

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

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

**\$30,530,000\***  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**SPECIAL TAX REVENUE REFUNDING BONDS**  
**SERIES 2015A**

**Dated: Date of Delivery**

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

The Chula Vista Municipal Financing Authority Special Tax Revenue Refunding Bonds, Series 2015A (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 four series of special tax refunding bonds (the “Special Tax Refunding Bonds”). The Special Tax Refunding Bonds are obligations of various community facilities districts (each a “Community Facilities District”, together the “Community Facilities Districts”) 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”). Each series of Special Tax Refunding 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 Special Tax Refunding Bonds relate. The Special Tax Refunding Bonds are being issued to currently refund and redeem four series of special tax bonds of the respective Community Facilities Districts. See the captions “INTRODUCTION—Special Tax 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 Special Tax 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 Special Tax Refunding Bonds received by the Trustee and amounts in certain funds and accounts pledged under the Indenture. Debt service payments on the Special Tax 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 Special Tax Refunding Bonds. See the caption “SECURITY FOR THE BONDS.”

The Special Tax Refunding Bonds are limited obligations of the Community Facilities Districts. Each series of Special Tax Refunding Bonds is payable solely from the assets pledged therefor under the respective Special Tax Refunding Bonds Fiscal Agent Agreement pursuant to which such Special Tax 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 COMMUNITY FACILITIES 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.*

[STIFEL LOGO]

\* Preliminary, subject to change.

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

**\$30,530,000\***  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**SPECIAL TAX REVENUE REFUNDING BONDS**  
**SERIES 2015A**

**MATURITY SCHEDULE**

**Base CUSIP<sup>®†</sup>: 17131C**

<i>Maturity Date</i> <i>(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.

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**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**

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 Community Facilities 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 Community Facilities 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 Community Facilities 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 Community Facilities 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 Community Facilities 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 Special Tax 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 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 CFD LOCATIONS]



**\$30,530,000\***  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**SPECIAL TAX REVENUE REFUNDING BONDS**  
**SERIES 2015A**

**INTRODUCTION**

**Summary**

This Official Statement is provided to furnish certain information in connection with the issuance and sale by the Authority of 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 of four series of special tax refunding bonds (the “Special Tax Refunding Bonds”), each issued by a community facilities district (each a “Community Facilities District”, together the “Community Facilities Districts”) of the City. As described under the caption “THE FINANCING PLAN,” the proceeds from the sale of the Special Tax Refunding Bonds to the Authority are being used to current refund and defease four series of special tax bonds (collectively, the “Prior Special Tax Bonds”) previously issued by the Community Facilities Districts in order to reduce the amount of special taxes levied therein. See the captions “—Special Tax Refunding Bonds” and “THE FINANCING PLAN” for a description of the Special Tax Refunding Bonds.

As the owner of the Special Tax Refunding Bonds, the Authority, under the Indenture, will pledge the payments of principal and interest that it receives on the Special Tax 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 Special Tax Refunding Bonds is a separate and distinct obligation secured by special taxes levied against certain properties within the Community Facilities District or applicable improvement area therein to which such Special Tax Refunding Bonds relates. The Special Tax Refunding Bonds are limited obligations of the Community Facilities Districts payable from Net Special Tax Revenues (as such term is defined under the caption “SECURITY FOR THE BONDS—Payment of the Special Tax Refunding Bonds—General”) pledged under the respective Special Tax Refunding Bonds Fiscal Agent Agreements (as such term is defined below under the caption “—Special Tax Refunding Bonds”). See the caption “SECURITY FOR THE BONDS” for a description of the Net Special Tax Revenues and other funds securing the Special Tax Refunding Bonds.

**The Bonds**

The proceeds of the Bonds will be used by the Authority to acquire the Special Tax Refunding Bonds from the Community Facilities Districts.

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\* Preliminary, subject to change.

The Bonds are payable from and secured by the Revenues. “Revenues” is defined under the Indenture to mean: (a) all amounts derived from the Special Tax 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 Special Tax Refunding Bonds received by the Authority, as the owner of the Special Tax 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 COMMUNITY FACILITIES 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.

### **Special Tax Refunding Bonds**

The Special Tax Refunding Bonds consist of:

(i) the \$5,160,000\* City of Chula Vista Community Facilities District No. 2001-1 (San Miguel Ranch) Improvement Area B Special Tax Refunding Bonds, Series 2015 (the “CFD No. 2001-1 IA B Special Tax Refunding Bonds”);

(ii) the \$11,975,000\* City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) Special Tax Refunding Bonds, Series 2015 (“CFD No. 07-I Special Tax Refunding Bonds”).

(iii) the \$9,800,000\* City of Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) Special Tax Refunding Bonds, Series 2015 (the “CFD No. 12-I Special Tax Refunding Bonds”); and

(iv) the \$3,595,000\* City of Chula Vista Community Facilities District No. 13-I (Otay Ranch Village Seven) Special Tax Refunding Bonds, Series 2015 (“CFD No. 13-I Special Tax Refunding Bonds”);

The Special Tax Refunding 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”), and separate Fiscal Agent Agreements, each dated as of \_\_\_\_\_ 1, 2015 (each, a “Special Tax Refunding Bonds Fiscal Agent Agreement,” and collectively, the “Special Tax Refunding Bonds Fiscal Agent Agreements”), by and between each Community Facilities District and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”). Each series of Special Tax Refunding 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 B; (ii) Community Facilities District No. 07-I; (iii) Community Facilities District No. 12-I; or (iv) Community Facilities District No. 13-I (each, a “Taxing Jurisdiction,” and collectively, the “Taxing Jurisdictions”). See the caption “SECURITY FOR THE BONDS—Payment of the Special Tax Refunding Bonds.”

THE SPECIAL TAX REFUNDING BONDS ARE LIMITED OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICTS. EACH SERIES OF SPECIAL TAX REFUNDING BONDS IS PAYABLE SOLELY FROM THE ASSETS PLEDGED THEREFOR UNDER THE RESPECTIVE SPECIAL

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\* Preliminary, subject to change.

TAX REFUNDING BONDS FISCAL AGENT AGREEMENT PURSUANT TO WHICH SUCH SPECIAL TAX 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 SPECIAL TAX 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 Special Tax Refunding Bonds Fiscal Agent Agreement, each Community Facilities District will covenant not to issue additional obligations entitled to a lien on the Net Special Tax Revenues of the respective Taxing Jurisdiction, other than for the purpose of refunding the Special Tax Refunding Bonds relating to such Taxing Jurisdiction and, in the case of Community Facilities District No. 07-I, for the purpose of refunding the City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) Special Tax Refunding Bonds, Series 2013 (the “CFD 07-I Parity Bonds”). Other than the CFD 07-I Parity Bonds, there is no other indebtedness of the Community Facilities Districts that will be outstanding on the date that the Special Tax Refunding Bonds are issued. See “THE COMMUNITY FACILITIES DISTRICTS—Community Facilities District No. 07-I” below.

### **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 Special Tax 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 Special Tax Refunding Bonds, the Indenture, the Special Tax 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 Special Tax Refunding Bonds, the Indenture, the Special Tax 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 Community Facilities Districts the Special Tax Refunding Bonds, which are described in the following table.

**TABLE 1  
SPECIAL TAX REFUNDING BONDS**

<i>Special Tax Refunding Bonds</i>	<i>Principal Amount</i>
City of Chula Vista Community Facilities District No. 2001-1 (San Miguel Ranch) Improvement Area B Special Tax Refunding Bonds, Series 2015	\$5,160,000*
City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) Special Tax Refunding Bonds, Series 2015	11,975,000*
City of Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) Special Tax Refunding Bonds, Series 2015	9,800,000*
City of Chula Vista Community Facilities District No. 13-I (Otay Ranch Village Seven) Special Tax Refunding Bonds, Series 2015	3,595,000*

Proceeds from the sale of the Special Tax Refunding Bonds, together with certain available funds on hand, including moneys held in certain funds relating to the Prior Special Tax Bonds, will be used to refund and defease the Prior Special Tax Bonds shown on the following table on September 1, 2015.

**TABLE 2  
PRIOR SPECIAL TAX BONDS**

<i>Prior Special Tax Bonds</i>	<i>Date Issued</i>	<i>Original Principal Amount</i>	<i>Outstanding Principal Amount</i>	<i>Redemption Price</i>	<i>Redemption Date</i>
City of Chula Vista Community Facilities District No. 2001-1 (San Miguel Ranch) 2005 Improvement Area B Special Tax Bonds (the "Prior CFD 2001-1 Bonds")	December 21, 2005	\$12,230,000	\$10,470,000	100%	September 1, 2015
City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) 2006 Special Tax Bonds (the "Prior CFD 07-I Bonds")	June 20, 2006	16,950,000	13,350,000	101	September 1, 2015
City of Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) 2005 Special Tax Bonds (the "Prior CFD 12-I Bonds")	December 6, 2005	22,565,000	13,025,000	100	September 1, 2015
City of Chula Vista Community Facilities District No. 13-I (Otay Ranch Village Seven) 2006 Special Tax Bonds (the "Prior CFD 13-I Bonds")	May 17, 2006	16,620,000	8,825,000	101	September 1, 2015

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\* Preliminary, subject to change.

The Bonds are being sold in amounts that will provide sufficient proceeds to acquire the Special Tax Refunding Bonds. Under four separate Escrow Deposit and Trust Agreements, each dated as of \_\_\_\_\_ 1, 2015 (each an “Escrow Agreement”, collectively, the “Escrow Agreements”), by and between the applicable Community Facilities District and U.S. Bank National Association, as escrow bank (the “Escrow Bank”), the Community Facilities Districts will deliver a portion of the proceeds of the applicable Special Tax Refunding Bonds, together with moneys held in certain funds related to the applicable Prior Special Tax Bonds, to the Escrow Bank for deposit in each escrow fund established under the applicable Escrow Agreement (each, an “Escrow Fund”, collectively, the “Escrow Funds”). From the moneys on deposit in each Escrow Fund, the Escrow Bank will pay on September 1, 2015 the redemption price set forth in Table 2, plus interest accrued to such date. 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 Funds to pay all outstanding Prior Special Tax 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 Agreements, as of the date of issuance of the Bonds, the Prior Special Tax Bonds will be defeased pursuant to the provisions of the respective documents pursuant to which the Prior Special Tax Bonds were issued. See the caption “CONCLUDING INFORMATION—Verification of Mathematical Computations.”

The amounts held by the Escrow Bank in each Escrow Fund are pledged solely to the payment of the applicable series of Prior Special Tax Bonds. The funds deposited in the Escrow Funds 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 Special Tax Refunding Bonds and certain moneys held in funds of the Prior Special Tax 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><b>Sources of Funds</b></i>	
Principal Amount of Bonds	\$
Plus/Less Net Original Issue Premium/Discount	
Funds on Hand	<u>                    </u>
<i><b>Total Sources</b></i>	<u><u>\$</u></u>
 <i><b>Uses of Funds</b></i>	
Program Fund <sup>(1)(2)</sup>	\$
Underwriter’s Discount	
<i><b>Total Uses</b></i>	<u><u>\$</u></u>

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

<sup>(2)</sup> At the time the Special Tax Refunding Bonds are purchased by the Authority, 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 Special Tax Refunding Bonds and amounts transferred from the Prior Special Tax Bonds are set forth in the following table:

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

	<i>CFD No. 2001-1 Improvement Area B</i>	<i>CFD No. 07-1</i>	<i>CFD No. 12-1</i>	<i>CFD No. 13-1</i>	<i>Total</i>
<b>Sources of Funds</b>					
Principal Amount of Special Tax 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>
<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>

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

<sup>(2)</sup> To be applied to refund and defease the Prior Special Tax 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 Special Tax 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 Special Tax 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 Special Tax 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 Special Tax 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 Special Tax Refunding Bonds mails notice of redemption of any such Special Tax 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 Special Tax Refunding Bonds. On the date of such redemption of such Special Tax 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 Special Tax 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 Special Tax 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.

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\* Preliminary, subject to change.



**Mandatory Sinking Fund Redemption.** The Outstanding Bonds maturing on September 1, 2036 are subject to mandatory sinking fund redemption in part, on September 1, \_\_\_\_ and on each September 1 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, 2036 are redeemed pursuant to the provisions set forth above under the caption “—Optional Redemption,” the principal amount of the Bonds maturing on September 1, 2036 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, 2036 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, 2036 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, 2036 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, 2036 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, 2036 will match the principal payment on the Special Tax 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 Special Tax Refunding Bonds as set forth above under the caption “—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax 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 Special Tax 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	\$	\$	\$
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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 Special Tax Refunding Bonds while the Bonds are outstanding. The debt service payments due on the Special Tax 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 Special Tax Refunding Bonds, amounts will be drawn from the Reserve Fund to pay amounts due on the Bonds. Revenues will be generated from debt service from all four series of Special Tax Refunding Bonds. The Taxing Jurisdictions contribute varying amounts toward the Revenues each year ranging from a typical contribution of approximately \_\_\_% by Community Facilities District No. \_\_\_ to a typical contribution of approximately \_\_\_% from Community Facilities District No. \_\_\_\_.

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

<i>Bond Year (Ending 9/1)</i>	<i>CFD No. 2001-1 Improvement Area B Special Tax Refunding Bonds Debt Service</i>	<i>CFD No. 07-1 Special Tax Refunding Bonds Debt Service</i>	<i>CFD No. 12-1 Special Tax Refunding Bonds Debt Service</i>	<i>CFD No. 13-1 Special Tax Refunding Bonds Debt Service</i>	<i>Total Special Tax 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						100
2033						100
2034						100
2035						100
2036						<u>100</u>
Total						100%

<sup>(1)</sup> Reflects Total Special Tax 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 Community Facilities 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 COMMUNITY FACILITIES 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 COMMUNITY FACILITIES 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 Special Tax 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 Special Tax 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 Community Facilities Districts under and with respect to the Special Tax 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 Revenues representing Principal Prepayments and Revenues resulting from the optional redemption of Special Tax 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 Special Tax 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 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 Special Tax 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 Special Tax 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 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 Special Tax Refunding Bonds are outstanding under the terms of the Special Tax 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 Special Tax Refunding Bonds Fiscal Agent Agreements) established and held by the Fiscal Agent for each Series of Special Tax Refunding Bonds proportionately based on their respective Proportionate Share. [“Proportionate Share” means as of the date of calculation for any Series of the Special Tax Refunding Bonds when computing the proportionate share allocable to such Special Tax Refunding Bonds among all Outstanding Special Tax Refunding Bonds, the ratio derived by dividing the then Outstanding principal amount of such Special Tax Refunding Bonds by the then aggregate Outstanding principal amount of all Special Tax Refunding Bonds.] Notwithstanding the foregoing, in the event that the Special Tax 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 Special Tax 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 Special Tax 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 Special Tax Refunding Bonds Prepayment Reserve Fund Credit to the Fiscal Agent for the Series of the Special Tax 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 Special Tax Refunding Bonds an amount equal to the Special Tax 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 Special Tax Bonds, an amount equal to the CFD Bonds Reserve Fund Credit Amount applicable to such Series of Special Tax Bonds, minus 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 Special Tax 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 Special Tax 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 Special Tax Refunding Bonds**

**General.** Each Series of Special Tax Refunding Bonds is secured by a first pledge (which pledge will be effected in the manner and to the extent provided in each Special Tax Refunding Bonds Fiscal Agent Agreement) of all of the Net Special Tax Revenues and all moneys deposited in the Bond Fund and, until disbursed as provided in the Special Tax Refunding Bonds Fiscal Agent Agreements, in the Special Tax Fund. See the captions “THE FINANCING PLAN” and “THE COMMUNITY FACILITIES DISTRICT.” With respect to the CFD No. 07-I Special Tax Refunding Bonds, such pledge will be on a parity with the pledge of Net Special Tax Revenues securing CFD 07-I Parity Bonds.

“Administrative Expenses” means any or all of the following: the fees and expenses of the Fiscal Agent (including the fees and expenses of its counsel); the expenses of the City or the Community Facilities District in carrying out its duties under the applicable Special Tax Refunding Bonds Fiscal Agent Agreement (including, but not limited to, the levying and collection of the Special Taxes, including collection of delinquent Special Taxes through judicial foreclosure proceedings, complying with the disclosure provisions of the CFD Act, the Continuing Disclosure Agreement and the applicable Special Tax Refunding Bonds Fiscal Agent Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Special Tax Refunding Bondowners and the Original Purchaser); the costs of the City and the Community Facilities District or their designees related to an appeal of the Special Tax; the Proportionate Share of the Authority Administrative Expenses (as such term is defined in Appendix B) allocable to the Special Tax Refunding Bonds; applicable fees; the Proportionate Share of the salaries of City staff directly related to the carrying out by the City for and on behalf of the applicable Community Facilities District, of the obligations under the applicable Special Tax Refunding Bonds Fiscal Agent Agreement or under the Indenture and a proportionate amount of City general administrative overhead related thereto allocable to the Special Tax Refunding Bonds; and all other costs and expenses of the City, the Community Facilities Districts, and the Fiscal Agent incurred in connection with the discharge of their respective duties under the applicable Special Tax Refunding Bonds Fiscal Agent Agreement, and in the case of the City, in any way related to the administration of the Community Facilities District and all actual costs and expenses incurred in connection with the administration of the Special Tax Refunding Bonds.

“Administrative Expense Requirement” means an annual amount equal to \$75,000, or such lesser amount as may be designated by written instruction from an Authorized Officer of the applicable Community Facilities District to be allocated as the first priority of Special Taxes received each Fiscal Year for the payment of Administrative Expenses allocated to the Special Tax Refunding Bonds.

“Net Special Tax Revenues” means, for each Fiscal Year, all Special Tax Revenues received for the applicable Taxing Jurisdiction by the Community Facilities District less an amount equal to the Administrative Expense Requirement.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the Community Facilities District including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest and penalties thereon.

The Net Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided in the Special Tax Refunding Bonds Fiscal Agent Agreements) have been dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Special Tax Refunding Bonds Fiscal Agent Agreements and in the CFD Act until all of the Bonds have been paid and retired or until moneys or Defeasance Obligations have been set aside irrevocably for that purpose in accordance with the Special Tax Refunding Bonds Fiscal Agent Agreements.

**Special Taxes.** Pursuant to the CFD Act and the applicable Special Tax Refunding Bonds Fiscal Agent Agreement, the Special Tax Refunding Bonds of a Series will be equally payable from the Net Special

Tax Revenues for the applicable Taxing Jurisdiction and other amounts in the Special Tax Fund without priority for number, date of the Special Tax Refunding Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Special Tax Refunding Bonds and any premiums upon the redemption thereof, will be exclusively paid from the Net Special Tax Revenues and certain other amounts in the Special Tax Fund which have been set aside for the payment of the Special Tax Refunding Bonds. Amounts in the Special Tax Fund constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Special Tax Refunding Bonds and, so long as any of the Special Tax Refunding Bonds or interest thereon remain Outstanding, will not be used for any other purpose, except as permitted by the applicable Special Tax Refunding Bonds Fiscal Agent Agreement.

Special Taxes cannot be levied or collected in any Taxing Jurisdiction to cover a shortfall in the collection of Special Taxes in another Taxing Jurisdiction. The Special Tax Fund of one Taxing Jurisdiction is not available to cure any deficiency in the collection of the Special Taxes within any other Taxing Jurisdiction. ***Other than the amounts on deposit in the Reserve Fund, there are no cross-collateralization or cross-payment provisions in effect with respect to the Taxing Jurisdictions. Pursuant to the Special Tax Refunding Bonds Fiscal Agent Agreements, draws on the Reserve Fund are replenished by deposits from only those Taxing Jurisdiction(s) whose debt service payment delinquencies necessitated such draw. The Special Tax Refunding Bonds Fiscal Agent Agreements do not establish reserve funds in connection with the Special Tax Refunding Bonds.***

Principal of and interest and premium, if any, on the Special Tax Refunding Bonds will be paid by the Fiscal Agent to the Trustee, as the registered owner of the Special Tax Refunding Bonds, on behalf of the Authority, out of the Bond Fund and Special Tax Fund established by the Special Tax Refunding Bonds Fiscal Agent Agreement to the extent that funds on deposit in such funds are available therefor.

***Limitations on Special Taxes.*** 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 applicable Taxing Jurisdiction and by Section 53321(d) of the CFD Act as described below under the caption “—Rates and Methods of Apportionment of Special Taxes.” The Special Taxes of a particular Taxing Jurisdiction are not available to pay principal of, interest on or premium on any Special Tax Refunding Bonds other than the Special Tax Refunding Bonds of the Taxing Jurisdiction in which they were levied. Moreover, the CFD Act and the rates and methods of apportionment of the Special Taxes limit the amount by which the Special Tax on a parcel of residential property may be increased as a consequence of a delinquency or default by an owner of another parcel. See “SECURITY FOR THE BONDS—Levy and Collection of Special Taxes” herein.

***Optional Redemption of Special Tax Refunding Bonds.\**** The Special Tax Refunding Bonds maturing on or after September 1, 2026 may be redeemed at the option of the Community Facilities Districts 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 Community Facilities District, and by lot within a maturity, at a redemption price equal to the principal amount of the Special Tax 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 Special Tax Refunding Bonds will occur only if the 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 Special Tax Refunding Bonds, the principal and interest due on the outstanding Special Tax Refunding Bonds, if any, and the other outstanding Series of Special Tax 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

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\* Preliminary, subject to change.

following the corresponding redemption of the Bonds resulting from such optional redemption of the Special Tax Refunding Bonds.

***Mandatory Redemption of Special Tax Refunding Bonds.***\* The Special Tax Refunding Bonds are subject to redemption on any Interest Payment Date, commencing March 1, 2016, prior to maturity, as a whole or in part from such maturities, as are selected by the applicable Community Facilities District, from the prepayment of Special Taxes at the following redemption prices (expressed as percentages of the principal amount of the Special Tax Refunding Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<b><i>Redemption Date</i></b>	<b><i>Redemption Price</i></b>
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

Notwithstanding the above, such mandatory redemption of the Special Tax Refunding Bonds in whole or in part will occur only if the 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 Special Tax Refunding Bonds, the principal and interest due on the outstanding Special Tax Refunding Bonds, if any, and the other outstanding Series of Special Tax 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 mandatory redemption of the Special Tax Refunding Bonds.

***Parity Special Tax Refunding Bonds for Refunding Purposes Only.*** Pursuant to each Special Tax Refunding Bonds Fiscal Agent Agreement, each Community Facilities District will covenant not to issue additional obligations entitled to a lien on the Net Special Tax Revenues of the respective Taxing Jurisdiction, other than for the purpose of refunding the Special Tax Refunding Bonds relating to such Taxing Jurisdiction or, in the case of Community Facilities District No. 07-I, the CFD 07-I Parity Bonds.

### **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 Special Tax Refunding Bonds Fiscal Agent Agreements each Taxing Jurisdiction will covenant to levy Special Taxes 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 Special Tax 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 Special Tax Refunding Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year. Notwithstanding this covenant, a Taxing Jurisdiction may be unable to levy Special Taxes 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

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\* Preliminary, subject to change.

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 Special Tax 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 Special Tax 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 Special Tax 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 XIIC and Article XIID.”

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 and 37 under the caption “THE COMMUNITY FACILITIES DISTRICTS” 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 Special Tax 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 Special Tax 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 Special Tax 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 Special Tax Refunding Bonds. Notwithstanding the foregoing, moneys in the Special Tax Fund relating to the CFD 07-I Bonds will be held by the Fiscal Agent for the benefit of the Owners of the CFD 07-I Bonds and the CFD 07-I Parity Bonds.

Special Tax Revenues (with the exception of Special Tax Revenues representing Prepayments) are to be applied by the Fiscal Agent under the applicable Special Tax 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 Special Tax 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 Special Tax 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 Special Tax 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 Special Tax 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 Special Tax Refunding Bonds pursuant to the applicable Special Tax 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 Special Tax 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 COMMUNITY FACILITIES DISTRICTS.”

## **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 Community Facilities Districts do not participate in the Teeter Plan. As a result, the collection of 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 Special Taxes could have an adverse effect on the Community Facilities Districts’ ability to make timely debt service payments on the Special Tax Refunding Bonds, which secure the Bonds. Conversely, the Community Facilities Districts will benefit from Special Taxes generated by penalties and interest charged on delinquent Special Taxes.

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

## **Covenant to Foreclose**

The net proceeds received following a judicial foreclosure sale of land within the Taxing Jurisdictions resulting from a landowner’s failure to pay the Special Taxes when due are included within the Special Tax Revenues pledged to the payment of principal of and interest on the Special Tax Refunding Bonds under the Special Tax Refunding Bonds Fiscal Agent Agreements.

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 Special Tax 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 Special Tax 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.

### **Priority of Lien**

The 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 COMMUNITY FACILITIES DISTRICT” 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 Bond Funds or the Special Tax Funds for the payment of the principal of or interest on the Special Tax Refunding Bonds if a delinquency occurs in the payment of any Special Taxes. See the caption “—Covenant to Foreclose” for a discussion of each Community Facilities District’s obligation to foreclose Special Tax liens upon delinquencies.

### **Prepayment of Special Taxes**

A property owner may prepay the Special Taxes on a parcel and thereby cause a partial redemption of the Special Tax Refunding Bonds and the Bonds. See the captions “THE BONDS—Redemption—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax 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 COMMUNITY FACILITIES 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 COMMUNITY FACILITIES DISTRICTS, NOR THE TAXING



POWER OF THE STATE, THE CITY, OR THE COMMUNITY FACILITIES 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 COMMUNITY FACILITIES DISTRICTS

#### The Community Facilities 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 Special Tax Refunding Bonds may not be used to make up any shortfall in the debt service on another issue of Special Tax Refunding Bonds. Moreover, the parcels in each of the Taxing Jurisdictions are taxed according to that Taxing Jurisdiction’s specific Rate and Method, and the Special Taxes of a Taxing Jurisdiction may only be applied to pay the debt service on the Special Tax Refunding Bonds of the Taxing Jurisdiction in which they are levied and not to pay debt service of any other Special Tax Refunding Bonds.

The total debt service to be paid on the Special Tax 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 99.3% 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, 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 Special Tax levy by land use category based on parcel classification for Fiscal Year 2014-15. 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, since 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 COMMUNITY FACILITIES DISTRICTS IN AGGREGATE**  
**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>Projected % of Fiscal Year 2015-16 Special Tax Levy*</i>
Developed Commercial	4	\$ 50,365,305	\$ 61,480	\$ 56,787	1.53%
Developed Residential – Attached	1,173	357,161,114	854,559	1,058,085	28.50
Developed Residential – Detached	2,138	1,004,407,989	3,301,183	2,597,885	69.97
Undeveloped Commercial	1	803,632	2,222	--	0.00
Undeveloped Residential	<u>21</u>	<u>1,624,141</u>	<u>82,549</u>	<u>--</u>	<u>0.00</u>
Total	3,337	\$ 1,414,362,181	\$ 4,301,993	\$ 3,712,757	100.00%

\* Preliminary, subject to change.

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

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-A 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 Special Tax 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 15.40\* to 1. Table 8-A 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 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 and 39-B herein for the value-to-lien analysis within each Taxing Jurisdiction.

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\* Preliminary, subject to change.

**TABLE 8-A**  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**THE COMMUNITY FACILITIES DISTRICTS IN AGGREGATE**  
**ASSESSED VALUE-TO-LIEN RATIOS**  
**INCLUDING DIRECT AND OVERLAPPING DEBT**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Fiscal Year 2015-16 Special Tax Levy<sup>(1)*</sup></i>	<i>% of Fiscal Year 2015-16 Special Tax Levy*</i>	<i>Fiscal Year 2014-15 Total Assessed Value<sup>(2)</sup></i>	<i>Total Direct &amp; Overlapping Tax &amp; Assessment Debt<sup>(3)*</sup></i>
0.00 to 2.99:1 <sup>(4)</sup>	10	\$ 13,592	0.53%	\$ 535,227	\$ 289,980
3.00 to 4.99:1 <sup>(4)</sup>	11	12,005	0.42	913,400	227,820
5.00 to 9.99:1	74	74,639	2.45	13,492,403	1,578,825
10.00 to 14.99:1	1,735	1,986,678	46.85	634,105,537	47,224,433
15.00 to 19.99:1	1,183	1,283,835	37.24	553,606,819	33,536,046
20.00 to 24.99:1	300	281,989	10.99	157,325,214	7,229,501
25.00 to 29.99:1	15	46,444	0.98	35,185,008	1,311,955
30.00 to 39.99:1	2	7,275	0.28	5,615,080	177,055
Greater than 40:1	<u>7</u>	<u>6,300</u>	<u>0.25</u>	<u>13,583,493</u>	<u>294,155</u>
Total	3,337	\$ 3,712,757	100.00%	\$1,414,362,181	\$ 91,869,770

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

(1) Projected Fiscal Year 2015-16 Special Tax levy based on parcel classification data for Fiscal Year 2014-15.

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

(3) Total direct and overlapping tax and assessment debt as of April 1, 2015 for all taxable parcels within the Taxing Jurisdictions per California Municipal Statistics, Inc. adjusted for principal amount of the Special Tax Refunding Bonds. See Tables 16, 23, 30 and 37 herein.

(4) There are 21 parcels with a value-to-lien ratio of less than 5 to 1. Two parcels located in CFD No. 07-1 utilized the Proposition 60/90 transfer of base year value program. 18 parcels in CFD No. 12-I developed during calendar year 2014 will show updated assessed values effective January 1, 2015. The one remaining parcel in CFD No. 12-I utilized the Proposition 60/90 base year value program. The Proposition 60/90 base year value program allows homeowners, in certain circumstances, to carry an assessed value from a prior property to a residential property in a Taxing Jurisdiction.

Source: NBS.

Table 8-B 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 based on the Fiscal Year 2014-15 assessed value, as updated by recent sales of parcels which previously had value-to-lien ratios less than 5 to 1 as set forth in Table 8-A above. Based on this updated sales information, the overall estimated value-to-lien ratio for the Taxing Jurisdictions in the aggregate is 15.49\* to 1 for the parcels upon which Special Taxes will be levied in Fiscal Year 2015-16 and none of the parcels have a value-to-lien ratio below 3 to 1.

\* Preliminary, subject to change.

**TABLE 8-B**  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**THE COMMUNITY FACILITIES DISTRICTS IN AGGREGATE**  
**OVERLAPPING DEBT BASED ON**  
**ASSESSED VALUES AND RECENT SALES**

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Projected Fiscal Year 2015-16 Total Value<sup>(1)*</sup></i>	<i>Projected Total Overlapping Debt<sup>(2)*</sup></i>
0.00 to 2.99:1	--	\$ --	\$ --
3.00 to 4.99:1	3	242,400	61,803
5.00 to 9.99:1	75	14,086,403	1,669,313
10.00 to 14.99:1	1,748	638,351,537	47,521,710
15.00 to 19.99:1	1,187	554,884,319	33,604,278
20.00 to 24.99:1	300	157,325,214	7,229,501
25.00 to 29.99:1	15	35,185,008	1,311,955
30.00 to 39.99:1	2	5,615,080	177,055
Greater than 40:1	<u>7</u>	<u>13,583,493</u>	<u>294,155</u>
Total	3,337	\$ 1,419,273,454	\$ 91,869,770

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

(1) Total Value per Assessed Value as of January 1, 2014 per County of San Diego as updated for subsequent sales data on 21 parcels with an assessed value-to-lien ratio of less than 5 to 1. See Table 8-A above.

(2) Total direct and overlapping tax and assessment debt as of April 1, 2015 for all taxable parcels within the Taxing Jurisdictions per California Municipal Statistics, Inc. adjusted for principal amount of the Special Tax Refunding Bonds. See Tables 16, 23, 30 and 37 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 30.7%. For historical assessed valuations within each of the Taxing Jurisdictions, see Tables 13, 20, 27 and 34 herein.

**TABLE 9**  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**THE COMMUNITY FACILITIES DISTRICTS IN AGGREGATE**  
**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	\$586,590,080	\$495,321,201	\$1,081,911,281	N/A
2010-11	531,966,495	533,980,607	1,065,947,102	(1.48)%
2011-12	521,757,648	623,820,287	1,145,577,935	7.47
2012-13	503,352,222	687,814,076	1,191,166,298	3.98
2013-14	207,485,036	764,880,102	1,272,365,138	6.82
2014-15	554,603,460	859,758,721	1,414,362,181	11.16

(1) Total Assessed Value per County of San Diego.

Source: NBS.

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

**TABLE 10**  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**THE COMMUNITY FACILITIES DISTRICTS 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	\$6,682,479	\$308,824	3,398	134	4.62%
2010-11	6,505,907	85,308	3,397	55	1.31
2011-12	6,232,843	147,883	3,381	80	2.37
2012-13	6,004,449	53,271	3,361	56	0.89
2013-14	5,549,369	20,208	3,207	19	0.36

Source: NBS.

Table 11 sets forth the 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 COMMUNITY FACILITIES DISTRICTS IN AGGREGATE**  
**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	\$6,682,479	\$ -	3,398	-	0.00%
2010-11	6,505,907	1,340	3,397	1	0.02
2011-12	6,232,843	3,015	3,381	2	0.05
2012-13	6,004,449	1,340	3,361	1	0.02
2013-14	5,549,369	5,693	3,207	5	0.10
2014-15	5,417,619	68,241	3,315	59	1.26

Source: NBS.

Table 12 below sets forth the top ten property owners in the Taxing Jurisdictions measured by the percentage share of total Special Taxes projected to be levied in Fiscal Year 2015-16 based fiscal year 2014-15 ownership information. These top ten property owners are responsible for approximately 2.31% percent of the Special Taxes expected 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 and 40 herein.

**TABLE 12**  
**CHULA VISTA MUNICIPAL FINANCING AUTHORITY**  
**THE COMMUNITY FACILITIES DISTRICTS IN AGGREGATE**  
**TOP TEN PROPERTY OWNERS**  
**(Based on the Fiscal Year 2014-15 Special Tax Levy and Parcel Classifications)**

<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 Special Tax Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>Parcel Count</i>
WINDINGWALK MARKETPLACE L L C	\$ 11,396,593	\$ 16,808,484	\$ 28,205,077	\$ 38,179	1.03%	1
M G P I X PROPERTIES L L C	5,264,964	4,770,467	10,035,431	12,308	0.33	2
NEW ALBERTSONS INC <LF> M G P I X PROPER	3,817,252	9,111,177	12,928,429	6,300	0.17	2
GRAHAM M E TRUST 11-07-13	711,948	1,079,932	1,791,880	4,111	0.11	2
SHEA HOMES LIMITED PARTNERSHIP	422,716	565,963	988,679	3,958	0.11	5
LUCKY 4 U INVESTMENTS L L C	494,954	611,239	1,106,193	3,777	0.10	4
OTAY RANCH VII-1 L L C	175,806	687,481	863,287	3,392	0.09	2
GRAMICO INC.	338,974	534,469	873,443	2,833	0.08	3
BEL VUE TERRACE PROPERTIES L L C	380,825	490,934	871,759	2,833	0.08	3
INVESTMENTS OF THE BAJA CALIFORNIAS L L	321,197	367,410	688,607	2,597	0.07	3
All Others	<u>531,278,231</u>	<u>824,731,165</u>	<u>1,356,009,396</u>	<u>3,632,470</u>	<u>97.84</u>	<u>3,310</u>
TOTAL	\$ 554,603,460	\$ 859,758,721	\$ 1,414,362,181	\$ 3,712,757	100.00%	3,337

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

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

Source: NBS.

[MAP OF CFD 2001-1 IAB]

**Community Facilities District No. 2001-1 Improvement Area B**

**Location and Description.** Community Facilities District No. 2001-1 Improvement Area B (“CFD No. 2001-1 IAB”) includes 286 single-family detached residences, as well as three developed commercial parcels, all on approximately 239.12 gross acres. The first building permits in CFD No. 2001-1 IAB were issued on August 2, 2000 and the last certificates of occupancy were issued on December 13, 2012. The residences range in size from 2,427 square feet to 5,503 square feet. As of January 1, 2014, there was 1 parcel categorized under the Rate and Method for CFD No. 2001-1 IAB as Undeveloped Commercial property and no parcels categorized as Undeveloped Residential property. No assurance can be given that this remaining parcel will be developed.

Table 13 sets forth the historical assessed values for the taxable property in CFD No. 2001-1 IAB for each of the last six fiscal years. Between Fiscal Years 2009-10 and 2014-15, assessed values in the CFD No. 2001-1 IAB increased by approximately 45.4%.

**TABLE 13  
CFD NO. 2001-1 IAB  
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	\$87,419,510	\$60,558,673	\$147,978,183	N/A
2010-11	67,204,338	61,000,198	128,204,536	-13.36%
2011-12	64,527,677	94,063,042	158,590,719	23.70
2012-13	66,594,755	123,795,781	190,390,536	20.05
2013-14	65,075,724	141,275,643	206,351,367	8.38
2014-15	67,733,039	147,403,719	215,136,758	4.26

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014.  
Source: NBS.



**Assigned Special Taxes.** Table 14 below sets forth the Assigned Special Taxes projected to be levied on the property within CFD No. 2001-1 IAB in Fiscal Year 2015-16 based on the development status within CFD No. 2001-1 IAB 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 Special Taxes in CFD No. 2001-1 IAB may not be levied after the 2041-42 Fiscal Year. The final maturity of the CFD No. 2001-1 IAB Bonds is September 1, 2036.

**TABLE 14  
CFD NO. 2001-1 IAB  
ASSIGNED SPECIAL TAXES**

<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	3	\$ 22,160,228	\$ 40,760	\$ 18,607	3.97%
Developed Residential – Attached	-	-	-	-	0.00
Developed Residential – Detached	286	192,172,898	986,753	450,464	96.03
Undeveloped Commercial	1	803,632	2,222	-	0.00
Undeveloped Residential	-	-	-	-	0.00
<b>Total</b>	<b>290</b>	<b>\$ 215,136,758</b>	<b>\$ 1,029,735</b>	<b>\$ 469,071</b>	<b>100.00%</b>

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

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 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 CFD No. 2001-1 IAB) is calculated as follows: (1) for Residential Property, \$475.00 per unit plus \$0.82 per square foot of Residential Floor Area, and (2) for Commercial Property, \$4,000 per Acre. The terms “Residential Property,” “Residential Floor Area,” “Commercial Property” and “Acre” are defined in the Rate and Method for CFD No. 2001-1 IAB included in Appendix F—“RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.”

As shown in Table 14 above, the Special Tax levy for CFD No. 2001-1 IAB in Fiscal Year 2015-16 is projected to be \$469,071, which is approximately 45.7% of the maximum Assigned Special Tax for all property in CFD No. 2001-1 IAB and approximately 45.6% of the maximum Assigned Special Tax for all Developed Property in CFD No. 2001-1 IAB.

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\* Preliminary, subject to change.

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

**TABLE 15**  
**CFD NO. 2001-1 IAB**  
**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	\$905,279	290	2	\$9,006	0.99%	-	\$ -	0.00%
2010-11	903,135	290	2	7,287	0.81	-	-	0.00
2011-12	902,410	290	2	5,211	0.58	-	-	0.00
2012-13	901,196	288	1	3,209	0.36	-	-	0.00
2013-14	904,496	289	-	-	0.00	-	-	0.00
2014-15	902,129	289	N/A	N/A	N/A	3	6,538	0.72

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

**Direct and Overlapping Debt.** The property within CFD No. 2001-1 IAB 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 CFD No. 2001-1 IAB as of April 1, 2015. As of April 1, 2015, the Prior Special Tax Bonds for CFD No. 2001-1 IAB were outstanding in the amount of \$10,470,000. The Special Tax Refunding Bonds for CFD NO. 2001-1 IAB will be issued in the amount of \$5,160,000\*.

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\* Preliminary, subject to change.

**TABLE 16  
DIRECT AND OVERLAPPING DEBT  
CFD NO. 2001-1 IAB**

2014-15 Local Secured Assessed Valuation: \$215,136,758 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/15</u>
Metropolitan Water District General Obligation Bonds	0.009%	\$ 10,241
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	1.875	96,558
Southwestern Community College District General Obligation Bonds	0.478	1,071,881
Sweetwater Union High School District General Obligation Bonds	0.570	1,916,543
Chula Vista City School District General Obligation Bonds	0.815	463,117
Chula Vista City School District Community Facilities District No. 1	0.137	5,246
Sweetwater Union High School District Community Facilities District No. 1	0.269	104,201
Sweetwater Union High School District Community Facilities District No. 13	35.116	1,830,722
<b>City of Chula Vista Community Facilities District No. 2001-1, I.A. B</b>	<b>100.000</b>	<b><u>10,470,000</u></b> <sup>(1)</sup>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$15,968,509
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.051%	\$ 180,211
San Diego County Pension Obligation Bonds	0.051	349,801
San Diego County Superintendent of Schools Obligations	0.051	7,550
Otay Municipal Water District Certificates of Participation	0.870	393,244
Southwestern Community College District General Fund Obligations	0.478	5,109
Sweetwater Union High School Certificates of Participation	0.570	240,424
Chula Vista City School District General Fund Obligations	0.815	1,097,962
City of Chula Vista General Fund Obligations	0.930	<u>1,093,693</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$3,367,994
Less: Otay Municipal Water District Certificates of Participation		<u>393,244</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$2,974,750
 GROSS COMBINED TOTAL DEBT		 \$19,336,503 <sup>(2)</sup>
NET COMBINED TOTAL DEBT		\$18,943,259

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$10,470,000)</b> .....	<b>4.87%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	7.42%
Gross Combined Total Debt .....	8.99%
Net Combined Total Debt .....	8.81%

<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 CFD No. 2001-1 IAB 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 1.9585%\* of assessed value. The effective tax rate is 1.6691%\* 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.” 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. 2001-1 IAB will vary from the effective tax rate shown in Table 17 and the actual total effective tax rate is expected to vary and may increase in future years.

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\* Preliminary, subject to change.

**TABLE 17  
SAMPLE TAX BILL  
CFD NO. 2001-1 IAB  
TAX YEAR 2014-15**

**Assumptions**

Unit Type	Single-Family Detached	
Unit Size	4,625	Square Feet
Lot Size <sup>(1)</sup>	8,700	Square Feet

**Assessed Value**

Average Gross Assessed Value	\$ 821,003.00	
(Less) Homeowner Exemption	(7,000.00)	
Average Net Assessed Value	\$ 814,003.00	

**Ad Valorem**

	<u>Tax Rate</u>	
General Purpose Ad Valorem Tax (Proposition 13)	1.00000%	\$ 8,140.03
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00378	30.77
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.00554	45.10
Gen Bond Chula Vista-Prop JJ 11/03/98, 2013A Ref	0.01074	87.42
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00479	38.99
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.00950	77.33
Hi Bond Sweetwater-Prop O 11/07/2006, Ser 2008A	0.02550	207.57
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2014 Ref	0.01428	116.24
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.00624	50.79
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2005B Ref	0.01167	94.99
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009A	0.00212	17.26
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009B	0.00942	76.68
Southwestern Comm Coll-Prop R 11/04/08, Ser 2010C	0.00637	51.85
Otay Water Imp Dist No 27-Debt Service (Water)	0.00500	40.70
MWD D/S Remainder of SDCWA 15019999	0.00350	28.49
Subtotal Ad Valorem Taxes	1.11845%	\$ 9,104.22

**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		11.50
Subtotal Special/Direct Assessments	\$	39.64

**Mello-Roos Community Facilities Districts (CFD)**

	Maximum Amount	Actual Amount
<i>Community Facilities District No. 2001-1 (San Miguel Ranch), Improvement Area B</i>	\$ 3,746.76*	\$ 1,943.96*
Chula V. Elem CFD#13 <sup>(2)</sup>	1,395.36	1,255.82
Sweetwater Hi CFD#13 <sup>(3)</sup>	1,793.11	1,360.08
Subtotal Mello-Roos Community Facilities Districts (CFD)	\$ 6,935.24*	\$ 4,559.86*

Total Estimated Annual Property Taxes	\$ 16,079.09*	\$13,703.72*
Effective Tax Rate	1.9585%*	1.6691%*
Effective Tax Rate - Excluding CFD Taxes	1.1137%*	1.1137%*

*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 CFD No. 2001-1 IAB Special Tax Refunding Bonds to be issued.

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

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

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

Source: NBS.

**Value-To-Lien Ratios.** Table 18-A below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 2001-1 IAB 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 IAB Special Tax Refunding Bonds and the overlapping debt payable from taxes and assessments on the taxable property within CFD No. 2001-1 IAB as of April 1, 2015, as shown in Table 16. Based on this information, the estimated value-to-lien ratio for CFD No. 2001-1 IAB is 20.18\* to-1. Table 18-A uses the Fiscal Year 2014-15 information because assessed values and overlapping indebtedness for Fiscal Year 2015-16 are not yet available.

**TABLE 18-A**  
**CFD NO. 2001-1 IAB**  
**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>% of Projected</i>		<i>Fiscal Year 2014-15 Assessed Value<sup>(2)</sup></i>	<i>Total Direct &amp; Overlapping Tax &amp; Assessment Debt<sup>(3)*</sup></i>
		<i>Projected Fiscal Year 2015-16 Special Tax Levy<sup>(1)*</sup></i>	<i>Fiscal Year 2015-16 Special Tax 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	0	--	0.00	-	-
10.00 to 14.99:1	0	--	0.00	-	-
15.00 to 19.99:1	191	316,640	67.50	130,816,019	7,051,704
20.00 to 24.99:1	94	135,739	28.94	64,145,900	3,082,597
25.00 to 29.99:1	2	3,289	0.70	1,981,446	75,477
30.00 to 39.99:1	1	7,103	1.51	5,264,964	165,437
Greater than 40:1	<u>2</u>	<u>6,300</u>	<u>1.34</u>	<u>12,928,429</u>	<u>283,293</u>
Total	290	\$469,071	100.00	\$ 215,136,758	\$ 10,658,509

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

(1) Projected Fiscal Year 2015-16 Special Tax levy based on Fiscal Year 2014-15 parcel classification data.

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

(3) Total direct and overlapping Tax and Assessment debt as of April 1, 2015 for all taxable parcels within the Taxing Jurisdiction per California Municipal Statistics, Inc. adjusted for the par amount of the CFD No. 2001-1 IAB Special Tax Refunding Bonds.

Source: NBS.

Table 18-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 2001-1 IAB 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 IAB Special Tax Refunding Bonds, but excluding all overlapping debt. Based on this information, the estimated value-to-lien ratio for CFD No. 2001-1 IAB is 41.69\* to 1 for the Developed Property upon which Special Taxes will be levied in Fiscal Year 2015-16.

\* Preliminary, subject to change.

**TABLE 18-B**  
**CFD NO. 2001-1 IAB**  
**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	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	0	-	0.00	-	-
5.00 to 9.99:1	0	-	0.00	-	-
10.00 to 14.99:1	6	10,429	2.22	3,370,487	114,727
15.00 to 19.99:1	176	288,423	61.49	116,913,211	3,172,790
20.00 to 24.99:1	100	145,110	30.94	67,875,160	1,596,276
25.00 to 29.99:1	3	5,371	1.15	3,252,432	59,087
30.00 to 39.99:1	2	8,233	1.76	6,026,572	90,569
Greater than 40:1	2	11,504	2.45	16,895,264	126,550
Undeveloped parcels	<u>1</u>	<u>-</u>	<u>0.00</u>	<u>803,632</u>	<u>-</u>
Totals	290	\$ 469,071	100.00%	\$ 215,136,758	\$ 5,160,000

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

Source: NBS.

**Top Ten Property Owners.** Table 19 below sets forth the top ten property owners in CFD No. 2001-1 IAB based on the projected Special Tax levy for Fiscal Year 2015-16.

**TABLE 19**  
**CFD NO. 2001-1 IAB**  
**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 Special Tax Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>Parcel Count</i>
M G P I X PROPERTIES L L C	\$ 5,264,964	\$ 4,770,467	\$ 10,035,431	\$ 12,308	2.62%	2
NEW ALBERTSONS INC <LF> M G P I X PROPER	3,817,252	9,111,177	12,928,429	6,300	1.34	2
GRAHAM M E TRUST 11-07-13	711,948	1,079,932	1,791,880	4,111	0.88	2
1818 CAMINO MOJAVE L L C	274,789	538,887	813,676	2,163	0.46	1
ANZAR MARLENE TRUST 09-20-13	153,694	754,195	907,889	2,163	0.46	1
BRABANDT JAMES E & KAREN A	140,635	662,996	803,631	2,163	0.46	1
GONZALEZ PATRICK D & JESSECA M S	113,704	669,745	783,449	2,163	0.46	1
HELLANDER JOHN & NANETTE	325,000	475,000	800,000	2,163	0.46	1
IN VISARATH & CHRISTINE E	285,991	428,987	714,978	2,163	0.46	1
MACHNIAK MARTIN J & MAVIS J	153,694	643,132	796,826	2,163	0.46	1
All Others	<u>56,491,368</u>	<u>128,269,201</u>	<u>184,760,569</u>	<u>431,212</u>	<u>91.93</u>	<u>277</u>
TOTAL	\$ 67,733,039	\$ 147,403,719	\$ 215,136,758	\$ 469,071	100.00%	290

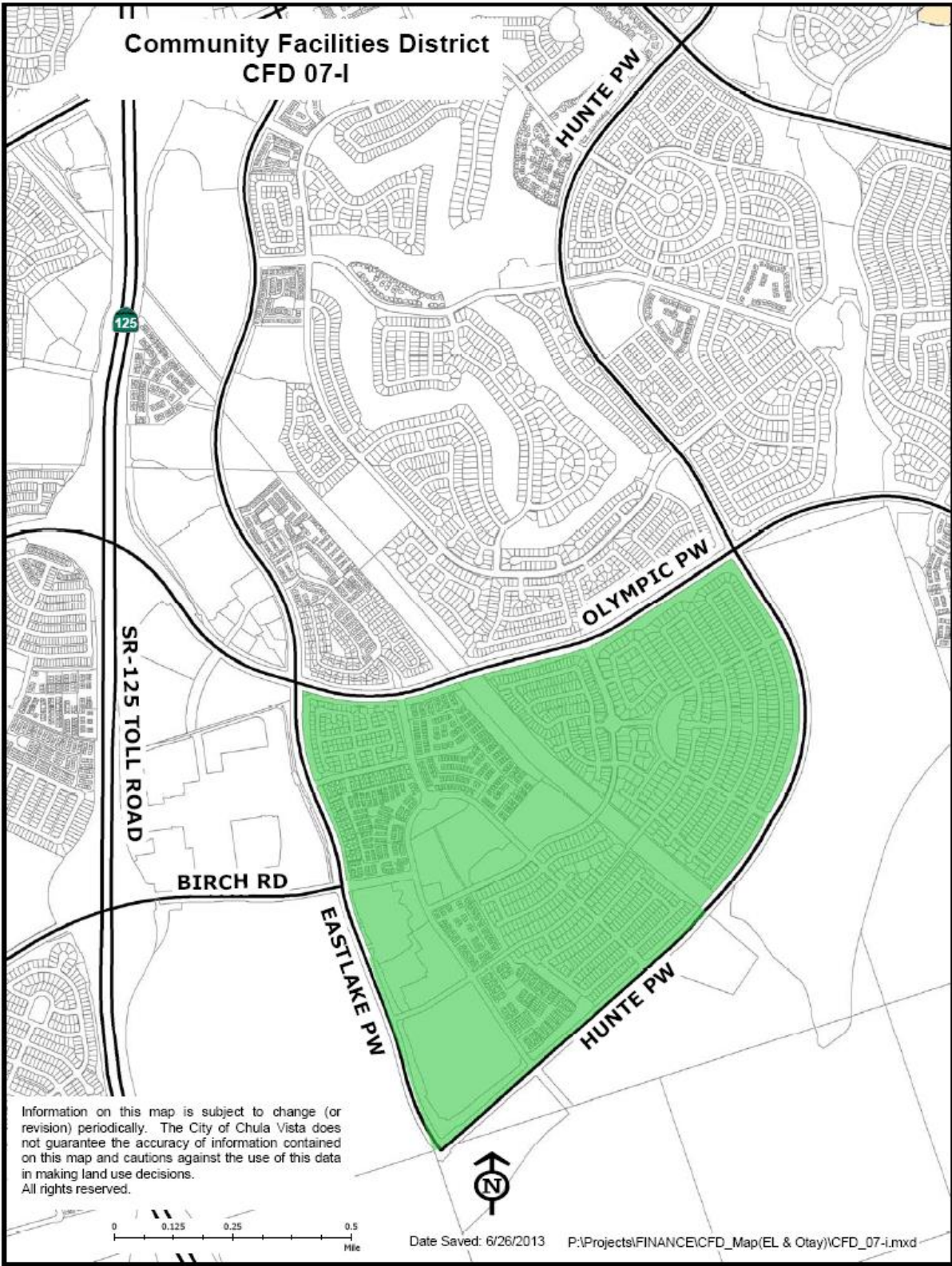
\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 2001-1 IAB to be issued.

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

Source: NBS.



**Community Facilities District  
CFD 07-I**



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Date Saved: 6/26/2013 P:\Projects\FINANCE\CFD\_Map(EL & Otay)\CFD\_07-i.mxd

**Community Facilities District No. 07-I**

**Location and Description.** Community Facilities District No. 07-I (“CFD No. 07-I”) includes 1,056 single-family detached residences and 869 single-family attached residences on approximately 360.5 gross acres located within the boundaries of the City of Chula Vista. The first building permits in CFD No. 07-I were issued on July 10, 2003 and the last certificates of occupancy were issued on April 13, 2010. The residences range in size from 1,279 square feet to 3,817 square feet. As of January 1, 2014, there was one parcel categorized under the Rate and Method for CFD No. 07-I as Developed Commercial property and one parcel as Undeveloped Residential property. No assurance can be given that any of these remaining undeveloped parcels will be developed.

Table 20 sets forth the historical assessed values for the taxable property in CFD No. 07-I for each of the last six fiscal years. Between Fiscal Years 2009-10 and 2014-15, assessed values in the CFD No. 07-I increased by approximately 3.8%.

**TABLE 20  
CFD NO. 07-I  
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	\$399,559,913	\$343,655,489	\$743,215,402	N/A
2010-11	353,730,283	354,495,287	708,225,570	-4.71%
2011-12	334,289,955	374,706,391	708,996,346	0.11
2012-13	312,194,880	378,605,093	690,799,973	-2.57
2013-14	309,467,639	390,128,698	699,596,337	1.27
2014-15	339,512,101	431,696,194	771,208,295	10.24

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014.  
Source: NBS.

**Assigned Special Taxes.** Table 21 below sets forth the Assigned Special Taxes projected to be levied on the property within CFD No. 07-I in Fiscal Year 2015-16 based on the development status within CFD No. 07-I 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 the result of the actual classifications for Fiscal Year 2015-16. The Special Taxes in CFD No. 07-I may not be levied after the 2043-44 Fiscal Year. The final maturity of the CFD No. 07-I Bonds is September 1, 2036.

**TABLE 21  
CFD NO. 07-I  
ASSIGNED SPECIAL TAXES**

<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<sup>(2)*</sup></i>	<i>% of Projected Fiscal Year 2014-15 Special Tax Levy*</i>
Developed Commercial	1	\$ 28,205,077	\$ 20,720	\$ 38,182	1.86%
Developed Residential – Attached	869	269,148,353	419,445	772,866	37.56
Developed Residential – Detached	1,056	473,602,492	676,441	1,246,419	60.58
Undeveloped Commercial	-	-	-	-	0.00
Undeveloped Residential	<u>1</u>	<u>252,373</u>	<u>22,969</u>	<u>-</u>	<u>0.00</u>
Total	1,927	\$771,208,295	\$ 1,139,575	\$ 2,057,465	100.00%

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 07-I to be issued.

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

(2) Represents amounts levied to pay debt service on both the Special Tax Refunding Bonds for CFD 07-I Special Tax Refunding Bonds and the CFD 07-I Parity Bonds.

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 CFD No. 07-I) is calculated as set forth below. The terms “Residential Property,” “Dwelling Unit,” “Non Residential Property,” “Mixed Use Property” and “Acre” are defined in the Rate and Method for CFD No. 07-I included in Appendix F — “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.”

(a) For Residential Property:

(1) With 8 or less Dwelling Units per Acre: \$1,675 per Dwelling Unit.

(2) With more than 8 but no more than 20 Dwelling Units per Acre: \$1,340 per Dwelling Unit.

(3) With more than 20 Dwelling Units per Acre: \$1,005 per Dwelling Unit.

(b) For Non-Residential Property: \$6,000 per Acre

The Assigned Special Tax for each Assessor’s Parcel of Mixed Use Property shall equal the total of (i) the Assigned Special Tax that would be applicable to such Assessor’s Parcel if it was classified only as Residential Property and (ii) the Assigned Special Tax that would be applicable to such Assessor’s Parcel if it was classified as Non-Residential Property.

As shown in Table 21 above, the Special Tax levy for CFD No. 07-I in Fiscal Year 2015-16 is projected to be \$2,057,465, which is approximately \_\_\_%\* of the maximum Assigned Special Tax for all property in CFD No. 07-I and approximately \_\_\_%\* of the maximum Assigned Special Tax for all Developed Property in CFD No. 07-I.

**Delinquencies.** Table 22 below provides a summary of Special Tax levies, collections and delinquency rates in CFD No. 07-I for Fiscal Years 2009-10 through 2014-15.

**TABLE 22**  
**CFD NO. 07-I**  
**SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES**  
**FISCAL YEARS 2009-10 TO 2014-15**

<i>Fiscal Year</i>	<i>Amount Levied<sup>(2)</sup></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	\$3,052,637	1,988	63	\$82,409	2.70%	-	\$ -	0.00%
2010-11	3,033,852	1,987	39	43,117	1.42	1	1,340	0.04
2011-12	2,881,071	1,971	41	52,046	1.81	2	3,015	0.10
2012-13	2,860,999	1,953	27	30,485	1.07	1	1,340	0.05
2013-14	2,634,916	1,890	14	13,485	0.52	3	3,381	0.13
2014-15	2,634,901	1,926	N/A	N/A	N/A	44	39,452	1.50

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

<sup>(2)</sup> Represents amounts levied to pay debt service on both the Special Tax Refunding Bonds for CFD 07-I Special Tax Refunding Bonds and the CFD 07-I Parity Bonds.

Source: NBS.

**Direct and Overlapping Debt.** The property within CFD No. 07-I 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. In addition, the CFD 07-I Parity Bonds are payable on a parity with the CFD No. 07-I Special Tax Refunding Bonds. Table 23 below sets forth the direct and overlapping debt for CFD No. 07-I as of April 1, 2015. As of April 1, 2015, the Prior Special Tax Bonds for CFD 07-I and the CFD No. 07-I Parity Bonds were outstanding in the amount of \$32,315,000 (but see footnote 1 to Table 23, below). The Special Tax Refunding Bonds for CFD 07-I will be issued in the amount of \$11,975,000\* and upon their issuance, the CFD No. 07-I Parity Bonds will remain outstanding in the principal amount of \$[18,965,000].

\* Preliminary, subject to change.

**TABLE 23  
DIRECT AND OVERLAPPING DEBT  
CFD NO. 07-I**

2014-15 Local Secured Assessed Valuation: \$771,208,295 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/15</u>
Metropolitan Water District General Obligation Bonds	0.033%	\$ 36,657
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	6.890	354,824
Southwestern Community College District General Obligation Bonds	1.709	3,836,652
Sweetwater Union High School District General Obligation Bonds	2.041	6,860,003
Chula Vista City School District General Obligation Bonds	2.917	1,657,662
Sweetwater Union High School District Community Facilities District No. 14	95.592	9,240,725
<b>City of Chula Vista Community Facilities District No. 07-I B</b>	<b>100.000</b>	<b><u>32,315,000</u></b> <sup>(1)</sup>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$54,301,523</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.183%	\$ 645,040
San Diego County Pension Obligation Bonds	0.183	1,252,066
San Diego County Superintendent of Schools Obligations	0.183	27,023
Southwestern Community College District General Fund Obligations	1.709	18,288
Sweetwater Union High School District Certificates of Participation	2.041	860,563
Chula Vista City School District General Fund Obligations	2.917	3,930,002
City of Chula Vista Certificates of Participation	3.329	3,914,724
Otay Municipal Water District Certificates of Participation	3.114	<u>1,407,562</u>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$12,055,268</b>
Less: Otay Municipal Water District Certificates of Participation (100% supported)		<u>1,407,562</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$10,647,706</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		<b>\$66,356,791</b> <sup>(2)</sup>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$64,949,229</b>

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$32,315,000)</b> .....	<b>4.16%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	6.98%
Gross Combined Total Debt .....	8.53%
Net Combined Total Debt.....	8.35%

<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. 07-I 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 2.1440\* % of assessed value. The effective tax rate is 1.9425\* % of assessed value assuming that special taxes for the community facilities district 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 delinquencies or defaults by other owners in CFD No. 07-1 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. 07-I 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.

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\* Preliminary, subject to change.

**TABLE 24  
SAMPLE TAX BILL  
CFD NO. 07-I  
TAX YEAR 2014-2015**

**Assumptions**

Unit Type	Single-Family Detached	
Unit Size	2,491	Square Feet
Lot Size <sup>(1)</sup>	8,700	Square Feet

**Assessed Value**

Average Gross Assessed Value	\$ 440,001.00
(Less) Homeowner Exemption	<u>(7,000.00)</u>
Average Net Assessed Value	\$ 433,001.00

**Ad Valorem**

	<u>Tax Rate</u>	
General Purpose Ad Valorem Tax (Proposition 13)	1.00000%	\$ 4,330.01
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00378	16.37
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.00554	23.99
Gen Bond Chula Vista-Prop JJ 11/03/98, 2013A Ref	0.01074	46.50
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00479	20.74
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.00950	41.14
Hi Bond Sweetwater-Prop O 11/07/2006, Ser 2008A	0.02550	110.42
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2014 Ref	0.01428	61.83
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.00624	27.02
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2005B Ref	0.01167	50.53
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009A	0.00212	9.18
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009B	0.00942	40.79
Southwestern Comm Coll-Prop R 11/04/08, Ser 2010C	0.00637	27.58
Otay Water Imp Dist No 27-Debt Service (Water)	0.00500	21.65
MWD D/S Remainder of SDCWA 15019999	<u>0.00350</u>	<u>15.16</u>
Subtotal Ad Valorem Taxes	1.11845%	\$ 4,842.90

**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
<i>Community Facilities District No. 07-I (Otay Ranch Village Eleven)</i>	\$ 1,675.00*	\$ 1,180.32*
Chula V. Elem CFD#14 <sup>(2)</sup>	971.74	866.18
CFD 97-2	47.32	47.32
Sweetwater Hi CFD#14 <sup>(3)</sup>	1,238.53	965.62
CFD 09M Village 11	<u>618.71</u>	<u>468.50</u>
Subtotal Mello-Roos Community Facilities Districts (CFD)	\$ 4,551.29*	\$ 3,527.94*

Total Estimated Annual Property Taxes	\$ 9,433.83*	\$ 8,410.48*
Effective Tax Rate	2.1440%*	1.9425%*
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. 07-I to be issued.

- (1) Assumes average density of 5.0 units per acre.
- (2) Assumes levied at the maximum special tax rate of \$0.3901 per building square foot.
- (3) Assumes levied at the maximum special tax rate of \$0.4972 per building square foot.

**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. 07-I 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. 07-I Special Tax Refunding Bonds and the overlapping debt payable from taxes and assessments on the taxable property within CFD No. 07-I as of April 1, 2015, as shown in Table 23. Based on this information, the estimated value-to-lien ratio for CFD No. 07-I is 14.57\*-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. 07-I**  
**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>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>Total Direct &amp; Overlapping Tax &amp; Assessment Debt<sup>(2)</sup></i>
0.00 to 2.99:1	0	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	2	1,125	0.10	167,434	41,246
5.00 to 9.99:1	22	21,010	1.02	3,984,496	454,571
10.00 to 14.99:1	1,338	1,407,410	68.41	484,563,396	35,283,787
15.00 to 19.99:1	563	588,742	28.61	254,035,419	16,100,924
20.00 to 24.99:1	0	-	0.00	-	-
25.00 to 29.99:1	1	1,041,790	1.86	28,205,077	1,041,790
30.00 to 39.99:1	0	-	0.00	-	-
Greater than 40:1	<u>1</u>	<u>4,185</u>	<u>0.00</u>	<u>252,373</u>	<u>4,185</u>
Totals	1,927	\$ 2,057,465	100.00%	\$ 771,208,295	\$ 52,926,503

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 07-I to be issued.

(1) Projected Fiscal Year 2015-16 Special Tax levy based on Fiscal Year 2014-15 parcel classification data.

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

(3) Total direct and overlapping Tax and Assessment debt as of April 1, 2015 for all taxable parcels within the Taxing Jurisdiction per California Municipal Statistics, Inc. adjusted for the par amount of the CFD No. 07-I Special Tax Refunding Bonds. Includes debt service and priority administrative fees for the Prior CFD No. 07-I Bonds and the CFD 07-I Parity Bonds.

Source: NBS.

Table 25-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 07-I 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. 07-I Special Tax Refunding Bonds and the CFD 07-I Parity Bonds, but excluding all overlapping debt. Based on this information, the estimated value-to-lien ratio for CFD No. 07-I is 25.39\* to 1 for the Developed Property upon which Special Taxes will be levied in Fiscal Year 2015-16.

\* Preliminary, subject to change.



**TABLE 25-B**  
**CFD NO. 07-I**  
**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	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	0	-	0.00	-	-
5.00 to 9.99:1	0	-	0.00	-	-
10.00 to 14.99:1	2	2,125	0.10	167,434	31,361
15.00 to 19.99:1	1	1,180	0.06	141,159	17,423
20.00 to 24.99:1	1	1,180	0.06	184,739	17,423
25.00 to 29.99:1	10	9,206	0.45	1,657,432	135,895
30.00 to 39.99:1	91	88,760	4.31	21,479,742	1,310,170
Greater than 40:1	1,821	1,955,014	95.02	747,325,416	28,857,730
Undeveloped Parcels	<u>1</u>	<u>-</u>	<u>0.00</u>	<u>252,373</u>	<u>-</u>
Total	1,927	\$ 2,057,465	100.00%	\$ 771,208,295	\$ 30,370,000

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 07-I 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 07-I and the CFD 07-1 Parity Bonds.

Source: NBS.

**Top Ten Property Owners.** Table 26 below sets forth the top ten property owners in CFD No. 07-I based on the projected Special Tax levy for Fiscal Year 2015-16.

**TABLE 26**  
**CFD NO. 07-I**  
**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 Special Tax Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>Parcel Count</i>
WINDINGWALK MARKETPLACE L L C	\$ 11,396,593	\$ 16,808,484	\$ 28,205,077	\$ 38,179	1.86%	1
LUCKY 4 U INVESTMENTS L L C	494,954	611,239	1,106,193	3,777	0.18	4
BEL VUE TERRACE PROPERTIES L L C	380,825	490,934	871,759	2,833	0.14	3
GRAMICO INC	338,974	534,469	873,443	2,833	0.14	3
INVESTMENTS OF THE BAJA CALIFORNIAS L L	321,197	367,410	688,607	2,597	0.13	3
AVATAR LTD	395,582	522,435	918,017	2,361	0.11	2
BOYLE JOHN O & MARY A	379,028	392,985	772,013	2,361	0.11	2
RANDEL FAMILY TRUST 07-08-13	395,141	503,355	898,496	2,361	0.11	2
RUVALCABA JOSE A	366,000	494,000	860,000	2,361	0.11	2
YEN SWAN-HEI	342,000	623,000	965,000	2,361	0.11	2
All Others	<u>324,701,807</u>	<u>410,347,883</u>	<u>735,049,690</u>	<u>1,995,444</u>	<u>96.99</u>	<u>1,903</u>
TOTAL	\$ 339,512,101	\$ 431,696,194	\$ 771,208,295	\$ 2,057,465	100.00%	1,927

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 07-I to be issued.

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

Source: NBS.

[MAP OF CFD NO. 12-I]

## Community Facilities District No. 12-I

**Location and Description.** Community Facilities District No. 12-I (“CFD No. 12-I”) includes 443 single-family detached residences and 304 single-family attached residences on approximately 78.46 gross acres. The first building permits in CFD No. 12-I were issued on April 3, 2003 and the last certificates of occupancy were issued on June 12, 2013. The residences range in size from 1,175 square feet to 2,984 square feet. As of January 1, 2014, there were 12 parcels categorized under the Rate and Method for CFD No. 12-I as Undeveloped Residential property. No assurance can be given that the remaining undeveloped parcel will be developed.

Table 27 sets forth the historical assessed values for the taxable property in CFD No. 12-I 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 149.7%.

**TABLE 27  
CFD NO. 12-I  
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	\$58,191,268	\$52,435,123	\$110,626,391	N/A
2010-11	69,992,378	63,941,196	133,933,574	21.07%
2011-12	81,335,657	78,899,689	160,235,346	19.64
2012-13	79,757,486	96,354,248	176,111,734	9.91
2013-14	86,514,873	140,143,466	226,658,339	28.70
2014-15	97,695,685	178,509,207	276,204,892	21.86

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014.  
Source: NBS.

**Assigned Special Taxes.** Table 28 below sets forth the Assigned Special Taxes expected to be levied on the property within CFD No. 12-I in Fiscal Year 2015-16 based on the development status within CFD No. 12-I 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 12 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. 12-I may not be levied after the 2046-47 Fiscal Year. The final maturity of the CFD No. 12-I Special Tax Refunding Bonds is September 1, 2036.

**TABLE 28  
CFD NO. 12-I  
ASSIGNED SPECIAL TAXES**

<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 2014-15 Special Tax Levy*</i>
Developed Commercial	-	\$ -	\$ -	\$ -	0.00%
Developed Residential – Attached	304	88,012,761	435,115	285,219	34.15
Developed Residential – Detached	443	187,592,131	839,032	549,989	65.85
Undeveloped Commercial	-	-	-	-	0.00
Undeveloped Residential	<u>12</u>	<u>600,000</u>	<u>28,660</u>	<u>-</u>	<u>0.00</u>
<b>Total</b>	<b>759</b>	<b>\$ 276,204,892</b>	<b>\$ 1,302,807</b>	<b>\$ 835,208</b>	<b>100.00%</b>

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 12-I to be issued.

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 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 CFD No. 12-I) is calculated as follows: (1) for Residential Property, \$890 per unit plus \$0.79 per square foot of Residential Floor Area, and (2) for Non-Residential Property, \$6,000 per Acre. The terms “Residential Property,” “Residential Floor Area,” “Non-Residential Property” and “Acre” are defined in the Rate and Method for CFD No. 12-I 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. 12-I in Fiscal Year 2015-16 is projected to be \$835,208, which is approximately 64.1% of the maximum Assigned Special Tax for all property in CFD No. 12-I and approximately 65.6% of the maximum Assigned Special Tax for all Developed Property in CFD No. 12-I.

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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. 12-I for Fiscal Years 2009-10 through 2014-15.

**TABLE 29**  
**CFD NO. 12-I**  
**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	\$1,551,551	759	4	\$9,727	0.63%	-	\$ -	0.00%
2010-11	1,520,701	759	7	16,172	1.06	-	-	0.00
2011-12	1,485,480	759	2	4,161	0.28	-	-	0.00
2012-13	1,388,387	759	3	5,089	0.37	-	-	0.00
2013-14	1,207,227	687	4	5,510	0.46	2	2,312	0.19
2014-15	1,110,115	747	N/A	N/A	N/A	6	6,823	0.61

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

**Direct and Overlapping Debt.** The property within CFD No. 12-I 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. 12-I as of April 1, 2015. As of April 1, 2015, the Prior Special Tax Bonds for CFD 12-I were outstanding in the amount of \$13,350,000. The Special Tax Refunding Bonds for CFD 12-I will be issued in the amount of \$9,800,000\*.

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\* Preliminary, subject to change.

**TABLE 30  
DIRECT AND OVERLAPPING DEBT  
CFD NO. 12-I**

2014-15 Local Secured Assessed Valuation: \$276,204,892 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/15</u>
Metropolitan Water District General Obligation Bonds	0.012%	\$ 13,106
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	2.463	126,857
Southwestern Community College District General Obligation Bonds	0.611	1,371,685
Sweetwater Union High School District General Obligation Bonds	0.730	2,452,599
Chula Vista City School District General Obligation Bonds	1.043	592,650
Sweetwater Union High School District Community Facilities District No. 16	100.000	5,889,191
Sweetwater Union High School District Community Facilities District No. 17	1.353	65,741
<b>City of Chula Vista Community Facilities District No. 12-I</b>	<b>100.000</b>	<b><u>13,350,000</u></b> <sup>(1)</sup>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$23,861,829
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.066%	\$ 230,616
San Diego County Pension Obligation Bonds	0.066	447,640
San Diego County Superintendent of Schools Obligations	0.066	9,661
Southwestern Community College District General Fund Obligations	0.611	6,538
Sweetwater Union High School District Certificates of Participation	0.730	307,670
Chula Vista City School District General Fund Obligations	1.043	1,405,060
City of Chula Vista Certificates of Participation	1.190	1,399,598
Otay Municipal Water District Certificates of Participation	1.113	<u>503,234</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$4,310,017
Less: Otay Municipal Water District Certificates of Participation (100% supported)	<u>503,234</u>	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$3,806,783
 GROSS COMBINED TOTAL DEBT		
		\$28,171,846 <sup>(2)</sup>
NET COMBINED TOTAL DEBT		
		\$27,668,612

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$13,350,000)</b> .....	<b>4.83%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	8.64%
Gross Combined Total Debt .....	10.20%
Net Combined Total Debt .....	10.02%

<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. 12-I 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 2.5556\*% of assessed value. The effective tax rate is 2.0442\*% 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 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. 12-1 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. 12-I 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.

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\* Preliminary, subject to change.



**TABLE 31  
SAMPLE TAX BILL  
CFD NO. 12-I  
TAX YEAR 2014-15**

**Assumptions**

Unit Type	Single-Family Detached	
Unit Size	2,148	Square Feet
Lot Size <sup>(1)</sup>	8,700	Square Feet

**Assessed Value**

Average Gross Assessed Value	\$ 430,805.00
(Less) Homeowner Exemption	<u>(7,000.00)</u>
Average Net Assessed Value	\$ 423,805.00

**Ad Valorem**

	Tax Rate	
General Purpose Ad Valorem Tax (Proposition 13)	1.00000%	\$ 4,238.05
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00378	16.02
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.00554	23.48
Gen Bond Chula Vista-Prop JJ 11/03/98, 2013A Ref	0.01074	45.52
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00479	20.30
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.00950	40.26
Hi Bond Sweetwater-Prop O 11/07/2006, Ser 2008A	0.02550	108.07
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2014 Ref	0.01428	60.52
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.00624	26.45
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2005B Ref	0.01167	49.46
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009A	0.00212	8.98
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009B	0.00942	39.92
Southwestern Comm Coll-Prop R 11/04/08, Ser 2010C	0.00637	27.00
Otay Water Imp Dist No 27-Debt Service (Water)	0.00500	21.19
MWD D/S Remainder of SDCWA 15019999	<u>0.00350</u>	<u>14.83</u>
Subtotal Ad Valorem Taxes	1.11845%	\$ 4,740.05

**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
<i>Community Facilities District No. 12-I (McMillin Otay Ranch Village Eleven), Series 2005</i>	\$ 2,286.92*	\$ 1,695.74*
Chula V. Elem CFD#11 <sup>(2)</sup>	860.49	721.56
CFD 97-2	37.16	19.14
Sweetwater Hi CFD#16 <sup>(3)</sup>	1,749.12	1,498.38
CFD 12-M McMillin O R	<u>996.24</u>	<u>91.92</u>
Subtotal Mello-Roos Community Facilities Districts (CFD)	\$ 6,229.93*	\$ 4,026.74*

Total Estimated Annual Property Taxes	\$ 11,009.61*	\$ 8,806.43*
Effective Tax Rate	2.5556%*	2.0442%*
Effective Tax Rate - Excluding CFD Taxes	1.1095%*	1.1095%*

*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. 12-I to be issued.

- (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 \$0.8143 per building square foot.

**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. 12-I 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. 12-I Special Tax Refunding Bonds and the overlapping debt payable from taxes and assessments on the taxable property within CFD No. 12-I as of April 1, 2015, as shown in Table 30. Based on this information, the estimated value-to-lien ratio for CFD No. 12-I is 13.60\*-to-1. Table 32-A uses Fiscal Year 2014-15 information because assessed values overlapping indebtedness for Fiscal Year 2015-16 are not yet available.

**TABLE 32-A**  
**CFD NO. 12-I**  
**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>Projected Fiscal Year 2015-16 Special Tax Levy <sup>(1)*</sup></i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>Fiscal Year 2014-15 Assessed Value <sup>(2)</sup></i>	<i>Total Direct &amp; Overlapping Tax &amp; Assessment Debt <sup>(3)*</sup></i>
0.00 to 2.99:1	10	\$ 13,592	1.63%	\$ 535,227	\$ 289,980
3.00 to 4.99:1	9	9,880	1.18	745,966	186,573
5.00 to 9.99:1	43	45,380	5.43	8,380,568	966,625
10.00 to 14.99:1	330	476,296	57.03	126,033,281	10,175,247
15.00 to 19.99:1	367	290,060	34.73	140,509,850	8,693,403
20.00 to 24.99:1	0	--	0.00	-	-
25.00 to 29.99:1	0	--	0.00	-	-
30.00 to 39.99:1	0	--	0.00	-	-
Greater than 40:1	0	--	0.00	-	-
Totals	759	\$ 835,208	100.00%	\$ 276,204,892	\$ 20,311,829

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 12-I to be issued.

(1) Projected Fiscal Year 2015-16 Special Tax levy based on Fiscal Year 2014-15 parcel classification data.

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

(3) Total direct and overlapping Tax and Assessment debt as of April 1, 2015 for all taxable parcels within the Taxing Jurisdiction per California Municipal Statistics, Inc. adjusted for the par amount of the CFD No. 12-I Special Tax Refunding Bonds.

Source: NBS.

Table 32-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 12-I 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. 12-I Special Tax Refunding Bonds, but excluding all overlapping debt. Based on this information, the estimated value-to-lien ratio for CFD No. 12-I is 28.12\* 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. 12-I**  
**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 2014-15 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2014-15 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	9	\$ 12,198	1.46%	\$ 450,000	\$ 143,127
3.00 to 4.99:1	6	7,985	0.96	506,227	93,692
5.00 to 9.99:1	17	19,971	2.39	2,820,467	234,337
10.00 to 14.99:1	104	162,949	19.51	34,640,240	1,911,979
15.00 to 19.99:1	160	250,335	29.97	64,882,441	2,937,328
20.00 to 24.99:1	115	126,505	15.15	44,704,269	1,484,355
25.00 to 29.99:1	125	111,372	13.33	47,672,616	1,306,796
30.00 to 39.99:1	173	125,444	15.02	67,335,505	1,471,914
Greater than 40:1	38	18,449	2.21	12,593,127	216,472
Undeveloped parcels	<u>12</u>	<u>-</u>	<u>0.00</u>	<u>600,000</u>	<u>-</u>
Totals	759	\$ 835,208	100.00%	\$ 276,204,892	\$ 9,800,000

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 12-I 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 12-I.

Source: NBS.

**Top Ten Property Owners.** Table 33 below sets forth the top ten property owners in CFD No. 12-I based on the projected Special Tax levy for Fiscal Year 2015-16.

**TABLE 33**  
**CFD NO. 12-I**  
**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 2014-15 Special Tax Levy*</i>	<i>% of Projected Fiscal Year 2014-15 Special Tax Levy*</i>	<i>Parcel Count</i>
SHEA HOMES LIMITED PARTNERSHIP	\$ 422,716	\$ 565,963	\$ 988,679	\$ 3,958	0.47%	5
HAINES GARY D & ALICIA D	180,000	330,000	510,000	2,140	0.26	1
ABUSHABAN NABIH	151,629	227,443	379,072	2,038	0.24	1
ALSHEIKH JASON Y & MAY Z	196,000	294,000	490,000	2,038	0.24	1
BALAGUER LUCIA B REVOCABLE 2005 TRUST 03	64,000	429,000	493,000	2,038	0.24	1
BERRY QUINTIN	218,000	327,000	545,000	2,038	0.24	1
CIMON CATHERINE	196,000	294,000	490,000	2,038	0.24	1
DIZON ELISA F	196,000	294,000	490,000	2,038	0.24	1
IZON AVELINA O & DELEON AUDREY I	196,000	294,000	490,000	2,038	0.24	1
LI JING ZHOU & ZHANG XUEMEI	170,000	330,000	500,000	2,038	0.24	1
All Others	<u>95,705,340</u>	<u>175,123,801</u>	<u>270,829,141</u>	<u>812,810</u>	<u>97.32</u>	<u>745</u>
<b>TOTAL</b>	<b>\$ 97,695,685</b>	<b>\$ 178,509,207</b>	<b>\$ 276,204,892</b>	<b>\$ 835,208</b>	<b>100.00%</b>	<b>759</b>

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 12-I to be issued.

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

Source: NBS.

[MAP OF CFD NO. 13-I]

**Community Facilities District No. 13-I**

**Location and Description.** Community Facilities District No. 13-I (“CFD No. 13-I”) includes 353 single-family detached residences on approximately 57.66 gross acres. The first building permits in CFD No. 13-I were issued on January 25, 2006 and the last certificates of occupancy were issued on February 23, 2015. The residences range in size from 1,511 square feet to 3,232 square feet. As of January 1, 2014, there were 8 parcels categorized under the Rate and Method for CFD No. 13-I as Undeveloped Residential property. No assurance can be given that any of these remaining undeveloped parcels will be developed

Table 34 sets forth the historical assessed values for the taxable property in CFD No. 13-I 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. 13-I increased by approximately 89.5%.

**TABLE 34  
CFD NO. 13-I  
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	\$41,419,389	\$ 38,671,916	\$ 80,091,305	N/A
2010-11	41,039,496	54,543,926	95,583,422	19.34%
2011-12	41,604,359	76,151,165	117,755,524	23.20
2012-13	44,805,101	89,058,954	133,864,055	13.68
2013-14	46,426,800	93,332,295	139,759,095	4.40
2014-15	49,662,635	102,149,601	151,812,236	8.62

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 2014.  
Source: NBS.

**Assigned Special Taxes.** Table 35 below sets forth the Assigned Special Taxes expected to be levied on the property within CFD No. 13-I in Fiscal Year 2015-16 based on the development status within CFD No. 13-I 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 8 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. 13-I may not be levied after the 2046-47 Fiscal Year. The final maturity of the CFD No. 13-I Bonds is September 1, 2036.

**TABLE 35  
CFD NO. 13-I  
ASSIGNED SPECIAL TAXES**

<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 – Attached	-	-	-	-	0.00
Developed Residential – Detached	353	151,040,468	798,957	351,013	100.00
Undeveloped Commercial	-	-	-	-	0.00
Undeveloped Residential	<u>8</u>	<u>771,768</u>	<u>30,920</u>	<u>-</u>	<u>0.00</u>
Total	361	\$151,812,236	\$ 829,877	\$ 351,013	100.00%

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 13-I to be issued.

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 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 CFD No. 13-I) is calculated as follows: (1) for Residential Property, \$2,750 per unit plus \$0.45 per square foot of Residential Floor Area, and (2) for Non-Residential Property, \$6,000 per Acre. The terms “Residential Property,” “Residential Floor Area,” “Non-Residential Property” and “Acre” are defined in the Rate and Method for CFD No. 13-I 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. 13-I in Fiscal Year 2015-16 is projected to be \$351,013, which is approximately 42.3%\* of the maximum Assigned Special Tax for all property in CFD No. 13-I and approximately 43.9%\* of the maximum Assigned Special Tax for all Developed Property in CFD No. 13-I.

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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. 13-I for Fiscal Years 2009-10 through 2014-15.

**TABLE 36**  
**CFD NO. 13-I**  
**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	\$1,173,012	361	65	\$207,682	17.71%	-	\$ -	0.00%
2010-11	1,048,219	361	7	18,732	1.79	-	-	0.00
2011-12	963,883	361	35	86,465	8.97	-	-	0.00
2012-13	853,867	361	25	14,488	1.70	-	-	0.00
2013-14	802,730	341	1	1,019	0.13	-	-	0.00
2014-15 <sup>(2)</sup>	770,475	353	N/A	N/A	N/A	6	15,428	2.00

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

<sup>(2)</sup> Fiscal Year 2014-15 reflects property tax payments due December 10, 2014.

Source: NBS.

**Direct and Overlapping Debt.** The property within CFD No. 13-I 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. 13-I as of April 1, 2015. As of April 1, 2015, the Prior Special Tax Bonds for CFD No. 13-I were outstanding in the amount of \$8,840,000. The Special Tax Refunding Bonds for CFD No. 13-I will be issued in the amount of \$3,595,000\*.

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\* Preliminary, subject to change.



**TABLE 37  
DIRECT AND OVERLAPPING DEBT  
CFD NO. 13-I**

2014-15 Local Secured Assessed Valuation: \$151,851,116 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/15</u>
Metropolitan Water District General Obligation Bonds	0.006%	\$ 7,173
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	1.348	69,429
Southwestern Community College District General Obligation Bonds	0.334	750,721
Sweetwater Union High School District General Obligation Bonds	0.399	1,342,304
Chula Vista City School District General Obligation Bonds	0.571	324,356
Sweetwater Union High School District Community Facilities District No. 17	38.796	1,884,592
<b>City of Chula Vista Community Facilities District No. 13-I</b>	<b>100.000</b>	<b>8,840,000</b> <sup>(1)</sup>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$13,218,575</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.036%	\$ 126,216
San Diego County Pension Obligation Bonds	0.036	244,993
San Diego County Superintendent of Schools Obligations	0.036	5,288
Southwestern Community College District General Fund Obligations	0.334	3,578
Sweetwater Union High School District Certificates of Participation	0.399	168,387
Chula Vista City School District General Fund Obligations	0.571	768,987
City of Chula Vista Certificates of Participation	0.651	765,998
Otay Municipal Water District Certificates of Participation	0.609	275,419
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$2,358,866</b>
Less: Otay Municipal Water District Certificates of Participation (100% supported)	<u>275,419</u>	
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$2,083,447</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		<b>\$15,577,441</b> <sup>(2)</sup>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$15,302,022</b>

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$8,840,000)</b> .....	<b>5.82%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	8.70%
Gross Combined Total Debt .....	10.26%
Net Combined Total Debt.....	10.08%

<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. 13-I 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 2.8563\*% of assessed value. The effective tax rate is 2.1431\*% 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 delinquencies or defaults by other owners in CFD No. 12-1 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. 13-I 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.

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\* Preliminary, subject to change.

**TABLE 38  
SAMPLE TAX BILL  
CFD NO. 13-I  
TAX YEAR 2014-2015**

**Assumptions**

Unit Type	Single-Family Detached	
Unit Size	1,523	Square Feet
Lot Size <sup>(1)</sup>	8,700	Square Feet

**Assessed Value**

Average Gross Assessed Value	\$ 342,981.00
(Less) Homeowner Exemption	<u>(7,000.00)</u>
Average Net Assessed Value	\$ 335,981.00

**Ad Valorem**

	<u>Tax Rate</u>	
General Purpose Ad Valorem Tax (Proposition 13)	1.00000%	\$ 3,359.81
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00378	12.70
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.00554	18.61
Gen Bond Chula Vista-Prop JJ 11/03/98, 2013A Ref	0.01074	36.08
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00479	16.09
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.00950	31.92
Hi Bond Sweetwater-Prop O 11/07/2006, Ser 2008A	0.02550	85.68
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2014 Ref	0.01428	47.98
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.00624	20.97
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2005B Ref	0.01167	39.21
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009A	0.00212	7.12
Southwestern Comm Coll-Prop R 11/04/08, Ser 2009B	0.00942	31.65
Southwestern Comm Coll-Prop R 11/04/08, Ser 2010C	0.00637	21.40
Otay Water Imp Dist No 27-Debt Service (Water)	0.00500	16.80
MWD D/S Remainder of SDCWA 15019999	<u>0.00350</u>	<u>11.76</u>
Subtotal Ad Valorem Taxes	1.11845%	\$ 3,757.78

**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
<i>Community Facilities District No. 13-I (Otay Ranch Village Seven), Series 2006</i>	\$ 3,435.35*	\$ 1,509.28*
Chula V. Elem CFD#17 <sup>(2)</sup>	778.25	700.44
CFD 97-2	26.34	13.56
Sweetwater Hi CFD#17 <sup>(3)</sup>	793.94	678.34
CFD 12-M O R VLG 7	<u>965.12</u>	<u>651.36</u>
Subtotal Mello-Roos Community Facilities Districts (CFD)	\$ 5,999.00*	\$ 3,552.98*

Total Estimated Annual Property Taxes	\$ 9,796.42*	\$ 7,350.40*
Effective Tax Rate	2.8563%*	2.1431%*
Effective Tax Rate - Excluding CFD Taxes	1.1072%*	1.1072%*

*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. 13-I to be issued.

- (1) Assumes average density of 5.0 units per acre.
- (2) Assumes levied at the maximum special tax rate of \$0.5110 per building square foot.
- (3) Assumes levied at the maximum special tax rate of \$0.5213 per building square foot.

**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. 13-I 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. 13-I Special Tax Refunding Bonds and the overlapping debt payable from taxes and assessments on the taxable property within CFD No. 13-I as of April 1, 2015, as shown in Table 37. Based on this information, the estimated value-to-lien ratio for CFD No. 13-I is 19.04\* 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-A  
CFD NO. 13-I  
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>Projected Fiscal Year 2015-16 Special Tax Levy<sup>(1)*</sup></i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>Fiscal Year 2014-15 Assessed Value<sup>(2)</sup></i>	<i>Total Direct &amp; Overlapping Tax &amp; Assessment Debt<sup>(3)*</sup></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	9	8,250	2.35	1,127,239	157,628
10.00 to 14.99:1	67	102,972	29.34	23,508,860	1,765,399
15.00 to 19.99:1	62	88,394	25.18	28,245,531	1,690,015
20.00 to 24.99:1	206	146,250	41.67	93,179,314	4,146,905
25.00 to 29.99:1	12	4,976	1.42	4,998,485	194,688
30.00 to 39.99:1	1	171	0.05	350,116	11,618
Greater than 40:1	4	-	0.00	402,691	6,677
Totals	361	\$ 351,013	100.00%	\$ 151,812,236	\$ 7,972,930

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 13-I to be issued.

(1) Projected Fiscal Year 2015-16 Special Tax levy based on Fiscal Year 2014-15 parcel classification data.

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

(3) Total direct and overlapping Tax and Assessment debt as of April 1, 2015 for all taxable parcels within the Taxing Jurisdiction per California Municipal Statistics, Inc. adjusted for the par amount of the CFD No. 13-I Special Tax Refunding Bonds.

Source: NBS.

Table 39-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 13-I 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. 13-I Special Tax Refunding Bonds, but excluding all overlapping debt. Based on this information, the estimated value-to-lien ratio for CFD No. 13-I is 42.01\* 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 39-B**  
**CFD NO. 13-I**  
**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	1	\$ 1,727	0.49%	\$ 130,010	\$ 17,685
3.00 to 4.99:1	0	-	0.00	-	-
5.00 to 9.99:1	53	77,513	22.08	15,750,479	793,872
10.00 to 14.99:1	62	101,795	29.00	28,799,892	1,042,566
15.00 to 19.99:1	41	38,390	10.94	16,837,423	393,181
20.00 to 24.99:1	67	57,164	16.29	32,374,904	585,464
25.00 to 29.99:1	72	49,041	13.97	33,283,005	502,264
30.00 to 39.99:1	35	18,232	5.19	15,191,638	186,727
Greater than 40:1	22	7,151	2.04	8,673,117	73,241
Undeveloped parcels	<u>8</u>	<u>-</u>	<u>0.00</u>	<u>771,768</u>	<u>-</u>
Totals	361	\$ 351,013	100.00%	\$ 151,812,236	\$ 3,595,000

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 13-I 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 13-I.

Source: NBS.

**Top Ten Property Owners.** Table 40 below sets forth the top ten property owners in CFD No. 13-I based on the projected Special Tax levy for Fiscal Year 2015-16.

**TABLE 40**  
**CFD NO. 13-I**  
**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 Special Tax Levy*</i>	<i>% of Projected Fiscal Year 2015-16 Special Tax Levy*</i>	<i>Parcel Count</i>
OTAY RANCH VII-1 L L C	\$ 175,806	\$ 687,481	\$ 863,287	\$ 3,392	0.97%	2
ARELLANO AMBROSIO L	180,000	330,000	510,000	1,828	0.52	1
BOND GREGORY F & RACHEL R	64,039	467,610	531,649	1,828	0.52	1
CUA LOURDES C	145,060	284,940	430,000	1,828	0.52	1
FRANCO JOSE & MARIA T	204,000	306,000	510,000	1,828	0.52	1
HAIMOUR LIVING TRUST 03-13-13	158,775	266,445	425,220	1,828	0.52	1
HERNANDEZ JOSUE E & MARIA G	216,555	323,445	540,000	1,828	0.52	1
LE ERIC H & ELIZABETH	203,000	307,000	510,000	1,828	0.52	1
MARSHALL JOHN A	176,625	264,937	441,562	1,828	0.52	1
PARAYNO GREGORIO G & FIDELA M REVOCABLE	181,850	272,776	454,626	1,828	0.52	1
All Others	<u>47,956,925</u>	<u>98,638,967</u>	<u>146,595,892</u>	<u>331,165</u>	<u>94.35</u>	<u>350</u>
TOTAL	\$ 49,662,635	\$ 102,149,601	\$ 151,812,236	\$ 351,013	100.00%	361

\* Preliminary, subject to change. Based on the preliminary par amount of the Special Tax Refunding Bonds for CFD No. 13-I to be issued.

<sup>(1)</sup> Total Assessed Value per County of San Diego as of January 1, 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 Special Tax Refunding Bonds, which are derived only from annual payments of Special Taxes levied within the Taxing Jurisdictions. The amount of annual installments of Special Taxes that are collected could be insufficient to pay principal of and interest on the Special Tax Refunding Bonds due to non-payment of such 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 Special Tax delinquencies. The Bonds cannot be accelerated in the event of any default.

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

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

Failure by owners of the parcels to pay 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 Special Taxes levied against such parcels may result in the inability of the Community Facilities Districts to make full or timely payments of debt service on the Special Tax 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 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 Special Taxes at any time. Such prepayments will result in a redemption of Special Tax 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 Special Tax 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 Special Tax Refunding Bonds redeemed from prepayments as set forth under the caption “THE BONDS—Redemption—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax 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 Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “—Bankruptcy and Foreclosure Delays” for a discussion of certain limitations on the Community Facilities 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 Special Tax 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 Special Tax 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 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 Special Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent 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 Community Facilities Districts to foreclose the lien of delinquent unpaid Special Taxes pursuant to its covenant to pursue judicial foreclosure proceedings set forth in the Special Tax 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 in the Special Tax Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner 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 Special Taxes to become extinguished, the amount and priority of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by 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 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 Special Tax 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 Special Taxes or the timing of enforcement of 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 Community Facilities Districts to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance

Corporation (the “FDIC”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal 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 Special Taxes within the Taxing Jurisdiction but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable State and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless the United States Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the Community Facilities Districts wish to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. 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 Community Facilities 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 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 Community Facilities Districts to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent 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 Community Facilities 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 Special Taxes or assessments which would be subordinate to the Special Taxes. To the extent that such indebtedness is payable from 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 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 Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of property with delinquent Special Taxes would be sufficient to pay the delinquent 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 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 Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy, and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The 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 Community Facilities 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 Community Facilities 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 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 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 Special Tax installment, the Community Facilities 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 Special Tax installments or for an amount adequate to pay delinquent 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 Special Tax 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 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 COMMUNITY FACILITIES DISTRICT.”

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 Community Facilities 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 or 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 and 38 and the caption “THE COMMUNITY FACILITIES DISTRICTS.”

## **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 Community Facilities Districts will covenant in the Indenture and the Special Tax 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 Community Facilities 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.

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 Special Tax 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 Special Tax Refunding 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 Special Tax Refunding Bonds Fiscal Agent Agreements, neither the Bonds nor the Special Tax 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 CFD Act, the Indenture or the Special Tax Refunding Bonds Fiscal Agent Agreements for the acceleration of 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 Community Facilities 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 Special Tax 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 Community Facilities 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 Community Facilities 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 Special Tax 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 Special Tax Refunding Bonds.

### **No Litigation**

There is no action, suit, or proceeding pending or, to the best knowledge of the City, 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 Community Facilities 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 Special Tax Refunding Bonds are Limited Obligations."

The Community Facilities 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. 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 Special Tax 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 Community Facilities 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 Special Tax Revenue Refunding Bonds, Series 2015A (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 Special Tax 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 Community Facilities District No. 2001-1 of the City of Chula Vista, Community Facilities District No. 07-I of the City of Chula Vista, Community Facilities District No. 12-I of the City of Chula Vista, and Community Facilities District No. 13-I of the City of Chula Vista.

“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.

“Special Tax Refunding Bonds” shall mean, collectively, City of Chula Vista Community Facilities District No. 2001-1 (San Miguel Ranch) Improvement Area B Special Tax Refunding Bonds, Series 2015; City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) Special Tax Refunding Bonds, Series 2015; City of Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) Special Tax Refunding Bonds, Series 2015; and City of Chula Vista Community Facilities District No. 13-I (Otay Ranch Village Seven) Special Tax Refunding Bonds, Series 2015.

“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.

“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 [7, 8-B, 9, 10, 11, 13, 14, 15, 18-B, 20, 21, 22, 25-B, 27, 28, 29, 32-B, 34, 35, 36 and 39-B] in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

(v) the percentage of the maximum Special Taxes levied by the Districts with respect to each series of 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,

the status of any foreclosure actions being pursued by the Districts with respect to delinquent Special Taxes; and



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

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

Section 5. Reporting of Significant Events.

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

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

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

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

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

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

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

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

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

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

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

#### AMENDED RATE AND METHOD OF APPORTIONMENT FOR CITY OF CHULA VISTA COMMUNITY FACILITIES DISTRICT NO. 2001-1, IMPROVEMENT AREA B (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 B") and collected each Fiscal Year commencing in Fiscal Year 2005-06, 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 Improvement Area B, 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:

**"A' Map"** shall mean a master final subdivision or parcel map, filed in accordance with the Subdivision Map Act and the Chula Vista Municipal Code, which subdivides the land or a portion thereof shown on a tentative map into "super block" lots corresponding to units or phasing of a combination of units as shown on such tentative map and which may further show open space lot dedications, backbone street dedications and utility easements required to serve such "super block" lots.

**"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 Improvement Area B of CFD No. 2001-1 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. 2001-1, or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2001-1, or any designee thereof of complying with 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, 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 B for any other administrative

purposes of CFD No. 2001-1, 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 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.

**"Bonds"** means any bonds or other debt (as defined in the Act), whether in one or more series, issued by CFD No. 2001-1 for Improvement Area 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"** means City of Chula Vista, Community Facilities District No. 2001-1 (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 (a) classified as community purpose facilities and meet the requirements of City of Chula Vista Ordinance No. 2002-2883 as amended on November 5, 2002 or (b) designated with specific boundaries and acreage on an 'A' Map or Final Subdivision Map as a community purpose facility.

**"Council"** means the City Council of the City, acting as the legislative body of CFD No. 2001-1.

**"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.

**"Exempt Property"** means all Assessor's Parcels that are exempt from the levy of the Special Tax pursuant to the provisions of Section E.

**"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.

**“Improvement Area B”** means Improvement Area B of CFD No. 2001-1.

**“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 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 Improvement Area B.

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

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

**“Property Owner Association Property”** means any property within the boundaries of CFD No. 2001-1 which is (a) owned by a property owner association or (b) is designated with specific boundaries and acreage on an ‘A’ Map or Final Subdivision Map as property owner association property. As used in this definition, a property owner association property includes 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 Improvement Area B. 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 Improvement Area B.

**“Public Property”** means any property within the boundaries of CFD No. 2001-1 that which (a) is owned by a public agency, (b) has been irrevocably offered for dedication, prior to June 1st of the preceding Fiscal Year, to a public agency or (c) is designated with specific boundaries and acreage on an ‘A’ Map or Final Subdivision Map as property which will be owned by a public agency. For purposes of this definition, a public agency includes 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 Residential Property, and shall not change as a result of additions or modifications made after such classification as 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 B 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 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 for Improvement Area B; (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 Improvement Area B 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.

“**Zone 1**” means a specific geographic area as depicted in Exhibit A attached hereto.

“**Zone 2**” means a specific geographic area as depicted in Exhibit A attached hereto.

**B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Taxable Property within Improvement Area B 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 within Zone 1 and Zone 2

<b>Land Use Class</b>	<b>Description</b>	<b>Assigned Special Tax</b>
1	Residential Property	\$475.00 per unit plus \$0.82 per square foot of Residential Floor Area
2	Commercial Property	\$4,000 per Acre of Commercial Property

**b. Backup Special Tax**

When a Final Map is recorded within Zone 1 or Zone 2, 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:

$$\text{Zone 1}$$
$$B = \frac{\$10,444 \times A}{L}$$

$$\text{Zone 2}$$
$$B = \frac{\$4,444 \times A}{L}$$

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 \$10,444 for Zone 1 and \$4,444 for Zone 2 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 total Backup Special Tax has been determined are subsequently changed or modified by recordation of a new or amended Final

Map, then the total Backup Special Tax applicable to such Assessor's Parcels shall be recalculated to equal the amount of total 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 \$10,444 per Acre for Zone 1 and \$4,444 per Acre for Zone 2.

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

Commencing with Fiscal Year 2005-06 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 and 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 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 Improvement Area B.

## **E. EXEMPTIONS**

1. 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 defined as Community Purpose Facility Property or (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, provided that no such classification would reduce the sum of all Taxable Property to less than 100.94 Acres in Zone 1 and 9.63 Acres in Zone 2. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 100.94 Acres in Zone 1 and 9.63 Acres in Zone 2 will be classified as Undeveloped Property and shall be taxed as such. Tax-exempt status for purposes of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes Exempt Property.

2. 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.

3. If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in paragraph 1 that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

**F. REVIEW/APPEAL COMMITTEE**

The Council shall establish as part of the proceedings and administration of CFD No. 2001-1, Improvement Area B 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 B 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:

**"CFD Public Facilities"** means those public facilities authorized to be financed by Improvement Area B.

**"CFD Public Facilities Costs"** means either \$9.75 million, or such lower number as shall be determined either by (a) the CFD Administrator as sufficient to finance the CFD Public Facilities, or (b) the Council concurrently with a covenant that it will not issue any more Bonds to be secured by Special Taxes levied under this Rate and Method of Apportionment.

**"Construction Fund"** means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct the CFD Public Facilities.

**"Future Facilities Costs"** means the CFD Public Facilities Costs minus that (a) portion of the CFD Public Facilities Costs previously funded (i) from the proceeds of all previously issued Bonds, (ii) from interest earnings on the Construction Fund actually earned prior to the date of prepayment

and (iii) directly from Special Tax revenues and (b) the amount of the proceeds of all previously issued Bonds then on deposit in the Construction Fund.

**“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 CM) 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	Future Facilities Amount
plus	Defeasance Amount
plus	Prepayment 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 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 Maximum Annual Special Tax revenues which may be levied within Improvement Area B excluding any Assessor’s Parcels for which the Maximum Annual Special Tax obligation has been previously prepaid.
3. Multiply the quotient computed pursuant to paragraph 2 by the principal amount of 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. If all the Bonds authorized to be issued for Improvement Area B have not been issued, 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 allocated to such Assessor’s Parcel (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. Determine the fees and expenses of Improvement Area B, including but not limited to, the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds from the proceeds of such prepayment, and the cost of recording any notices to evidence the prepayment and the redemption (the “Prepayment Fees and Expenses”).
  11. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Prepayment Fees and Expenses as determined pursuant to paragraph 10, from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
  12. Add the amounts computed pursuant to paragraphs 7 and 9 and subtract the amount computed pursuant to paragraph 11 (the “Defeasance Amount”).
  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 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.
  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, 10 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, 12, 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 10 shall be retained by CFD No. 2001-1, Improvement Area B. The amount computed pursuant to paragraph 6 shall be deposited in the Construction Fund.

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 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. 2001-1, Improvement Area B 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 H.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<sub>E</sub> = the Prepayment Amount calculated according to Section H.1, minus Prepayment Fees and Expenses 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 Prepayment Fees and Expenses 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 16 of Section H.1, and (ii) indicate in the records of CFD



No. 2001-1, Improvement Area B 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 MAXIMUM ANNUAL SPECIAL TAX**

The Maximum Annual Special Tax shall be levied commencing in Fiscal Year 2005-06 to the extent necessary to fully satisfy the Special Tax Requirement for a period no longer than 2041-42.

**RATE AND METHOD OF APPORTIONMENT FOR  
CITY OF CHULA VISTA  
COMMUNITY FACILITIES DISTRICT NO. 07-I  
(Otay Ranch Village Eleven)**

A Special Tax as hereinafter defined shall be levied on each Assessor's Parcel of Taxable Property within the City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven), and collected each Fiscal Year commencing in Fiscal Year 2004-2005 in an amount determined by the City Council through the application of the appropriate Special Tax for "Developed Property," "Approved Property," "Undeveloped Property" and "Provisional Undeveloped Property" as described below. All of the Taxable Property within CFD-07-I, 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 meaning:

**"A' Map"** shall mean a master final subdivision or parcel map, filed in accordance with the Subdivision Map Act and the Chula Vista Municipal Code, which subdivides the land or a portion thereof shown on a tentative map into "super block" lots corresponding to units or phasing of combination of units as shown on such tentative map and which may further show Community Purpose Facility Property, Property Owner Association Property, Public Property, open space lot dedications, backbone street dedications and utility easements required to serve such "super block" lots.

**"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 Subdivision Map, parcel map, condominium plan, record of survey, or other recorded document creating or describing the land area. If the preceding maps for a land area are not available, the Acreage of such land area shall be determined by the City Engineer.

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

**"Administrative Fees and Expenses"** means the actual or reasonably estimated costs directly related to the administration of CFD-07-I 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-07-I, or any designee thereof of complying with arbitrage rebate requirements and/or responding to any audit of the Bonds by the Internal Revenue Service; the costs to the City, CFD-07-I, or any designee thereof of providing continuing disclosure; the costs of the City, CFD-07-I or any designee thereof of preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD-07-I, or any designee thereof related to any appeal of the levy or application 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-07-I, for any other administrative purposes, including, but not limited to attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

**"Approved Property"** means all Assessor's Parcels of Taxable Property: (i) that are included in an 'A' Map, excluding lettered lots thereon, or a Final Subdivision Map, excluding lettered lots thereon, that were recorded prior to January 1st for the Fiscal Year ending July 31, 2005, and prior to

March 1st for each subsequent Fiscal Year thereafter preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a building permit prior to the March 1st preceding the Fiscal Year in which the Special Tax is being levied.

**“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.

**“Assigned Special Tax”** means the Special Tax for each Land Use Class of Developed Property as determined in accordance with Section C.1.a.

**“Available Funds”** means (a) 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, (b) delinquent Special Tax payments not required to fund the Special Tax Requirement for any preceding Fiscal Year, (c) that portion of Special Tax prepayments allocated to the payment of interest on Bonds, and (d) 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 as determined in accordance with Section C.1.b.

**“Bonds”** means any bonds or other debt (as defined in the Act), whether in one or more series, issued or incurred by CI-D-074 under the Act.

**“Bond Year”** means a one-year period beginning on September 2nd in each year and ending on September 1st in the following year, unless defined otherwise in the applicable Indenture.

**“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-07-I”** means City of Chula Vista Community Facilities District No. 07-I.

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

**“Community Purpose Facility Property”** means all Assessor’s Parcels which are (a) classified as community purpose facilities and meet the requirements of City of Chula Vista Ordinance No. 2002-2883 as amended on November 5, 2002 or (b) designated on an “A” Map or a Final Subdivision Map as a community purpose facility.

**“Council”** means the City Council of the City, acting as the legislative body of CFD-07-I.

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

**“Density”** means for each Assessor’s Parcel of Residential Property the number of Dwelling Units per gross acre determined pursuant to those provisions of Ordinance No. 2866, in effect as of January 7, 2003, that provide for the calculation of density for purposes of calculating Transportation Development Impact Fees.

**“Developed Property”** means all Assessor’s Parcels of Taxable Property for which a building permit has been issued prior to March 1st preceding the Fiscal Year in which the Special Tax is being levied.

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

**“Exempt Property”** means all Assessor’s Parcels that are exempt from the Special Tax pursuant to Section E.1.

**“Final Subdivision Map”** means a subdivision of property, created by recordation of a final subdivision 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 of Section C.

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

**“Mixed Use Property”** means all Assessor’s Parcels that have been classified by the City to allow both Residential Property and Non-Residential Property uses on each such Assessor’s Parcel. For an Assessor’s Parcel of Mixed Use Property, each Land Use Class thereon is subject to taxation pursuant to the provisions of Section C regardless of the geographic orientation of such Land Use Classes on such Assessor’s Parcel.

**“Non-Residential Property”** means all Assessor’s Parcels of Developed Property, for which a building permit(s) has been issued to allow the construction of one or more buildings or structures for a non-residential use, excluding Community Purpose Facility Property.

**“Open Space”** means property within the boundaries of CFD 07-I in which prior to June 1st of the preceding Fiscal Year (a) has been designated with specific boundaries and acreage on an ‘A’ Map or Final Subdivision Map as open space, (b) is classified by the County Assessor as open space, (c) has been irrevocably offered for dedication as open space to the federal government, the State of California, the County, the City, or any other public agency or (d) is encumbered by an easement or other restriction required by the City limiting the use of such property to open space.

**“Outstanding Bonds”** means all Bonds, which remain outstanding as defined in the Indenture.

**“Property Owner Association Property”** means any property within the boundaries of CFD-07-I which is (a) owned by a property owner association or (b) is designated with specific boundaries and acreage on an ‘A’ Map or Final Subdivision Map as property owner association property. As used in this definition, a property owner association includes 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 the Backup Special Tax is equal for all Assessors’ Parcels of the Developed Property. For Approved Property, Undeveloped Property and Provisional 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 like classification.

**“Provisional Undeveloped Property”** means all Assessor’s Parcels of Public Property, Property Owner Association Property, Community Purpose Facility Property, Open Space or other property that would otherwise be classified as Exempt Property pursuant to the provisions of Section E, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum acreage as set forth in Section E.1 for Zone A or Zone B as applicable.

**“Public Property”** means any property within the boundaries of CFD-07-1 which (a) is owned by a public agency, (b) has been irrevocably offered for dedication to a public agency or (c) is designated with specific boundaries and acreage on an ‘A’ Map or Final Subdivision Map as property which will be owned by a public agency. For purposes of this definition, a public agency includes 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 to allow the construction of one or more buildings or structures for use as residential dwelling units.

**“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 of Special Tax revenue required in any Fiscal Year for to: (i) pay annual debt service on all Outstanding Bonds due in the Bond Year beginning in such Fiscal Year; (ii) pay other periodic costs on Outstanding Bonds, including but not limited to, credit enhancement and rebate payment; (iii) pay Administrative Fees and Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture; and (v) pay directly for acquisition and/or construction of public improvements which are authorized to be financed by CFD-07-I provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on the Undeveloped Property; less (vi) 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 07-I that 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, Approved Property or Provisional Undeveloped Property.

**“Zone A”** means a specific geographic area as depicted in Exhibits A and B attached hereto.

**“Zone B”** means a specific geographic area as depicted in Exhibits A and B attached hereto.

**B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Assessors’ Parcels of Taxable Property within CFD-07-I shall be (a) categorized as being located in either Zone A or Zone B, (b) classified as Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property and (c) subject to the levy of annual Special Taxes determined pursuant to Sections C and D below. Developed Property shall be further classified as either Residential Property, Non-Residential Property or Mixed Use Property. The Land Use Class of each Assessor’s Parcel of Residential Property or Mixed Use Property shall be determined based on its Density.

**C. MAXIMUM ANNUAL SPECIAL TAX RATE**

**1. Developed Property**

The Maximum Annual Special Tax for each Assessor’s Parcel of Residential Property, Non-Residential Property or Mixed Use Property shall be the greater of (1) the Assigned Special Tax described in Section a. below or (2) the Backup Special Tax computed pursuant to Section b. below.

**a. Assigned Special Tax**

The Assigned Special Tax for each Land Use Class of Developed Property is shown in Table 1.

**TABLE 1**

Assigned Special Tax for Developed Property  
Within Zone A and Zone B:

<i>Land Use Class</i>	<i>Description</i>	<i>Density (DU/Acre)</i>	<i>Assigned Special Tax</i>
1	Residential Property	0 to 8	\$1,675 per Dwelling Unit
2	Residential Property	>8 to 20	\$1,340 per Dwelling Unit
3	Residential Property	>20	\$1,005 per Dwelling Unit
4	Non Residential Property	N/A	\$6,000 per Acre

The Assigned Special Tax for each Assessor’s Parcel of Mixed Use Property shall equal the total of (i) the Assigned Special Tax that would be applicable to such Assessor’s Parcel if it was classified only as Residential Property and (ii) the Assigned Special Tax that would be applicable to such Assessor’s Parcel if it was classified as Non-Residential Property.

**b. Backup Special Tax**

When a Final Subdivision Map is recorded within Zone A or Zone B, the Backup Special Tax for Residential Property and Non-Residential Property, shall be determined as follows:

For each Assessor’s Parcel of Residential Property or Undeveloped Property and Approved Property to be classified as Residential Property upon its development within the Final Subdivision Map area, the Backup Special Tax shall be the rate per Dwelling Unit calculated according to the following formula:

$$B = \frac{\text{Zone A} \\ \$13,955 \times A}{U}$$

$$B = \frac{\text{Zone B} \\ \$24,218 \times A}{U}$$

The terms above have the following meanings:

- B = Backup Special Tax per Dwelling Unit in each Fiscal Year.
- A = Acreage classified or to be classified as Residential Property in such Final Subdivision Map.
- U = Number of Dwelling Units in the Final Subdivision Map which are classified or expected to be classified as Residential Property.

For each Assessor's Parcel of Developed Property classified as Non-Residential Property or for each Assessor's Parcel of Approved or Undeveloped Property to be classified as Non-Residential Property within the Final Subdivision Map area, the Backup Special Tax shall be determined by multiplying \$13,955 for Zone A and \$24,218 for Zone B by the total Acreage of any such Assessor's Parcel.

For each Assessor's Parcel of Mixed Use Property, the Backup Special Tax shall be determined by multiplying \$13,955 for Zone A and \$24,218 for Zone B by the total Acreage of any such Assessor's Parcel.

Notwithstanding the foregoing, if Assessor's Parcels of Residential Property, Non-Residential Property, Mixed Use Property, Approved 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 Subdivision 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. Approved Property**

The Maximum Annual Special Tax for each Assessor's Parcel of Approved Property shall be \$13,955 per Acre for Zone A and \$24,218 per Acre for Zone B.

**3. Undeveloped Property and Provisional Undeveloped Property**

The Maximum Special Tax for each Assessor's Parcel of Undeveloped Property and Provisional Undeveloped Property shall be \$13,955 per Acre for Zone A and \$24,218 per Acre for Zone B.

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

Commencing with Fiscal Year 2004-2005 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 all 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 all Approved Property at up to 100% of the Maximum Annual Special Tax for Approved Property.

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on all Undeveloped Property within Zone A and Zone B, at a rate up to 100% of the Maximum Annual Special Tax for Undeveloped Property. In determining the Acreage of an Assessor's Parcel of Undeveloped Property for purposes of determining the annual Special Tax to be levied on such Assessor's Parcels of Undeveloped Property, the CFD Administrator shall not include any Acreage shown on any applicable

tentative subdivision map or other land use entitlement approved by the City that designates such Acreage for a use that would be classified as Open Space, Property Owner Association Property, Community Purpose Facility or Public Property.

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax to be levied on each Assessor's Parcel of Developed Property 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.

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on all Provisional Undeveloped Property at a rate 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 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 Taxable Property.

**E. EXEMPTIONS**

1. The CFD Administrator shall classify the following as Exempt Property: (i) Public Property, (ii) Property Owner Association Property, (iii) Community Purpose Facility Property, (iv) Open Space and (v) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement; provided, however, that no such classification shall reduce the sum of all Taxable Property to less than 147.15 Acres for Zone A and 59.04 Acres for Zone B. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 147.15 Acres for Zone A and 59.04 Acres for Zone B will be classified as Provisional Undeveloped Property and shall be taxed pursuant to the fifth step of Section D. Exempt status for purposes of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes Exempt Property. In the event the Taxable Property will be reduced below the minimum Acreage noted above for either Zone A or Zone B as a result of the recordation of a single "A" Map, the CFD Administrator shall classify property within Zone A or Zone B that is shown on such "A" Map as Exempt Property up to the limits of Exempt Property applicable to such Zone or Zones in the following priority order: 1) Community Purpose Facility Property, 2) Property Owner Association Property, 3) Public Property, 4) Open Space, 5) other public or utility easements making impractical their utilization for no other such purpose.
2. The Maximum Annual Special Tax obligation for any property which would be classified as Public Property upon its transfer or dedication to a public agency but which is classified as Provisional Undeveloped Property pursuant to E.1 above shall be prepaid in full by the seller pursuant to Section H.1, prior to the transfer/dedication of such property to such public agency. 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 Provisional Undeveloped Property.
3. If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in paragraph 1 that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.



**F. 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 shall first consult with the CFD Administrator regarding such error. If following such consultation, the CFD Administrator determines that an error has occurred the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action (if any by the CFD Administrator), the landowner or resident believes such error still exists, such person may file a written notice with the City Clerk of the City appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of any such notice, the City Clerk shall forward a copy of such notice to the City Manager who shall establish as part of the proceedings and administration of CFD-07-I a special three-member Review/Appeal Committee. 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-07-I, 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 of Taxable Property that are delinquent in the payment of Special Taxes.

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.

**H. PREPAYMENT OF SPECIAL TAX**

The following definitions apply to this Section H:

**"CFD Public Facilities"** means those public facilities authorized to be financed by CFD-07-I.

**"CFD Public Facilities Costs"** means either \$35 million, or such lower number as shall be determined either by (a) the CFD Administrator as sufficient to finance the CFD Public Facilities, or (b) the Council concurrently with a covenant that it will not issue any more Bonds to be secured by Special Taxes levied under this Rate and Method of Apportionment.

**"Construction Fund"** means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct the CFD Public Facilities.

**"Future Facilities Costs"** means the CFD Public Facilities Costs minus that (a) portion of the CFD Public Facilities Costs previously funded (i) from the proceeds of all previously issued Bonds, (ii) from interest earnings on the Construction Fund actually earned prior to the date of prepayment and (iii) directly from Special Tax revenues and (b) the amount of the proceeds of all previously issued Bonds then on deposit in the Construction Fund.

**"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 for an Assessor’s Parcel of Developed Property, Undeveloped Property or Approved Property for which a building permit has been issued, or Provisional Undeveloped 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, however 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, which can be collected prior to preparing such calculation.

The prepayment amount 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	Prepayment Fees and Expenses
less	Reserve Fund Credit
<u>less</u>	<u>Capitalized Interest Credit</u>
equals	Prepayment Amount

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

**Step No.:**

1. For Developed Property, compute the Maximum Annual Special Tax for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Approved Property or 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 issued for that Assessor’s Parcel. For Assessor’s Parcels of Provisional Undeveloped Property to be prepaid, compute the Maximum Annual Special Tax for that Assessor’s Parcel using the Maximum Annual Special Tax for Provisional Undeveloped Property.
2. Divide the Maximum Annual Special Tax computed pursuant to step 1 by the sum of the total expected Maximum Annual Special Tax revenues which may be levied within CFD-07-I excluding any Assessors Parcels for which the Maximum Annual Special Tax obligation has been previously prepaid.
3. Multiply the quotient computed pursuant to step 2 by the principal amount of 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 step 3 by the applicable redemption premium(s) on the next possible Bond call date, if any, on the Outstanding Bonds to be redeemed (the “*Redemption Premium*”).

5. If all the 2006 Bonds authorized to be issued by CFD-07-I have not been issued, then compute the Future Facilities Costs.
6. Multiply the quotient computed pursuant to step 2 by the amount if any, determined pursuant to step 5 to compute the amount of Future Facilities Costs to be allocated to such Assessor's Parcel (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. Determine the fees and expenses of CFD-07-I, including but not limited to, the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds from the proceeds of such prepayment, and the cost of recording any notices to evidence the prepayment and the redemption (the "*Prepayment Fee and Expenses*").
11. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the prepayment amount, less the Prepayment Fees and Expenses, pursuant to step 10, from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
12. Add the amounts computed pursuant to steps 7 and 9 and subtract the amount computed pursuant to step 11 (the "*Defeasance Amount*").
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 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.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to step 2 by the expected balance in the capitalized interest fund after such first interest payment (the "*Capitalized Interest Credit*").
15. The Maximum Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to steps 3, 4, 6, 10, and 12, less the amounts computed pursuant to steps 13 and 14 (the "*Prepayment Amount*").
16. From the Prepayment Amount, the amounts computed pursuant to steps 3, 4, 12, 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 step 10 shall be retained by CFD-07-I. The amount computed pursuant to step 6 shall be deposited in the Construction Fund.

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 step 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 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 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

## **2. Prepayment in Part**

The Maximum Annual Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Approved Property or Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as presented in Section H.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 Prepayment Fees and Expenses determined 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 Prepayment Fees and Expenses determined 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 step 16 of Section H.1, and (ii) indicate in the records of CFD-07-I 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 MAXIMUM ANNUAL SPECIAL TAX**

The Maximum Annual Special Tax shall be levied commencing in Fiscal Year 2004-2005 to the extent necessary to fully satisfy the Special Tax Requirement and shall be levied for a period no longer than the 2043-2044 Fiscal Year.

**RATE AND METHOD OF APPORTIONMENT  
FOR CITY OF CHULA VISTA  
COMMUNITY FACILITIES DISTRICT NO. 12-I  
(McMillin Otay Ranch Village Seven)**

A Special Tax as hereinafter defined shall be levied on each Assessor's Parcel of Taxable Property within the City of Chula Vista Community Facilities District No. 12-I (CFD No. 12-I) and collected each Fiscal Year commencing in Fiscal Year 2006-2007 in an amount determined by the City Council through the application of the appropriate Special Tax for "Developed Property", "Undeveloped Property" and "Contingent Taxable Property" as described below. All of the Taxable Property CFD No. 12-I, 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 meaning:

**"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 Subdivision Map, parcel map, condominium plan, record of survey, or other recorded document creating or describing the parcel. If the preceding maps for a land area are not available, the Acreage of such land area shall be determined by the City Engineer.

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

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

**"Administrative Expenses"** means the actual or reasonably estimated costs directly related to the administration of CFD No. 12-I 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. 12-I or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 12-I or any designee thereof of providing continuing disclosure; 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. 12-I or any designee thereof related to any appeal of the levy or application 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. 12-I for any other administrative purposes, including, but not limited to, 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 an 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 any Indenture in excess of the reserve requirement as defined in such Indenture, delinquent Special Tax payments not required to fund the Special Tax Requirement for any preceding Fiscal Year, 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 bond indenture.

**“Backup Special Tax”** means the Backup Special Tax amount set forth in Section C.1.b.

**“Bonds”** means any bonds or other debt (as defined in the Act), whether in one or more series, issued by CFD No. 12-I under the Act.

**“Bond Year”** means a one-year period beginning on September 2nd in each year and ending on September 1st in the following year, unless defined differently in the applicable Indenture.

**“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. 12-I”** means City of Chula Vista, Community Facilities District No. 12-I.

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

**“Contingent Taxable Property”** means all Assessor’s Parcels of Public Property, Property Owner Association Property, Open Space or other property that would otherwise be classified as Exempt Property pursuant to the provisions of Section E, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum acreage as set forth in Section E.1 for Zone A or Zone B as applicable.

**“Council”** means the City Council of the City, acting as the legislative body of CFD No. 12-I.

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

**“Developed Property”** means all Assessor’s Parcels of Taxable Property for which a building permit has been issued prior to March 1st preceding the Fiscal Year in which the Special Tax is being levied.

**“Exempt Property”** means all Assessors’ Parcels that are exempt from the Special Tax pursuant to Section E.1.

**“Final Subdivision Map”** means a subdivision of property, created by recordation of a final subdivision 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 of Section C.1.a.

**“Lot(s)”** means an individual legal lot created by a Final Subdivision Map for which a building permit for residential construction has been or could be issued. Notwithstanding the foregoing, in the case of an individual legal lot created by such a Final Subdivision Map upon which condominium units are entitled to be developed but for which a condominium plan has not been recorded, the number of Lots allocable to such legal lot for purposes of calculating the Backup Special Tax applicable to such Final Subdivision Map shall equal the number of condominium units which are permitted to be constructed on such legal lot as shown on such Final Subdivision Map.

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

**“Non-Residential Property”** means all Assessor’s Parcels of Developed Property, for which a building permit(s) has been issued to allow the construction of one or more buildings or structures for a non-residential use.

**“Occupied Residential Property”** means all Assessors’ Parcels of Residential Property for which title is owned by an end user (homeowner).

**“Open Space”** means property within the boundaries of CFD No. 12-I which (a) has been designated with specific boundaries and acreage on a Final Subdivision Map as open space (b) is classified by the County Assessor as open space (c) has been irrevocably offered for dedication as open space to the federal government, the State of California, the County, the City, any other public agency or (d) is encumbered by an easement or other restriction required by the City limiting the use of such property to open space.

**“Outstanding Bonds”** mean all Bonds, which remain outstanding as defined in the Indenture.

**“Property Owner Association Property”** means any property within the boundaries of CFD No. 12-I which is (a) owned by a property owner association or (b) designated with specific boundaries and acreage on a Final Subdivision Map as property owner association property. As used in this definition, a property owner association includes any master or sub-association.

**“Proportionately”** means for Developed Property that the ratio of the Special Tax levy to the Assigned Special Tax or the Backup Special Tax is equal for all Assessors’ Parcels of Developed Property within CFD No. 12-I. For Undeveloped Property or Contingent Taxable 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 and equal for all Assessor’s Parcels of Contingent Taxable Property within CFD No. 12-I.

**“Public Property”** means any property within the boundaries of CFD No. 12-1 that which (a) is owned by a public agency, (b) has been irrevocably offered for dedication to a public agency or (c) is designated with specific boundaries and acreage on a Final Subdivision Map as property which will be owned by a public agency. For purposes of this definition, a public agency includes 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 the CFD Administrator by reference to appropriate records kept by the City’s Building Department. Residential Floor Area for a



residential structure will be based on the building permit(s) issued for such structure prior to it being classified as Occupied Residential Property, and shall not change as a result of additions or modifications made to such structure 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 of Special Tax revenue required in any Fiscal Year for CFD No. 12-I to: (i) Pay Administrative Expenses in an amount equal to Administrative Expense Requirement or such other amount as may be designated by the City (ii) pay annual debt service on all Outstanding Bonds (as defined in Section A) due in the Bond Year beginning in such Fiscal Year; (iii) pay other periodic costs on Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on Outstanding Bonds; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture; and (v) pay directly for acquisition and/or construction of public improvements which are authorized to be financed by CFD No. 12-I provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on the Undeveloped Property for CFD No. 12-I; less (vi) 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. 12-I that 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 bond indenture.

“**Undeveloped Property**” means, for each Fiscal year, all Taxable Property not classified as Developed Property or Contingent Taxable Property.

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

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

**B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Assessor’s Parcels of Taxable Property within CFD No. 12-I shall be (a) categorized as being located in either Tax Zone A or Zone B, (b) classified as Developed Property, Undeveloped Property or Contingent Taxable Property and (c) shall be subject to the levy of annual Special Taxes determined pursuant to Sections C and D below. Furthermore, all Developed Property shall then be classified as Residential or Non-Residential Property.

**C. MAXIMUM ANNUAL SPECIAL TAX RATE**

**1. Developed Property**

The Maximum Annual Special Tax for each Assessor’s Parcel of Residential Property or Non-Residential Property shall be the greater of (1) the Assigned Special Tax described in Table 1 or (2) the Backup Special Tax computed pursuant to b. on next page.

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  
within Zone A and Zone B

<i>Land Use Class</i>	<i>Description</i>	<i>Assigned Special Tax</i>
1	Residential Property	\$890 per Unit Plus \$0.79 per square foot of Residential Floor Area
2	Non-Residential Property	\$6,000 per Acre

b. **Backup Special Tax**

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

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

$$B = \frac{\text{Zone A} \\ \$24,383 \times A}{L}$$

$$B = \frac{\text{Zone B} \\ \$41,621 \times A}{L}$$

The terms 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 Subdivision Map.
- L = For a Final Subdivision Map, the number of Lots which are classified or to be classified as Residential Property.

For each Assessor’s Parcel of Developed Property classified as Non-Residential Property or for each Assessor’s Parcel of Undeveloped Property to be classified as Non-Residential Property within the Final Subdivision Map area, the Backup Special

Tax shall be determined by multiplying \$24,383 for Zone A and \$41,621 for Zone B by the total Acreage of any such Assessor's Parcel.

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

**2. Undeveloped Property and Contingent Taxable Property**

The Maximum Annual Special Tax for each Assessor's Parcel of Undeveloped Property and Contingent Taxable Property shall be \$24,383 per Acre for Zone A and \$41,621 per Acre for Zone B.

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

Commencing with Fiscal Year 2006-07 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 within Zone A and Zone B 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 all Undeveloped Property within Zone A and Zone B, at a rate up to 100% of the Maximum Annual Special Tax for Undeveloped Property. In determining the Acreage of an Assessor's Parcel of Undeveloped Property for purposes of determining the annual Special Tax to be levied on such Assessor's Parcels of Undeveloped Property, the CFD Administrator shall not include any Acreage shown on any applicable tentative subdivision map or other land use entitlements approved by the City that designates such Acreage for a use that would be classified as Open Space, Property Owner Association Property or Public 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 of Developed Property whose Maximum Annual Special Tax is derived by the application of the Backup Special Tax then the Annual Special Tax shall be increased at the same percentage 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 all Contingent Taxable Property at a rate 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 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.

**E. EXEMPTIONS**

1. The CFD Administrator shall classify the following as Exempt Property: (i) Public Property, (ii) Property Owner Association Property, (iii) Open Space and (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement; provided, however, that no such classification shall reduce the sum of all Taxable Property to less than 32.98 Acres for Zone A and 22.00 Acres for Zone B. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 32.98 Acres for Zone A and 22.00 Acres for Zone B will be classified as Contingent Taxable Property and shall be taxed pursuant to the fourth step of Section D. Exempt status for purposes of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes Exempt Property.
2. The Maximum Annual Special Tax obligation for any property which would be classified as Public Property upon its transfer or dedication to a public agency but which is classified as Contingent Taxable Property pursuant to E.1 above shall be prepaid in full by the seller pursuant to Section H.1, prior to the transfer/dedication of such property to such public agency. 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 Contingent Taxable Property.
3. If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in E.1. above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

**F. 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 shall first consult with the CFD Administrator regarding such error. If following such consultation, the CFD Administrator determines that an error has occurred; the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action (if any by the CFD Administrator), the landowner or resident believes such error still exists, such person may file a written notice with the City Clerk of the City appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of any such notice, the City Clerk shall forward a copy of such notice to the City Manager who shall establish as part of the proceedings and administration of CFD No. 12-I and a special three-member Review/Appeal Committee. 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. 12-I, 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 of Taxable Property that 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:

**“CFD Public Facilities”** means those public facilities authorized to be financed by CFD No. 12-I.

**“CFD Public Facilities Costs”** means either \$ 17.1 million, or such lower number as shall be determined either by (a) the CFD Administrator as sufficient to finance the CFD Public Facilities, or (b) the Council concurrently with a covenant that it will not issue any more Bonds to be secured by Special Taxes levied under this Rate and Method of Apportionment.

**“Construction Fund”** means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct the CFD Public Facilities.

**“Future Facilities Costs”** means the CFD Public Facilities Costs minus that (a) portion of the CFD Public Facilities Costs previously funded (i) from the proceeds of all previously issued Bonds, (ii) from interest earnings on the Construction Fund actually earned prior to the date of prepayment and (iii) directly from Special Tax revenues and (b) the amount of the proceeds of all previously issued Bonds then on deposit in the Construction Fund.

**“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 for an Assessor’s Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, or Contingent Taxable 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, however 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	Future Facilities Amount
plus	Defeasance Amount
plus	Prepayment 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:

**Step No.:**

1. For Developed Property, compute the Maximum Annual Special Tax for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued 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 issued for that Assessor's Parcel. For Assessor's Parcels of Contingent Taxable 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 step 1 by the sum of the total expected Maximum Annual Special Tax revenues which may be levied within CFD No. 12-I excluding any Assessor's Parcels for which the Maximum Annual Special Tax obligation has been previously prepaid.
3. Multiply the quotient computed pursuant to step 2 by the principal amount of 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 step 3 by the applicable redemption premium on the next possible Bond call date, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
5. If all the Bonds authorized to be issued for CFD No. 12-I have not been issued, then compute the Future Facilities Costs.
6. Multiply the quotient computed pursuant to step 2 by the amount determined pursuant to step 5 to compute the amount of Future Facilities Costs to be allocated to such Assessor's Parcel (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. Determine the fees and expenses of CFD No. 12-I, including but not limited to, the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds from the proceeds of such prepayment, and the cost of recording any notices to evidence the prepayment and the redemption (the "*Prepayment Fees and Expenses*").
11. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the prepayment amount less the Prepayment Fees and Expenses, as determined pursuant to step 10, from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

12. Add the amounts computed pursuant to steps 7 and 9 and subtract the amount computed pursuant to step 11 (the “*Defeasance Amount*”).
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 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.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to step 2 by the expected balance in the capitalized interest fund after such first interest payment (the “*Capitalized Interest Credit*”).
15. The Maximum Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to steps 3, 4, 6, 10, and 12, less the amounts computed pursuant to steps 13 and 14 (the “*Prepayment Amount*”).
16. From the Prepayment Amount, the amounts computed pursuant to steps 3, 4, 12, 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 step shall be retained by CFD No. 12-I. The amount computed pursuant to step 6 shall be deposited in the Construction Fund.

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 step 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 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. 12-I prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

## **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 H.1; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

- PP = the partial prepayment
- PE = the Prepayment Amount calculated according to Section H.1, minus Prepayment Fees and Expenses determined 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 Prepayment Fees and Expenses determined 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 Step 16 of Section H.1, and (ii) indicate in the records of CFD No. 12-I, 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 MAXIMUM ANNUAL SPECIAL TAX**

The Maximum Annual Special Tax shall be levied commencing in Fiscal Year 2006-2007 to the extent necessary to fully satisfy the Special Tax Requirement and shall be levied for a period no longer than the 2046-2047 Fiscal Year.



**RATE AND METHOD OF APPORTIONMENT  
FOR CITY OF CHULA VISTA  
COMMUNITY FACILITIES DISTRICT NO. 13-I  
(OTAY RANCH VILLAGE SEVEN)**

A Special Tax as hereinafter defined shall be levied on each Assessor's Parcel of Taxable Property within the City of Chula Vista Community Facilities District No. 13-I (CFD No. 13-I) and collected each Fiscal Year commencing in Fiscal Year 2006-2007 in an amount determined by the City Council through the application of the appropriate Special Tax for "Developed Property", "Undeveloped Property" and "Contingent Taxable Property" as described below. All of the Taxable Property CFD No. 13-I, 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 meaning:

**"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 Subdivision Map, parcel map, condominium plan, record of survey, or other recorded document creating or describing the parcel. If the preceding maps for a land area are not available, the Acreage of such land area shall be determined by the City Engineer.

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

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

**"Administrative Expenses"** means the actual or reasonably estimated costs directly related to the administration of CFD No. 13-I 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. 13-I or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 13-I or any designee thereof of providing continuing disclosure; 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. 13-I or any designee thereof related to any appeal of the levy or application 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. 13-I for any other administrative purposes, including, but not limited to, 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 an 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 any Indenture in excess of the reserve requirement as defined in such Indenture, delinquent Special Tax payments not required to fund the Special Tax Requirement for any preceding Fiscal Year, 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 Backup Special Tax amount set forth in Section C.1.b.

**“Bonds”** means any bonds or other debt (as defined in the Act), whether in one or more series, issued by CFD No. 13-I under the Act.

**“Bond Year”** means a one-year period beginning on September 2nd in each year and ending on September 1st in the following year, unless defined differently in the applicable Indenture.

**“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. 13-I”** means City of Chula Vista, Community Facilities District No. 13-I.

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

**“Community Purpose Facility Property”** means all Assessor’s Parcels which are (a) classified as community purpose facilities and meet the requirements of City of Chula Vista Ordinance No. 2002-2883 as amended on November 5, 2002 or (b) designated on an “A” Map or a Final Subdivision Map as a community purpose facility.

**“Contingent Taxable Property”** means all Assessor’s Parcels of Public Property, Property Owner Association Property, Community Purpose Facility Property, Open Space or other property that would otherwise be classified as Exempt Property pursuant to the provisions of Section E, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum acreage as set forth in Section E.1 for Zone A or Zone B as applicable.

**“Council”** means the City Council of the City, acting as the legislative body of CFD No. 13-I.

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

**“Developed Property”** means all Assessor’s Parcels of Taxable Property for which a building permit has been issued prior to March 1st preceding the Fiscal Year in which the Special Tax is being levied.

**“Exempt Property”** means all Assessors’ Parcels that are exempt from the Special Tax pursuant to Section E.1.

**“Final Subdivision Map”** means a subdivision of property, created by recordation of a final subdivision 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 of Section C.1.a.

**“Lot(s)”** means an individual legal lot created by a Final Subdivision Map for which a building permit for residential construction has been or could be issued. Notwithstanding the foregoing, in the case of an individual legal lot created by such a Final Subdivision Map upon which condominium units are entitled to be developed but for which a condominium plan has not been recorded, the number of Lots allocable to such legal lot for purposes of calculating the Backup Special Tax applicable to such Final Subdivision Map shall equal the number of condominium units which are permitted to be constructed on such legal lot as shown on such Final Subdivision Map.

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

**“Non-Residential Property”** means all Assessor’s Parcels of Developed Property, for which a building permit(s) has been issued to allow the construction of one or more buildings or structures for a non-residential use.

**“Occupied Residential Property”** means all Assessors’ Parcels of Residential Property for which title is owned by an end user (homeowner).

**“Open Space”** means property within the boundaries of CFD No. 13-I which (a) has been designated with specific boundaries and acreage on a Final Subdivision Map as open space (b) is classified by the County Assessor as open space (c) has been irrevocably offered for dedication as open space to the federal government, the State of California, the County, the City, any other public agency or (d) is encumbered by an easement or other restriction required by the City limiting the use of such property to open space.

**“Outstanding Bonds”** mean all Bonds, which remain outstanding as defined in the Indenture.

**“Property Owner Association Property”** means any property within the boundaries of CFD No. 13-I which is (a) owned by a property owner association or (b) designated with specific boundaries and acreage on a Final Subdivision Map as property owner association property. As used in this definition, a property owner association includes any master or sub-association.

**“Proportionately”** means for Developed Property that the ratio of the Special Tax levy to the Assigned Special Tax or the Backup Special Tax is equal for all Assessors’ Parcels of Developed Property within CFD No. 13-I. For Undeveloped Property or Contingent Taxable 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 and equal for all Assessor’s Parcels of Contingent Taxable Property within CFD No. 13-I.

**“Public Property”** means any property within the boundaries of CFD No. 13-I that which (a) is owned by a public agency, (b) has been irrevocably offered for dedication to a public agency or (c) is designated with specific boundaries and acreage on a Final Subdivision Map as property which will be owned by a public agency. For purposes of this definition, a public agency includes 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 the CFD Administrator by reference to appropriate

records kept by the City's Building Department. Residential Floor Area for a residential structure will be based on the building permit(s) issued for such structure prior to it being classified as Occupied Residential Property, and shall not change as a result of additions or modifications made to such structure 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 of Special Tax revenue required in any Fiscal Year for CFD No. 13-I to: (i) Pay Administrative Expenses in an amount equal to Administrative Expense Requirement or such other amount as may be designated by the City (ii) pay annual debt service on all Outstanding Bonds (as defined in Section A) due in the Bond Year beginning in such Fiscal Year; (iii) pay other periodic costs on Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on Outstanding Bonds; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture; and (v) pay directly for acquisition and/or construction of public improvements which are authorized to be financed by CFD No. 13-I provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on the Undeveloped Property for CFD No. 13-I; less (vi) 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. 13-I that 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 bond indenture.

**“Undeveloped Property”** means, for each Fiscal year, all Taxable Property not classified as Developed Property or Contingent Taxable Property.

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

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

## **B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Assessor's Parcels of Taxable Property within CFD No. 13-I shall be (a) categorized as being located in either Tax Zone A or Zone B, (b) classified as Developed Property, Undeveloped Property or Contingent Taxable Property and (c) shall be subject to the levy of annual Special Taxes determined pursuant to Sections C and D below. Furthermore, all Developed Property shall then be classified as Residential or Non-Residential Property.

## **C. MAXIMUM ANNUAL SPECIAL TAX RATE**

### **1. Developed Property**

The Maximum Annual Special Tax for each Assessor's Parcel of Residential Property or Non-Residential Property shall be the greater of (1) the Assigned Special Tax described in Table 1 or (2) the Backup Special Tax computed pursuant to b. on next page.

#### **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  
within Zone A and Zone B

<b>Land Use Class</b>	<b>Description</b>	<b>Assigned Special Tax</b>
1	Residential Property	\$2,750 per unit plus \$.45 per square foot of Residential Floor Area
2	Non-Residential Property	\$6,000 per Acre

**b. Backup Special Tax**

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

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

$$\text{B} = \frac{\text{Zone A} \\ \$59,505 \times \text{A}}{\text{L}}$$

$$\text{B} = \frac{\text{Zone B} \\ \$37,818 \times \text{A}}{\text{L}}$$

The terms 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 Subdivision Map.
- L = For a Final Subdivision Map, the number of Lots which are classified or to be classified as Residential Property.

For each Assessor's Parcel of Developed Property classified as Non-Residential Property or for each Assessor's Parcel of Undeveloped Property to be classified as Non-Residential Property within the Final Subdivision Map area, the Backup Special Tax shall be determined by multiplying \$59,505 for Zone A and \$37,818 for Zone B by the total Acreage of any such Assessor's Parcel.

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

## **2. Undeveloped Property and Contingent Taxable Property**

The Maximum Annual Special Tax for each Assessor's Parcel of Undeveloped Property and Contingent Taxable Property shall be \$59,505 per Acre for Zone A and \$37,818 per Acre for Zone B.

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

Commencing with Fiscal Year 2006-07 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 within Zone A and Zone B 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 all Undeveloped Property within Zone A and Zone B, at a rate up to 100% of the Maximum Annual Special Tax for Undeveloped Property. In determining the Acreage of an Assessor's Parcel of Undeveloped Property for purposes of determining the annual Special Tax to be levied on such Assessor's Parcels of Undeveloped Property, the CFD Administrator shall not include any Acreage shown on any applicable tentative subdivision map or other land use entitlements approved by the City that designates such Acreage for a use that would be classified as Open Space, Property Owner Association Property or Public 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 of Developed Property whose Maximum Annual Special Tax is derived by the application of the Backup Special Tax then the Annual Special Tax shall be increased at the same percentage 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 all Contingent Taxable Property at a rate 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 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.

### **E. EXEMPTIONS**

1. The CFD Administrator shall classify the following as Exempt Property: (i) Public Property, (ii) Property Owner Association Property, (iii) Community Purpose Facility Property (iv) Open Space and (v) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement; provided, however, that no such classification shall reduce the sum of all Taxable Property to less than 10.56 Acres for Zone A and 20.81 Acres for Zone B. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 10.56 Acres for Zone A and 20.81 Acres for Zone B will be classified as Contingent Taxable Property and shall be taxed pursuant to the fourth step of Section D. Exempt status for purposes of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes Exempt Property.

2. The Maximum Annual Special Tax obligation for any property which would be classified as Public Property upon its transfer or dedication to a public agency but which is classified as Contingent Taxable Property pursuant to E.1 above shall be prepaid in full by the seller pursuant to Section H.1, prior to the transfer/dedication of such property to such public agency. 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 Contingent Taxable Property.
3. If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in E.1. above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

**F. 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 shall first consult with the CFD Administrator regarding such error. If following such consultation, the CFD Administrator determines that an error has occurred; the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action (if any by the CFD Administrator), the landowner or resident believes such error still exists, such person may file a written notice with the City Clerk of the City appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of any such notice, the City Clerk shall forward a copy of such notice to the City Manager who shall establish as part of the proceedings and administration of CFD No. 13-I and a special three-member Review/Appeal Committee. 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. 13-I, 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 of Taxable Property that 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:

“**CFD Public Facilities**” means those public facilities authorized to be financed by CFD No. 13-I.

“**CFD Public Facilities Costs**” means either \$ 15.5 million, or such lower number as shall be determined either by (a) the CFD Administrator as sufficient to finance the CFD Public Facilities, or (b) the Council concurrently with a covenant that it will not issue any more Bonds to be secured by Special Taxes levied under this Rate and Method of Apportionment.

**“Construction Fund”** means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct the CFD Public Facilities.

**“Future Facilities Costs”** means the CFD Public Facilities Costs minus that (a) portion of the CFD Public Facilities Costs previously funded (i) from the proceeds of all previously issued Bonds, (ii) from interest earnings on the Construction Fund actually earned prior to the date of prepayment and (iii) directly from Special Tax revenues and (b) the amount of the proceeds of all previously issued Bonds then on deposit in the Construction Fund.

**“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 for an Assessor’s Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, or Contingent Taxable 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, however 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	Future Facilities Amount
plus	Defeasance Amount
plus	Prepayment 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:

**Step No.:**

1. For Developed Property, compute the Maximum Annual Special Tax for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Undeveloped Property for which a building permit has been issued 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 issued for that Assessor’s Parcel. For Assessor’s Parcels of Contingent Taxable 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 step 1 by the sum of the total expected Maximum Annual Special Tax revenues which may be levied within CFD No. 13-I excluding any Assessors Parcels for which the Maximum Annual Special Tax obligation has been previously prepaid.
3. Multiply the quotient computed pursuant to step 2 by the principal amount of 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 step 3 by the applicable redemption premium on the next possible Bond call date, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
5. If all the Bonds authorized to be issued for CFD No. 13-I have not been issued, then compute the Future Facilities Costs.
6. Multiply the quotient computed pursuant to step 2 by the amount determined pursuant to step 5 to compute the amount of Future Facilities Costs to be allocated to such Assessor's Parcel (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. Determine the fees and expenses of CFD No. 13-I, including but not limited to, the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds from the proceeds of such prepayment, and the cost of recording any notices to evidence the prepayment and the redemption (the "Prepayment Fees and Expenses").
11. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the prepayment amount less the Prepayment Fees and Expenses, as determined pursuant to step 10, from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
12. Add the amounts computed pursuant to steps 7 and 9 and subtract the amount computed pursuant to step 11 (the "Defeasance Amount").
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 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.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest payment following the current Fiscal Year, a capitalized

interest credit shall be calculated by multiplying the quotient computed pursuant to step 2 by the expected balance in the capitalized interest fund after such first interest payment (the “Capitalized Interest Credit”).

15. The Maximum Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to steps 3, 4, 6, 10, and 12, less the amounts computed pursuant to steps 13 and 14 (the “Prepayment Amount”).
16. From the Prepayment Amount, the amounts computed pursuant to steps 3, 4, 12, 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 step shall be retained by CFD No. 13-I. The amount computed pursuant to step 6 shall be deposited in the Construction Fund.

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 step 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 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. 13-I prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

## **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 H.1; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

PP = the partial prepayment

PE = the Prepayment Amount calculated according to Section H.1, minus Prepayment Fees and Expenses determined 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 Prepayment Fees and Expenses determined 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 Step 16 of Section H.1, and (ii) indicate in the records of CFD No. 13-I, 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 MAXIMUM ANNUAL SPECIAL TAX**

The Maximum Annual Special Tax shall be levied commencing in Fiscal Year 2006-2007 to the extent necessary to fully satisfy the Special Tax Requirement and shall be levied for a period no longer than the 2046-2047 Fiscal Year.