parcels to CFD 99-1 or otherwise.

The owner of the Annexation Parcels, upon such annexation, shall provide the CFD Administrator the total number of residential units or the total number of non-residential Acres, and the total Residential Floor Area expected to be developed within the land area of such Annexation Parcels. The CFD Administrator shall utilize this information to modify Tables 5 and 6 to include the additional Expected Special Tax Revenue, and to recalculate the percent of total revenue for each Planning Area.

**TABLE 4****Expected Development and Special Tax Revenue by Planning Area within Zone A  
Community Facilities District No. 99-1**

PLANNING AREA	EXPECTED PRODUCT TYPE	NUMBER OF UNITS/ ACRES	TOTAL RESIDENTIAL FLOOR AREA	EXPECTED SPECIAL TAX REVENUE	PERCENT OF TOTAL REVENUE
R-6	Residential Property	77 units	179,872	50,364	5.07%
R-7	Residential Property	131 units	411,078	115,102	11.58%
R-9	Residential Property	74 units	182,928	51,220	5.15%
R-10	Residential Property	123 units	324,351	90,818	9.14%
R-12	Residential Property	83 units	168,988	47,317	4.76%
R-13	Residential Property	88 units	146,256	40,952	4.12%
R-14	Residential Property	139 units	215,589	60,365	6.07%
R-15	Residential Property	464 units	464,000	129,919	13.07%
R-16	Residential Property	115 units	178,365	49,942	5.02%
R-17	Residential Property	98 units	199,528	55,868	5.62%
R-18	Residential Property	74 units	122,988	34,437	3.46%
R-19	Residential Property	204 units	204,000	57,120	5.75%
R-20	Residential Property	160 units	160,000	44,800	4.51%
R-21	Residential Property	168 units	168,000	47,040	4.73%
R-47	Residential Property	174 units	174,000	48,720	4.90%
R-48	Residential Property	96 units	195,456	54,728	5.51%
C-1	Commercial Property	8.1 acres	N/A	12,960	1.30%
CPF-1	Community Purpose Facility Property	1.5 acres	N/A	600	0.06%
CPF-2	Community Purpose Facility Property	4.5 acres	N/A	1,800	0.18%
TOTAL		2,268 units		\$994,072	100.00%

**TABLE 5****Expected Development and Special Tax Revenue by Planning Area within Zone B  
Community Facilities District No. 99-1**

PLANNING AREA	EXPECTED PRODUCT TYPE	NUMBER OF UNITS/ ACRES	TOTAL RESIDENTIAL FLOOR AREA	EXPECTED SPECIAL TAX REVENUE	PERCENT OF TOTAL REVENUE
R-25	Residential Property	48 units	150,624	62,881	6.23%
R-26	Residential Property	52 units	137,124	60,566	6.00%
R-27	Residential Property	37 units	75,332	36,646	3.63%
R-28	Residential Property	56 units	93,072	49,391	4.89%
R-29	Residential Property	83 units	128,733	70,533	6.98%
R-30	Residential Property	119 units	197,778	104,956	10.39%
R-31	Residential Property	71 units	144,556	70,321	6.96%
R-32	Residential Property	105 units	259,560	117,272	11.61%
R-33	Residential Property	47 units	123,939	54,742	5.42%
R-34	Residential Property	35 units	92,295	40,766	4.04%
R-35	Residential Property	36 units	112,968	47,161	4.67%
R-36	Residential Property	62 units	153,264	69,247	6.86%
R-37	Residential Property	60 units	99,720	52,919	5.24%
R-38	Residential Property	43 units	87,548	42,589	4.22%
R-39	Residential Property	182 units	182,000	125,579	12.43%
CPF-5	Community Purpose Facility Property	4.7 acres	N/A	4,366	0.43%
<b>TOTAL</b>		1,036 units		\$1,009,935	100.00%

**TABLE 6****Expected Development and Special Tax Revenue by Planning Area within Zone C  
Community Facilities District No. 99-1**

PLANNING AREA	EXPECTED PRODUCT TYPE	NUMBER OF UNITS/ ACRES	TOTAL RESIDENTIAL FLOOR AREA	EXPECTED SPECIAL TAX REVENUE	PERCENT OF TOTAL REVENUE
R-49A	Residential Property	87 units	177,132	\$ 112,738	10.80%
R-50	Residential Property	83 units	205,176	123,477	11.82%
R-51 A	Residential Property	62 units	163,494	96,737	9.26%
R-52A	Residential Property	55 units	172,590	97,940	9.38%
R-53	Residential Property	36 units	112,968	64,106	6.14%
R-54A	Residential Property	9 units	18,324	11,663	1.12%
R-55	Residential Property	84 units	171,024	108,851	10.42%
R-56	Residential Property	68 units	149,600	93,024	8.91%
R-57	Residential Property	20 units	49,440	29,754	2.85%
R-58	Residential Property	71 units	222,798	126,430	12.10%
R-59	Residential Property	55 units	145,035	85,815	8.22%
R-60	Residential Property	63 units	155,736	93,724	8.98%
<b>TOTAL</b>		693 units		\$ 1,044,259	100.00%

**2. Calculation of Required Average Special Tax Per Unit/Acre**

At the time the first building permit application for a Planning Area is submitted to the City, the CFD Administrator shall calculate the Required Average Special Tax Per Unit/Acre.

**3. Backup Special Tax due to Loss of Units/Acres**

If at any time after the Required Average Special Tax Per Unit/Acre has been calculated initially for a Planning Area, the CFD Administrator determines that based on tentative maps, Final Residential Subdivision maps, the Development Projection, and any other available information there has been a reduction in the total expected number of dwelling units or non-residential Acres within that Planning Area, then a Backup Special Tax payment shall be required for each lost unit or Acre prior to the issuance of any additional building permits or the recordation of any additional final maps for such Planning Area.

**4. Backup Special Tax due to Loss of Residential Floor Area**

For Planning Areas that include Residential Property, before each building permit (or group of permits) is issued, the CFD Administrator shall calculate the Actual Average Special Tax Per Unit for the Planning Area. If the Actual Average Special Tax Per Unit is less than the Required Average Special Tax Per Unit then a Backup Special Tax payment will be required prior to issuance of the building permit(s) included within the calculation.

**5. Calculation of Backup Special Tax**

The Backup Special Tax payment amount will be calculated using the prepayment formula described in Section I.1, with the following exceptions: (i) if the Backup Special Tax is required as a result of Section E.3, then the amount used in Paragraph No. 1 of the prepayment formula described in Section I.1 shall equal the number of lost units or Acres, as applicable, times the Required Average Special Tax Per Unit/Acre. In the event Residential Property as identified in Tables 4, 5, and 6 is rezoned in whole or part to non-residential property, the CFD Administrator shall determine the Maximum Annual Special Tax revenue by using the Developed Property rates applicable to such non-residential property and the amount so derived shall be applied as a reduction to the amount determined in the preceding sentence; (ii) if the Backup Special Tax is required as a result of Section E.4, then the amount used in Paragraph No. 1 of the prepayment formula described in Section I.1 shall equal the difference between the Actual Average Special Tax Per Unit and the Required Average Special Tax Per Unit times the sum of the number of units for which permits are being issued plus the number of units within the Planning Area for which building permits have previously been issued. The amount determined pursuant to the preceding sentence shall be reduced by the balance in the Backup Special Tax Fund that has been established for such Planning Area; (iii) in Paragraph No. 7 of the prepayment formula described in Section I.1, compute the amount needed to pay interest on the Bond Redemption Amount until the first redemption date that occurs after five years from the date of the first Backup Special Tax payment in the Planning Area; (iv) any Backup Special Tax payments received for a Planning Area (less Administrative Fees and Expenses) shall be deposited into the Backup Special Tax Fund for that Planning Area and disbursed pursuant to the Indenture; and (v) the Maximum Annual Special Taxes applicable to property within a Planning Area shall not be reduced or relieved as a result of payment of the Backup Special Tax.

**6. Use/Release of Backup Special Tax Payments**

When a Planning Area reaches full buildout (i.e., all expected building permits have been issued), the CFD Administrator shall calculate the actual Developed Property Maximum Annual Special Tax revenues that will be generated from such Planning Area. If the actual Developed Property Maximum Annual Special Tax revenues are greater than or equal to 1.1 times that Planning Area's Share of Annual Debt Service, the balance in the Backup Special Tax Fund shall be returned to the payer. If Backup Special Taxes have been paid by more than one entity, the amount of Backup Special Taxes returned to each payer shall be in proportion to the amount paid by each entity. If the actual Developed Property Maximum Annual Special Tax revenues are less than 1.1 times that Planning Area's Share of Annual Debt Service, then to the extent necessary to generate 110% coverage, the balance in the Backup Special Tax Fund shall be used to redeem bonds on the next available redemption date. Any moneys remaining in Backup Special Tax Fund shall be returned to the payer, if a Planning Area has not reached full buildout within five years after the first payment of Backup Special Taxes for such Planning Area, then all moneys in the Backup Special Tax Fund shall be used to redeem bonds on the next available redemption date.

**F. EXEMPTIONS**

No Special Tax shall be levied on: up to 517.5 Acres of Property Owner Association Property and Public Property. Tax-exempt status will be irrevocably assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property.

After the limit of 517.5 exempt Acres has been reached, the Maximum Annual Special Tax obligation for any additional Public Property shall be prepaid in full pursuant to Section I.1, prior to the transfer/dedication of such property. Until the Maximum Annual Special Tax obligation for any such property is prepaid, the property shall continue to be subject to the levy of the Special Tax as Undeveloped Property.

Taxable Property Owner Association Property shall be subject to the levy of the Special Tax Underdeveloped Property and shall be taxed Proportionately as part of the third step in Section D above, at up to 100% of the Maximum Annual Special Tax for Taxable Property Owner Association Property.

**G. REVIEW/APPEAL COMMITTEE**

The Council shall establish as part of the proceedings and administration of CFD No. 99-1 a special three-member Review/Appeal Committee. Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in en-or may file a written notice with the Review/Appeal Committee appealing the amount of the Special Tax levied on such Assessor's Parcel. The Review/Appeal Committee may establish such procedures, as it deems necessary to undertake the review of any such appeal. The Review/Appeal Committee shall interpret this Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals as herein specified. The decision of the Review/Appeal Committee shall be final and binding as to all persons.

**H. MANNER OF COLLECTION**

The annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 99-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial



obligations, and may covenant to foreclose and may actually foreclose on Assessor's Parcels, which are delinquent in the payment of Special Taxes.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by the Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Council.

## **I. PREPAYMENT OF SPECIAL TAX**

The following definitions apply to this Section I:

**“CFD Public Facilities** means either \$31.6 million 1999 dollars, which shall increase by the Construction Inflation Index on July 1, 2000, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities under the authorized bonding program for CFD No. 99-1, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

**“Construction Fund”** means an account specifically identified in the Indenture to hold funds that are currently available for expenditure to acquire or construct public facilities eligible under the Act.

**“Construction Inflation Index”** means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year, which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering New-Record Building Cost Index for the City of Los Angeles.

**“Future Facilities Costs”** means the CFD Public Facilities minus public facility costs available to be funded through existing construction or escrow accounts or funded by the Outstanding Bonds as defined in Section A, minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment, and minus public facilities costs paid directly with Special Taxes.

**“Outstanding Bonds”** means all previously issued Bonds, which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayment of Maximum Annual Special Taxes.

### **1. Prepayment in Full**

The Maximum Annual Special Tax obligation may only be prepaid and permanently satisfied by an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, or Public Property. The Maximum Annual Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made 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 intending to prepay the Maximum Annual Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this figure. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

		Bond Redemption Amount
	plus	Redemption Premium
	plus	Future Facilities Amount
	plus	Defeasance Amount
	plus	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 below) shall be calculated as follows:

**Paragraph No.:**

1. For Assessor's Parcels of Developed Property, compute the Maximum Annual Special Tax for the Assessor's Parcels to be prepaid. For Assessor's Parcels of Undeveloped Property to be prepaid, compute the Maximum Annual 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. For Assessor's Parcels of Public Property to be prepaid, compute the Maximum Annual Special Tax for that Assessor's Parcel.
2. Divide the Maximum Annual Special Tax computed pursuant to paragraph 1 by the sum of the total expected Special Tax revenues in Tables 4, 5, and 6 in Section E, excluding any Assessor's Parcels, which have been prepaid.
3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
5. Compute the Future Facilities Costs.
6. Multiply the quotient computed pursuant to paragraph 2 by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
7. 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 earliest redemption date for the Outstanding Bonds.
8. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year, which have not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the

Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to paragraphs 7 and 9, and subtract the amount computed pursuant to paragraph 10 (the “*Defeasance Amount*”).
12. Verify the administrative fees and expenses of CFD No. 99-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the “*Administrative Fees and Expenses*”).
13. The reserve fund credit (the “*Reserve Fund Credit*”) shall equal the lesser of (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. 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 2 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the “*Capitalized Interest Credit*”).
15. The Maximum Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 6, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the “*Prepayment Amount*”).
16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 11, 13, and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 99-1.

The Prepayment Amount may be sufficient to redeem 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 Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year’s Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year’s Special Tax levy for such Assessor’s Parcel from the County tax rolls. With respect to any Assessor’s Parcel that is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Annual Special Taxes that may be levied on Taxable Property within CFD No. 99-1 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

Tenders of Bonds in prepayment of Maximum Annual Special Taxes may be accepted upon the terms and conditions established by the Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Council.

**2. Prepayment in Part**

The Maximum Annual Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of 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 I.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P^E \times F$$

These terms have the following meaning:

PP = the partial prepayment

P<sub>E</sub> = the Prepayment Amount calculated according to Section I.1.

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Annual Special Tax.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Annual Special Tax shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Annual Special Tax, (ii) the percentage by which the Maximum Annual Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if applicable. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Maximum Annual Special Tax for an Assessor's Parcel within 30 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 Paragraph 16 of Section I.1, and (ii) indicate in the records of CFD No. 99-1 that there has been a partial prepayment of the Maximum Annual Special Tax and that a portion of the Maximum Annual Special Tax equal to the outstanding percentage (1.00 - F) of the remaining Maximum Annual Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

**J. TERM OF MAXIMUM ANNUAL SPECIAL TAX**

The Maximum Annual Special Tax shall be levied commencing in Fiscal Year 1999-2000 to the extent necessary to fully satisfy the Special Tax Requirement for a period no longer than the 2034-2035 Fiscal Year.

## RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

### CITY OF CHULA VISTA COMMUNITY FACILITIES DISTRICT NO. 2000-1 (SUNBOW II — VILLAGES 5 THROUGH 10)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property within the City of Chula Vista Community Facilities District No. 2000-1 ("CFD No. 2000-1") and collected each Fiscal Year commencing in Fiscal Year 2000-2001, in an amount determined by the City Council through the application of the appropriate Special Tax for "Developed Property," "Taxable Property Owner Association Property," and "Undeveloped Property" as described below. All of the real property in CFD No. 2000-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

#### A. 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, parcel map, condominium plan, record of survey, or other recorded document creating or describing the parcel. If the preceding maps are not available, the Acreage shall be determined by the City Engineer.

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

**"Administrative Expenses"** means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2000-1 including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City, or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2000-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2000-1 or any designee thereof of complying with City, CFD No. 2000-1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes: the costs of the City, CFD No. 2000-1 or any designee thereof related to an appeal of the Special Tax; and the costs associated with the release of funds from an escrow account, if any. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2000-1 for any other administrative purposes of CFD No. 2000-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

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

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

**Available Funds"** means the balance in the reserve fund established pursuant to the terms of the Indenture in excess of the reserve requirement as defined in such Indenture, delinquent special tax payments, foreclosure proceeds, the portion of proceeds of Backup Special Tax payments and Special

Tax prepayments collected to pay interest on Bonds, and other sources of funds available as a credit to the Special Tax Requirement as specified in such Indenture.

**“Backup Special Tax”** means the Special Tax that is required to be paid as a condition precedent to the issuance of building permits or recordation of final maps, as determined in accordance with Section F below.

**“Bonds”** means any bonds or other debt (as defined in the Act), whether in one or more series, issued by CFD No. 2000-1 under the Act.

**“CFD Administrator”** means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

**“CFD No. 2000-1”** means City of Chula Vista Community Facilities District No. 2000-1 (Sunbow II - Villages 5 through 10).

**“City”** means the City of Chula Vista.

**“Council”** means the City, Council of the City, acting as the legislative body of CFD No. 2000-1.

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

**“Developed Property”** means, for each Fiscal Year all Taxable Property, exclusive of Taxable Property Owner Association Property- for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

**“Development Projection”** means an annual calculation for each Planning Area of CFD No. 2000-1 of: (i) the number and total Residential Floor Area of existing dwelling units of Residential Property, and (ii) a projection of all future development including the acreage, projected number of residential dwelling units, projected Residential Floor Area, and an absorption schedule for all future development within CFD No. 2000-1. The Development Projection shall be dated as of March 1 and prepared each Fiscal Year by the Master Developer. Upon submittal, the CFD Administrator shall review, modify if necessary, and approve the Development Projection. If the Development Projection is not received by the CFD Administrator on or before April, the CFD Administrator shall then prepare or cause to be prepared a Development Projection.

**“Final Residential Subdivision”** means a subdivision of property created by recordation of a final map, parcel map, or lot line adjustment, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which residential building permits may be issued without further subdivision of such property.

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

**“Indenture”** means the indenture, fiscal agent agreement, trust agreement, 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.

**“Land Use Class”** means any of the classes listed in Tables 1 and 2 of Section C.

**“Master Developer”** means the owner of the predominant amount of Undeveloped Property in CFD No. 2000-1.

**“Maximum Annual Special Tax”** means the maximum annual Special Tax, determined in accordance with the provisions of Section C below, that may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

**“Occupied Residential Property”** means all Assessors’ Parcels of Residential Property which have closed escrow to an end user (homeowners).

**“Outstanding Bonds”** means all Bonds which remain outstanding.

**“Planning Area(s)”** means Village 5, Village 6, Village 7, Village 8, Village 9, and Village 10 as shown on Tentative Tract No. 90-7 approved by the City on May 3, 1990. Minor adjustments in the boundaries of the Planning Areas may be made by the CFD Administrator to conform to the Final Residential Subdivision for these areas.

**“Property Owner Association Property”** means any property within the boundaries of CFD No. 2000-1 owned by or dedicated to a property owner association, including any master or sub-association.

**“Proportionately”** means for Developed Property that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Assessor’s Parcels of Developed Property within CFD No. 2000-1. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Annual Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property within CFD No. 2000-1.

**“Public Property”** means any property within the boundaries of CFD No. 2000-1 that is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State of California, the County, the City or any other public agency.

**“Residential Property”** means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

**“Residential Floor Area”** means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to appropriate records kept by the City’s Planning and Building Department. Residential Floor Area will be based on the building permit(s) issued for each dwelling unit prior to it being classified as Occupied Residential Property, and shall not change as a result of additions or modifications made after such classification as Occupied Residential Property.

**“Special Tax”** means the: (i) annual special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax Requirement pursuant to Section D, and (ii) the Backup Special Tax that may be required as a result of changes in development.

**“Special Tax Requirement”** means that amount required in any Fiscal Year for CFD No. 2000-1 to: (i) pay annual debt service on all Outstanding Bonds as defined in Section A.; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture; (v) and pay directly for acquisition and/or construction of facilities, which are authorized to be financed by CFD No. 2000-1; (vi) less a credit for Available Funds.

**“State”** means the State of California.

“**Taxable Property**” means all of the Assessor’s Parcels within the boundaries of CFD No. 2000-1 which are not exempt from the Special Tax pursuant to law or Section F below.

“**Taxable Property Owner Association Property**” means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section F below.

“**Trustee**” means the trustee, fiscal agent, or paying agent under the Indenture.

“**Undeveloped Property**” means, for each Fiscal year, all Taxable Property not classified as Developed Property or Taxable Property Owner Association Property.

**B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Taxable Property within CFD No. 2000-1 shall be classified as Developed Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to the levy of annual Special Taxes determined pursuant to Sections C and D below.

**C. MAXIMUM ANNUAL SPECIAL TAX RATE**

**1. Developed Property**

The Maximum Annual Special Tax for each Assessor’s Parcel classified as Developed Property shall be the amount shown in Table 1 below:

**TABLE 1**

Maximum Annual Special Tax for Developed Property

<b>Land Use Class</b>	<b>Description</b>	<b>Maximum Annual Special Tax</b>
1	Residential Property	\$.44 per square foot of Residential Floor Area

**2. Undeveloped Property and Taxable Property Owner Association Property**

The Maximum Annual Special Tax for each Assessor’s Parcel classified as Undeveloped Property and Taxable Property Owner Association Property shall be the amounts shown in Table 2 below:

**TABLE 2**

Maximum Annual Special Tax for Undeveloped Property and Taxable Property Owner Association Property

<b>Land Use Class</b>	<b>Description</b>	<b>Maximum Annual Special Tax</b>
2	Undeveloped Property	17,851 per Acre
3	Taxable Property Owner Association Property	\$7,851 per Acre

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing with Fiscal Year 2000-2001 and for each following Fiscal Year thereafter until the 2035/2036 Fiscal Year as provided for in Section J, the Council shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:



First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Annual Special Tax to satisfy the Special Tax Requirement.

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Annual Special Tax for Undeveloped Property.

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property at up to 100% of the Maximum Annual Special Tax for Taxable Property Owner Association Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Occupied Residential Property be increased by more than ten (10%) percent per year as a consequence of delinquency or default in the payment of Special Taxes by the owner of any other Assessor's Parcel of CFD No. 2000-1.

**E. BACKUP SPECIAL TAX**

The purpose for the development of a "Backup Special Tax" is to ensure that appropriate revenues are generated to pay for the annual bond debt service obligations, in the event that there are shortfalls in either the number of units or square-footages of the residential units.

The following definitions apply to this Section E:

**"Actual Average Special Tax Per Unit"** means, for each Planning Area, the Actual Special Tax Revenue divided by the sum of the number of units included in any current building permit application(s) plus the number of units within such Planning Area for which building permits have previously been issued. Any building permits issued after an Assessor's Parcel has been classified as Occupied Residential Property shall not be included in determining the Actual Average Special Tax Per Unit.

**"Actual Special Tax Revenue"** means, for each Planning Area, the sum of the total Residential Floor Area shown on any current building permit application(s) plus the total Residential Floor Area from any previously issued building permits within the Planning Area multiplied by the Maximum Annual Special Tax in Table 1. Any building permits issued after an Assessor's Parcel has been classified as Occupied Residential Property shall not be included in determining the Actual Special Tax Revenue.

**"Backup Special Tax Fund"** means, for each Planning Area, the fund or account identified in the Indenture to hold Backup Special Tax payments received from property owners within such Planning Area.

**"Expected Special Tax Revenue"** means, with respect to each Planning Area, the annual amount shown in the column so labeled in Table 3.

**"Required Average Special Tax Per Unit"** means, for each Planning Area, the Expected Special Tax Revenue divided by the total number of dwelling units expected to be developed within the Planning Area, as determined by the CFD Administrator based on tentative maps, Final Residential Subdivision maps, the Development Projection, and all other relevant information available to the CFD Administrator.

“Share of Annual Debt Service” means, for each Planning Area, the maximum annual debt service on the Bonds multiplied by that Planning Area’s percentage of the total Special Tax revenue, as shown in Table 3 below. A Planning Area’s Share of Annual Debt Service shall be adjusted to reflect any prepayments within that Planning Area.

**1. Expected Development and Special Tax Revenues**

Table 3 below identifies the amount of development and Special Tax revenue that is currently expected from each Planning Area. Any Planning Area’s information in Table 3 may be revised by the CFD Administrator prior to the issuance of Bonds without limitation.

**TABLE 3**

**Expected Development and Special Tax Revenue by Planning Area**

PLANNING AREAS	EXPECTED PRODUCT TYPE	NUMBER OF UNITS	TOTAL RESIDENTIAL FLOOR AREA	EXPECTED ANNUAL SPECIAL TAX REVENUE	PERCENT OF TOTAL REVENUE
Village 5	Residential Property	144 units	403,200	\$177,408	26.94%
Village 6	Residential Property	102 units	234,600	103,224	15.68%
Village 7	Residential Property	112 units	313,600	137,984	20.96%
Village 8	Residential Property	56 units	126,800	56,672	8.60%
Village 9	Residential Property	70 units	161,000	70,840	10.76%
Village 10	Residential Property	111 units	255,300	112,332	17.06%
<b>TOTAL</b>		<u>595</u> units		<u>\$658,460</u>	<u>100.00%</u>

**2. Calculation of Required Average Special Tax Per Unit**

At the time the first building permit application for a Planning Area is submitted to the City, the CFD Administrator shall calculate the Required Average Special Tax Per Unit.

**3. Backup Special Tax due to Loss of Units**

If at any time after the Required Average Special Tax Per Unit has been calculated initially for a Planning Area, the CFD Administrator determines that based on tentative maps. Final Residential Subdivision maps, the Development Projection, and any other available information there has been a reduction in the total expected number of dwelling units within that Planning Area, then a Backup Special Tax payment shall be required for each lost unit prior to the issuance of any additional building permits or the recordation of any additional final maps for such Planning Area.

**4. Backup Special Tax due to Loss of Residential Floor Area**

For Planning Areas that include Residential Property, before each building permit (or group of permits) is issued, the CFD Administrator shall calculate the Actual Average Special Tax Per Unit for the Planning Area. If the Actual Average Special Tax Per Unit is less than the Required Average Special Tax Per Unit then a Backup Special Tax payment will be required prior to issuance of the building permits) included within the calculation.

**5. Calculation of Backup Special Tax**

The Backup Special Tax payment amount will be calculated using the prepayment formula described in Section I.1. with the following exceptions: (i) if the Backup Special Tax is required as a result of Section E.3, then the amount used in Paragraph No. 1 of the prepayment formula described in Section I.1 shall equal the number of lost units, times the Required Average Special Tax Per Unit; (ii) if the Backup Special Tax is required as a result of Section E.4, then the amount used in Paragraph No. 1 of the prepayment formula described in Section I.1 shall equal the difference between the Actual Average Special Tax Per Unit and the Required Average Special Tax Per Unit times the sum of the number of units for which permits are being issued plus the number of units within the Planning Area for which building permits have previously been issued. The amount determined pursuant to the preceding sentence shall be reduced by the balance in the Backup Special Tax Fund that has been established for such Planning Area; (iii) in Paragraph No. 5 of the prepayment formula described in Section I.1. compute the amount needed to pay interest on the Bond Redemption Amount until the first redemption date that occurs after five years from the date of the first Backup Special Tax payment in the Planning Area; (iv) any Backup Special Tax payments received for a Planning Area (less Administrative Fees and Expenses) shall be deposited into the Backup Special Tax Fund for that Planning Area and disbursed pursuant to the Indenture; and (v) the Maximum Annual Special Taxes applicable to property within a Planning Area shall not be reduced or relieved as a result of payment of the Backup Special Tax.

**6. Use/Release of Backup Special Tax Payments**

When a Planning Area reaches full buildout (i.e. all expected building permits have been issued), the CFD Administrator shall calculate the actual Developed Property Maximum Annual Special Tax revenues that will be generated from such Planning Area. If the actual Developed Property Maximum Annual Special Tax revenues are greater than or equal to 1.1 times that Planning Area's Share of Annual Debt Service, the balance in the Backup Special Tax Fund shall be returned to the payer, if Backup Special Taxes have been paid by more than one entity, the amount of Backup Special Taxes returned to each payer shall be in proportion to the amount paid by each entity. If the actual Developed Property Maximum Annual Special Tax revenues are less than 1.1 times that Planning Area's Share of Annual Debt Service, then to the extent necessary to generate 110% coverage, the balance in the Backup Special Tax Fund shall be used to redeem bonds on the next available redemption date unless the CFD Administrator reasonably determines, in its sole discretion, that the actual Developed Property Maximum Annual Special Tax revenues and the estimated Developed Property Maximum Annual Special Tax revenues pursuant to the Development Projection that are expected to be generated from all Planning Areas in CFD No. 2000-1 are greater than or equal to 1.1 times the maximum annual debt service on the Bonds. Any moneys remaining in Backup Special Tax Fund after a required bond redemption, if any, shall be returned to the payer. Notwithstanding the above, if a Planning Area has not reached full buildout within five years after the first payment of Backup Special Taxes for such Planning Area, then all moneys in the Backup Special Tax Fund shall be used to redeem bonds on the next available redemption date.

**F. EXEMPTIONS**

No Special Tax shall be levied on: (i) the land area that lies outside the Planning Areas, and (ii) up to 56.15 Acres of Property Owner Association Property and Public Property. Tax-exempt status will be irrevocably assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property.

After the limit of 56.15 exempt Acres has been reached the Maximum Annual Special Tax obligation for any additional Public Property shall be prepaid in full by the seller pursuant to Section I.1, prior to the transfer/dedication of such property. Until the Maximum Annual Special Tax obligation for any such Public Property is prepaid, the property shall continue to be subject to the levy of the Special Tax as Undeveloped Property.

Property Owner Association Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the third step in Section D above, at up to 100% of the Maximum Annual Special Tax for Taxable Property Owner Association Property.

**G. REVIEW/APPEAL COMMITTEE**

The Council shall establish as part of the proceedings and administration of CFD No. 2000-1 a special three-member Review/Appeal Committee. Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may file a written notice with the Review/Appeal Committee appealing the amount of the Special Tax levied on such Assessor's Parcel. The Review/Appeal Committee may establish such procedures as it deems necessary to undertake the review of any such appeal. The Review/Appeal Committee shall interpret this Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as herein specified. The decision of the Review/Appeal Committee shall be final and binding as to all persons.

**H. MANNER OF COLLECTION**

The annual Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that CFD No. 2000-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Assessor's Parcels which are delinquent in the payment of Special Taxes.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by the Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Council.

**I. PREPAYMENT OF SPECIAL TAX**

The following definition applies to this Section 1:

**“Outstanding Bonds”** means all previously issued Bonds which will remain outstanding after the first interest and `or principal payment date following, the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Annual Special Taxes.

**1. Prepayment in Full**

The Maximum Annual Special Tax obligation may only be prepaid and permanently satisfied by an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, or Public Property. The Maximum Annual Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made 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 intending to prepay the Maximum Annual Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of

such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this figure.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	<u>Capitalized Interest Credit</u>
Total:	equals Prepayment Amount

As of the proposed date of prepayment- the Prepayment Amount (defined below) shall be calculated as follows:

**Paragraph No.:**

1. For Assessor's Parcels of Developed Property, compute the Maximum Annual Special Tax for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property to be prepaid, compute the Maximum Annual 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. For Assessor's Parcels of Public Property to be prepaid, compute the Maximum Annual Special Tax for that Assessor's Parcel using the Maximum Annual Special Tax for Undeveloped Property.
2. Divide the Maximum Annual Special Tax computed pursuant to paragraph 1 by the sum of the total expected Special Tax revenues in Table 3 in Section E., excluding any Assessor's Parcels which have been prepaid.
3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
5. 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 earliest redemption date for the Outstanding Bonds.
6. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
7. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
8. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

9. Add the amounts computed pursuant to paragraphs 5 and 7 and subtract the amount computed pursuant to paragraph 8 (the “Defeasance Amount”).
10. Verify the administrative fees and expenses of CFD No. 2000-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the “Administrative Fees and Expenses”).
11. The reserve fund credit (the “Reserve Fund Credit”) shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
12. 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 2 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the “Capitalized Interest Credit”).
13. The Maximum Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 9, and 10, less the amounts computed pursuant to paragraphs 11 and 12 (the “Prepayment Amount”).
14. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 9, 11, and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 10 shall be retained by CFD No. 2000-1.

The Prepayment Amount may be sufficient to redeem 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 Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year’s Special Tax levy as determined under paragraph 7 above, the CFD Administrator shall remove the current Fiscal Year’s Special Tax levy for such Assessor’s Parcel from the County tax rolls. With respect to any Assessor’s Parcel that is prepaid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Annual Special Taxes that may be levied on Taxable Property within CFD No. 2000-1 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

Tenders of Bonds in prepayment of Maximum Annual Special Taxes may be accepted upon the terms and conditions established by the Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Council.

**2. Prepayment in Part**

The Maximum Annual Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of 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 I.1; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

PP = the partial prepayment

PE = the Prepayment Amount calculated according to Section I.1, minus Administrative Expenses and Fees pursuant to Step 10.

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Annual Special Tax.

A = the Administrative Expenses and Fees pursuant to Step 10.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Annual Special Tax shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Annual Special Tax, (ii) the percentage by which the Maximum Annual Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if applicable. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Maximum Annual Special Tax for an Assessor's Parcel within 30 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 Paragraph 14 of Section I.1, and (ii) indicate in the records of CFD No. 2000-1 that there has been a partial prepayment of the Maximum Annual Special Tax and that a portion of the Maximum Annual Special Tax equal to the outstanding percentage (1.00 - F) of the remaining Maximum Annual Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

**J. TERM OF MAXIMUM ANNUAL SPECIAL TAX**

The Maximum Annual Special Tax shall be levied commencing in Fiscal Year 2000-2001 to the extent necessary to fully satisfy the Special Tax Requirement for a period no longer than the 2035-2036 Fiscal Year.

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

**RATE AND METHOD OF APPORTIONMENT FOR  
CITY OF CHLTLA VISTA  
COMMUNITY FACILITIES DISTRICT NO. 2001-1,  
IMPROVEMENT AREA A  
(San Miguel Ranch)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property within the City of Chula Vista Community Facilities District No. 2001-1 ("CFD No. 2001-1, Improvement Area A") and collected each Fiscal Year commencing in Fiscal Year 2002-03, in an amount determined by the City Council through the application of the appropriate Special Tax for "Developed Property," and "Undeveloped Property," as described below. All of the real property in CFD No. 2001-1, Improvement Area A, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

**A. 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, parcel map, condominium plan, record of survey, or other recorded document creating or describing the parcel. If the preceding maps are not available, the Acreage shall be determined by the City Engineer.

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

**"Administrative Expenses"** means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2001-1, Improvement Area A including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City, or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2001-1, Improvement Area A or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2001-1, Improvement Area A or any designee thereof of complying with City, CFD No. 2001-1, Improvement Area A or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2001-1, Improvement Area A or any designee thereof related to an appeal of the Special Tax; and the costs associated with the release of funds from an escrow account, if any. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2001-1, Improvement Area A for any other administrative purposes of CFD No. 2001-1, Improvement Area A, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

**"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 County Assessor of the County designating parcels by Assessor's Parcel number.



**“Assigned Special Tax”** means the Special Tax for each Land Use Category of Developed Property as determined in accordance with Section C.1.a.

**“Available Funds”** means the balance in the reserve fund established pursuant to the terms of the Indenture in excess of the reserve requirement as defined in such Indenture, delinquent special tax payments, the Special Tax prepayments collected to pay interest on Bonds, and other sources of funds available as a credit to the Special Tax Requirement as specified in such Indenture.

**“Backup Special Tax”** means the Special Tax amount set forth in Section C.1.b. below.

**“Bonds”** means any bonds or other debt (as defined in the Act), whether in one or more series, issued by CFD No. 2001-1, Improvement Area A under the Act.

**“CFD Administrator”** means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

**“CFD No. 2001-1, Improvement Area A”** means City of Chula Vista, Community Facilities District No. 2001-1, Improvement Area A (San Miguel Ranch).

**“City”** means the City of Chula Vista.

**“Commercial Property”** means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more non-residential structures, excluding Community Purpose Facility Property.

**“Community Purpose Facility Property”** means all Assessor’s Parcels which are classified as community purpose facilities and meet the requirements of City of Chula Vista Ordinance No. 2452.

**“Council”** means the City Council of the City, acting as the legislative body of CFD No. 2001-1, Improvement Area A.

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

**“Developed Property”** means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

**“Final Map”** means a subdivision of property created by recordation of a final map, parcel map, or lot line adjustment, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which residential building permits may be issued without further subdivision of such property.

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

**“Indenture”** means the indenture, fiscal agent agreement, trust agreement, 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.

**“Land Use Class”** means any of the classes listed in Tables 1 and 2 of Section C.

“**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.

“**Master Developer**” means the owner of the predominant amount of Undeveloped Property in CFD No. 2001-1, Improvement Area A.

“**Maximum Annual Special Tax**” means the maximum annual Special Tax, determined in accordance with the provisions of Section C below, that may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“**Occupied Residential Property**” means all Assessor’s Parcels of Residential Property which have closed escrow to an end user.

“**Outstanding Bonds**” means all Bonds which remain outstanding.

“**Property Owner Association Property**” means any property within the boundaries of CFD No. 2001-1, Improvement Area A owned by or dedicated to a property owner association, including any master or sub-association.

“**Proportionately**” means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax or Backup Special Tax is equal for all Assessor’s Parcels of Developed Property within CFD No. 2001-1, Improvement Area A. For Undeveloped Property “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Annual Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property within CFD No. 2001-1, Improvement Area A.

“**Public Property**” means any property within the boundaries of CFD No. 2001-1, Improvement Area A that is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State of California, the County, the City or any other public agency.

“**Residential Property**” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“**Residential Floor Area**” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to appropriate records kept by the City’s Building Department. Residential Floor Area will be based on the building permit(s) issued for each dwelling unit prior to it being classified as Occupied Residential Property, and shall not change as a result of additions or modifications made after such classification as Occupied Residential Property.

“**Special Tax**” means the annual special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax Requirement

“**Special Tax Requirement**” means that amount required in any Fiscal Year for CFD No. 2001-1, Improvement Area A to (i) pay annual debt service on all Outstanding Bonds as defined in Section A.; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture; (v) and pay directly for acquisition and/or construction of public improvements which are authorized to be financed by CFD No. 2001-1, Improvement Area A; (vi) less a credit for Available Funds.

“**State**” means the State of California.

“**Taxable Property**” means all of the Assessor’s Parcels within the boundaries of CFD No. 2001-1, Improvement Area A which are not exempt from the Special Tax pursuant to law or Section E below.

“**Trustee**” means the trustee, fiscal agent, or paying agent under the Indenture.

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

**B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Taxable Property within CFD No. 2001-1, Improvement Area A shall be classified as Developed Property or Undeveloped Property and shall be subject to the levy of annual Special Taxes determined pursuant to Sections C and D below. Furthermore, Developed Property shall be classified as Residential Property or Commercial Property.

**C. MAXIMUM ANNUAL SPECIAL TAX RATE**

**1. Developed Property**

The Maximum Annual Special Tax for each Assessor’s Parcel of Residential Property or Commercial Property that is classified as Developed Property shall be the greater of (1) the Assigned Special Tax described in Table 1 below or (2) the amount derived by application of the Backup Special Tax.

**a. Assigned Special Tax**

The Assigned Special Tax for each Assessor’s Parcel of Developed Property is shown in Table 1.

**TABLE 1**

Assigned Special Tax for Developed Property

<i>Land Use Class</i>	<i>Description</i>	<i>Assigned Special Tax</i>
1	Residential Property	\$475.00 per unit plus \$0.34 per square foot of Residential Floor Area
2	Commercial Property	\$5,091 per Acre of Commercial Property

**b. Backup Special Tax**

When a Final Map is recorded within Improvement Area A, the Backup Special Tax for Assessor’s Parcels of Developed Property classified as Residential Property or Commercial Property shall be determined as follows:

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 within the Final Map area, the Backup Special Tax shall be the rate per Lot calculated according to the following formula:

$$B = \frac{\$10,376 \times A}{L}$$

The terms above have the following meanings:

- B = Backup Special Tax per Lot in each Fiscal Year.
- A = Acreage classified or to be classified as Residential Property in such Final Map.
- L = Lots in the Final Map which are classified or to be classified as Residential Property.

For each Assessor's Parcel of Developed Property classified as Commercial Property or for each Assessor's Parcel of Undeveloped Property to be classified as Commercial Property within the Final Map area, the Backup Special Tax shall be determined by multiplying \$10,376 by the total Acreage of the Commercial Property and Undeveloped Property to be classified as Commercial Property within the Final Map area.

Notwithstanding the foregoing, if Assessor's Parcels of Residential Property, Commercial 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 amount of Backup Special Tax that would have been generated if such change did not take place.

**2. Undeveloped Property**

The Maximum Annual Special Tax for each Assessor's Parcel classified as Undeveloped Property shall be the amount shown in Table 2 below:

**TABLE 2**

Maximum Annual Special Tax for Undeveloped Property

<i>Land Use Class</i>	<i>Description</i>	<i>Maximum Annual Special Tax</i>
3	Undeveloped Property	\$10,376 per Acre

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing with Fiscal Year 2002-03 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property at a rate up to 100% of the applicable Assigned Special Tax to satisfy the Special Tax Requirement.

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property, excluding any Assessor's Parcels classified as Undeveloped Property pursuant to Section E, at up to 100% of the Maximum Annual Special Tax for Undeveloped Property.

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax to be levied on each Assessor's Parcel whose Maximum Annual Special Tax is derived by the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Annual Special Tax for each such Assessor's Parcel.

Fourth: 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 classified as Undeveloped Property pursuant to Section E at up to 100% of the Maximum Annual Special Tax for Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Occupied Residential Property be increased by more than ten percent per year as a consequence of delinquency or default in the payment of Special Taxes by the owner of any other Assessor's Parcel of CFD No. 2001-1, Improvement Area A.

**E. EXEMPTIONS**

The CFD Administrator shall classify as exempt property (i) Assessor's Parcels defined as Public Property, (ii) Assessor's Parcels defined as 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, (iv) Assessor's Parcels defined as Community Purpose Facility Property or (v) 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 to less than 121.93 Acres. Notwithstanding the above, the CFD Administrator shall not classify an Assessor's Parcel as exempt property if such classification would reduce the sum of all Taxable Property to less than 121.93 Acres. Assessor's Parcels which cannot be classified as exempt property because such classification would reduce the Acreage of all Taxable Property to less than 121.93 Acres will be classified as Undeveloped Property and shall be taxed as a part of the fourth step in Section D.

Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes exempt property. The Maximum Annual Special Tax obligation for any Public Property which cannot be classified as exempt property as described in the first paragraph of Section E shall be prepaid in full by the seller pursuant to Section H.1, prior to the transfer/dedication of such property. Until the Maximum Annual Special Tax obligation for any such Public Property is prepaid, the property shall continue to be subject to the levy of the Special Tax as Undeveloped Property pursuant to the fourth step in Section D.

**F. REVIEW/APPEAL COMMITTEE**

The Council shall establish as part of the proceedings and administration of CFD No. 2001-1, Improvement Area A, a special three-member Review/Appeal Committee. Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may file a written notice with the Review/Appeal Committee appealing the amount of the Special Tax levied on such Assessor's Parcel. The Review/Appeal Committee may establish such procedures as it deems necessary to undertake the review of any such appeal. The Review/Appeal Committee shall interpret this Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as herein specified. The decision of the Review/Appeal Committee shall be final and binding as to all persons.

**G. MANNER OF COLLECTION**

The annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2001-1, Improvement Area A may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Assessor’s Parcels which are delinquent in the payment of Special Taxes.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by the Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Council.

**H. PREPAYMENT OF SPECIAL TAX**

The following definition applies to this Section H:

“**Outstanding Bonds**” means all previously issued Bonds which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Annual Special Taxes.

**1. Prepayment in Full**

The Maximum Annual Special Tax obligation may only be prepaid and permanently satisfied by an Assessor’s Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, or Public Property. The Maximum Annual Special Tax obligation applicable to such Assessor’s Parcel may be fully prepaid and the obligation of the Assessor’s Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made 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 intending to prepay the Maximum Annual Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor’s Parcel. The CFD Administrator may charge a reasonable fee for providing this figure.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
Plus	Redemption Premium
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	<u>Capitalized Interest Credit</u>
Total:	equals Prepayment Amount

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

**Paragraph No.:**

For Assessor’s Parcels of Developed Property, compute the Maximum Annual Special Tax for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Undeveloped Property to be prepaid, compute the Maximum Annual 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. For Assessor's Parcels of Public Property to be prepaid, compute the Maximum Annual Special Tax for that Assessor's Parcel using the Maximum Annual Special Tax for Undeveloped Property.

Divide the Maximum Annual Special Tax computed pursuant to paragraph 1 by the sum of the total expected Maximum Annual Special Tax revenues excluding any Assessor's Parcels which have been prepaid.

Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "*Bond Redemption Amount*").

Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").

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 earliest redemption date for the Outstanding Bonds.

Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.

Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

Add the amounts computed pursuant to paragraphs 5 and 7 and subtract the amount computed pursuant to paragraph 8 (the "*Defeasance Amount*").

Verify the administrative fees and expenses of CFD No. 2001-1, Improvement Area A, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").

The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

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 2 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "*Capitalized Interest Credit*").

The Maximum Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 9, and 10, less the amounts computed pursuant to paragraphs 11 and 12 (the “*Prepayment Amount*”).

From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 9, 11, and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 10 shall be retained by CFD No. 2001-1, Improvement Area A.

The Prepayment Amount may be insufficient to redeem 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 Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year’s Special Tax levy as determined under paragraph 7 above, the CFD Administrator shall remove the current Fiscal Year’s Special Tax levy for such Assessor’s Parcel from the County tax rolls. With respect to any Assessor’s Parcel that is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Annual Special Taxes that may be levied on Taxable Property within CFD No. 2001-1, Improvement Area A both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

Tenders of Bonds in prepayment of Maximum Annual Special Taxes may be accepted upon the terms and conditions established by the Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Council.

## **2. Prepayment in Part**

The Maximum Annual Special Tax on an Assessor’s Parcel of Developed Property or an Assessor’s Parcel of 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 II.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E \times F) + A$$

These terms have the following meaning:

- PP = the partial prepayment
- $P_E$  = the Prepayment Amount calculated according to Section H.1, minus Administrative Expenses and Fees pursuant to Step 10.
- F = the percent by which the owner of the Assessor’s Parcel(s) is partially prepaying the Maximum Annual Special Tax.
- A = the Administrative Expenses and Fees pursuant to Step 10.

The owner of an Assessor’s Parcel who desires to partially prepay the Maximum Annual Special Tax shall notify the CFD Administrator of (i) such owner’s intent to partially prepay the Maximum Annual Special Tax, (ii) the percentage by which the Maximum Annual Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if applicable. The CFD Administrator shall provide the owner with a statement of the amount required for the partial



prepayment of the Maximum Annual Special Tax for an Assessor's Parcel within 30 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 Paragraph 14 of Section H.1, and (ii) indicate in the records of CFD No. 2001-1, Improvement Area A that there has been a partial prepayment of the Maximum Annual Special Tax and that a portion of the Maximum Annual Special Tax equal to the outstanding percentage (1.00 - F) of the remaining Maximum Annual Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

**I. TERM OF MAXTMUM ANNUAL SPECIAL TAX**

The Maximum Annual Special Tax shall be levied commencing in Fiscal Year 2002-03 to the extent necessary to fully satisfy the Special Tax Requirement for a period no longer than 2037-38.