

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

\$72,100,000

**CHULA VISTA MUNICIPAL FINANCING AUTHORITY
 SPECIAL TAX REVENUE REFUNDING BONDS
 SERIES 2013**

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 2013 (the “Bonds”), are being issued by the Chula Vista Municipal Financing Authority (the “Authority”) pursuant to an Indenture of Trust, dated as of August 1, 2013 (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 five 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 five series of special tax bonds of the 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, 2014. 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 scheduled payment of principal of and interest on the Bonds maturing on September 1, 2034 in the principal amount of \$8,770,000, with CUSIP number 17131CAU3 (the “Insured Bonds”), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by Build America Mutual Assurance Company. See “BOND INSURANCE” herein.



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 Underwriters 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 August 21, 2013.



STIFEL

\$72,100,000
CHULA VISTA MUNICIPAL FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
SERIES 2013

MATURITY SCHEDULE

Base CUSIP^{®†}: 17131C

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP^{®†}</i>
2014	\$2,010,000	5.000%	0.730%	AA7
2015	2,210,000	5.000	1.360	AB5
2016	2,310,000	5.000	1.900	AC3
2017	2,435,000	5.000	2.390	AD1
2018	2,550,000	5.000	2.720	AE9
2019	2,695,000	5.000	3.090	AF6
2020	2,815,000	5.000	3.450	AG4
2021	2,950,000	5.000	3.780	AH2
2022	3,100,000	5.000	4.030	AJ8
2023	3,265,000	5.000	4.190	AK5
2024	3,420,000	5.250	4.360 ^C	AL3
2025	3,605,000	5.500	4.520 ^C	AM1
2026	3,800,000	5.500	4.680 ^C	AN9
2027	4,005,000	5.500	4.830 ^C	AP4
2028	4,225,000	5.500	4.950 ^C	AQ2
2029	4,465,000	5.500	5.030 ^C	AR0
2030	4,705,000	5.500	5.100 ^C	AS8

\$8,765,000 5.000% Term Bonds Due September 1, 2034 – Yield 5.300%, CUSIP^{®†} AT6
 \$8,770,000* 5.000% Term Bonds Due September 1, 2034 – Yield 5.170%, CUSIP^{®†} AU3

† CUSIP[®] is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2013 CUSIP Global Services. All rights reserved. CUSIP[®] data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP[®] numbers are provided for convenience of reference only. Neither the Authority nor the Underwriters takes any responsibility for the accuracy of such numbers. None of the City, the Authority, the Community Facilities Districts nor the Underwriters take any responsibility for the accuracy of such numbers.

C Yield to first optional redemption date of September 1, 2023 at par.

* Insured Bonds.

CITY OF CHULA VISTA

CITY COUNCIL

Cheryl Cox, Mayor
Pamela Bensoussan, Deputy Mayor
Patricia Aquilar, Councilmember
Rudy Ramirez, Councilmember
Mary Salas, Councilmember

CITY OFFICIALS

Jim Sandoval, City Manager
Donna Norris, City Clerk
Glen R. Googins, City Attorney
Maria Kachadoorian, Director of Finance
Richard A. Hopkins, City Engineer

CHULA VISTA MUNICIPAL FINANCING AUTHORITY

BOARD OF DIRECTORS

Cheryl Cox, Chair
Pamela Bensoussan, Director
Patricia Aquilar, Director
Rudy Ramirez, Director
Mary Salas, Director
Jim Sandoval, 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 Underwriters have provided the following sentence for inclusion in this Official Statement:

The Underwriters have 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 Underwriters do 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 UNDERWRITERS 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.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no

representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Appendix G - Specimen Municipal Bond Insurance Policy”.

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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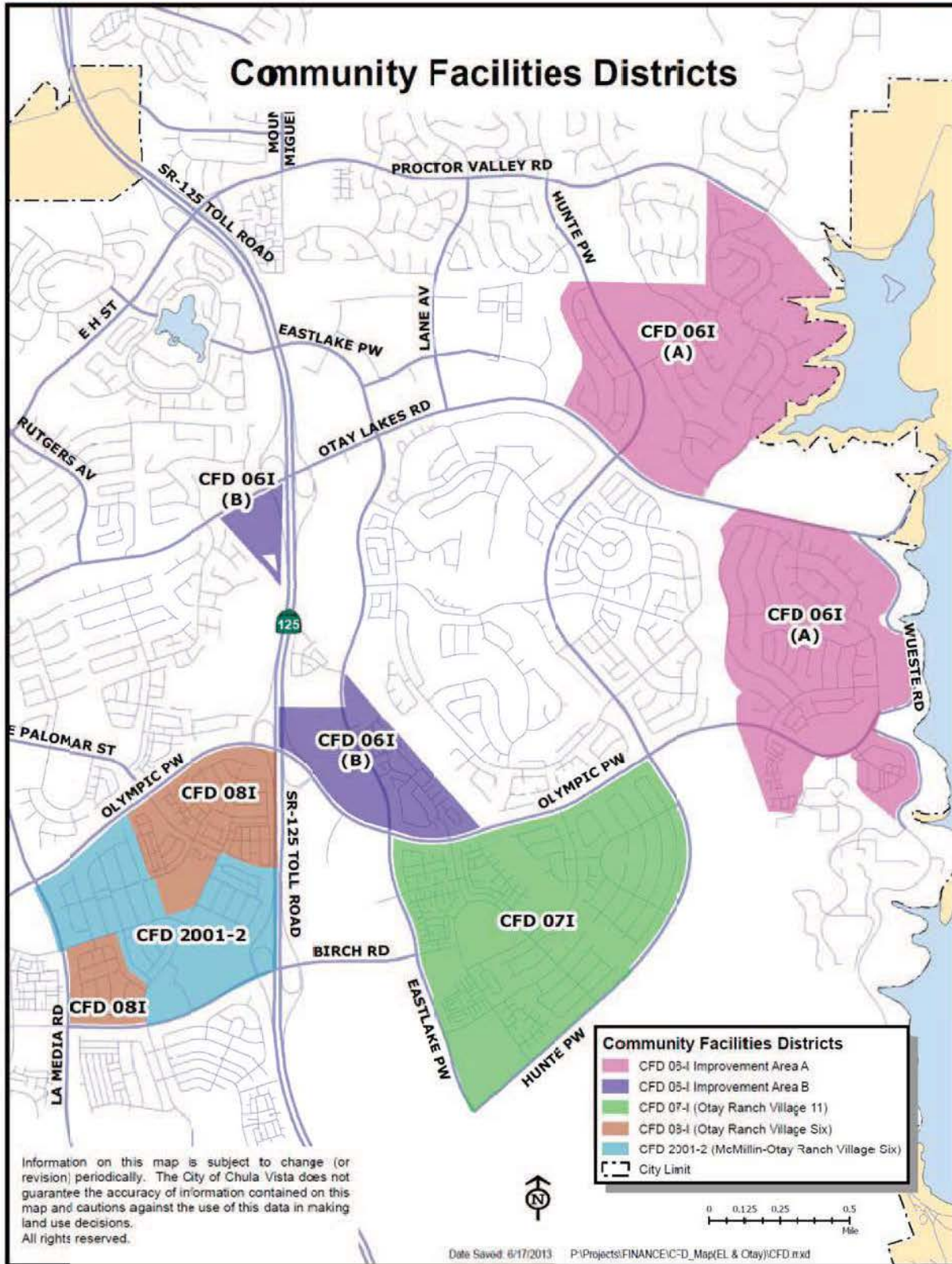
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CITY OF CHULA VISTA

San Diego, CA



Community Facilities Districts



\$72,100,000
CHULA VISTA MUNICIPAL FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
SERIES 2013

INTRODUCTION

Changes to Official Statement

Changes have been made to this Official Statement since the Preliminary Official Statement dated July 24, 2013 to reflect the Chula Vista Municipal Financing Authority's (the "Authority") decision to insure a portion of the \$72,100,000 aggregate principal amount of Chula Vista Municipal Financing Authority Special Tax Revenue Refunding Bonds, Series 2013 (the "Bonds"). See the captions "—Bond Insurance" and "BOND INSURANCE" herein.

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 August 1, 2013 (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 five 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 five 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.

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 \$23,600,000 City of Chula Vista Community Facilities District No. 06-I (Eastlake – Woods, Vistas and Land Swap) Improvement Area A Special Tax Refunding Bonds, Series 2013 (the “CFD No. 06-I IA A Special Tax Refunding Bonds”);
- (ii) the \$5,270,000 City of Chula Vista Community Facilities District No. 06-I (Eastlake – Woods, Vistas and Land Swap) Improvement Area B Special Tax Refunding Bonds, Series 2013 (the “CFD No. 06-I IA B Special Tax Refunding Bonds”);
- (iii) the \$19,480,000 City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) Special Tax Refunding Bonds, Series 2013 (“CFD No. 07-I Special Tax Refunding Bonds”);
- (iv) the \$16,345,000 City of Chula Vista Community Facilities District No. 08-I (Otay Ranch Village Six) Special Tax Refunding Bonds, Series 2013 (“CFD No. 08-I Special Tax Refunding Bonds”); and
- (v) the \$7,405,000 City of Chula Vista Community Facilities District No. 2001-2 (McMillin – Otay Ranch – Village Six) Special Tax Refunding Bonds, Series 2013 (“CFD No. 2001-2 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 August 1, 2013 (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. 06-I Improvement Area A; (ii) Community Facilities District No. 06-I Improvement Area B; (iii) Community Facilities District No. 07-I; (iv) Community

Facilities District No. 08-I; or (v) Community Facilities District No. 2001-2 (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 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) 2006 Special Tax Bonds (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.

Bond Insurance

The scheduled payment of principal of and interest on the Bonds maturing on September 1, 2034 in the principal amount of \$8,770,000, with CUSIP number 17131CAU3 (the “Insured Bonds”), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by Build America Mutual Assurance Company. See “BOND INSURANCE” herein.

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. 06-I (Eastlake – Woods, Vistas and Land Swap) Improvement Area A Special Tax Refunding Bonds, Series 2013	\$23,600,000
City of Chula Vista Community Facilities District No. 06-I (Eastlake – Woods, Vistas and Land Swap) Improvement Area B Special Tax Refunding Bonds, Series 2013	5,270,000
City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) Special Tax Refunding Bonds, Series 2013	19,480,000
City of Chula Vista Community Facilities District No. 08-I (Otay Ranch Village Six) Special Tax Refunding Bonds, Series 2013	16,345,000
City of Chula Vista Community Facilities District No. 2001-2 (McMillin – Otay Ranch – Village Six) Special Tax Refunding Bonds, Series 2013	7,405,000

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, 2013.

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**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. 06-I (Eastlake – Woods, Vistas and Land Swap) 2002 Improvement Area A Special Tax Bonds	December 17, 2002	\$ 39,000,000	\$ 32,960,000	100%	September 1, 2013
City of Chula Vista Community Facilities District No. 06-I (Eastlake – Woods, Vistas and Land Swap) 2004 Improvement Area B Special Tax Bonds	June 29, 2004	7,880,000	6,780,000	100	September 1, 2013
City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) 2004 Special Tax Bonds	May 20, 2004	28,050,000	21,675,000	101	September 1, 2013
City of Chula Vista Community Facilities District No. 08-I (Otay Ranch Village Six) 2003 Special Tax Bonds	October 14, 2003	21,665,000	18,280,000	100	September 1, 2013
City of Chula Vista Community Facilities District No. 2001-2 (McMillin – Otay Ranch – Village Six) 2003 Special Tax Bonds	July 10, 2003	10,250,000	8,585,000	100	September 1, 2013

The Bonds are being sold in amounts that will provide sufficient proceeds to acquire the Special Tax Refunding Bonds. Under five separate Escrow Deposit and Trust Agreements, each dated as of August 1, 2013 (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 Special Tax Refunding Bonds, together with moneys held in certain funds related to the 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, 2013 the principal of the Prior Special Tax Bonds maturing on or after September 1, 2013, plus interest accrued to such date, without premium, except for a premium of 1% of the principal amount of the CFD No. 07-1 Special Tax Refunding Bonds maturing on or after September 1, 2014. 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>Sources of Funds</i>	
Principal Amount of Bonds	\$ 72,100,000.00
Plus Net Original Issue Premium	3,166,641.80
Funds on Hand	<u>22,421,874.63</u>
<i>Total Sources</i>	<u>\$ 97,688,516.43</u>
<i>Uses of Funds</i>	
Program Fund ⁽¹⁾⁽²⁾	\$ 97,400,116.43
Underwriter's Discount	<u>288,400.00</u>
<i>Total Uses</i>	<u>\$ 97,688,516.43</u>

⁽¹⁾ Amounts in the Program Fund will be used to purchase the Special Tax Refunding Bonds together with the amount credited to the Reserve Fund, amounts paid as Costs of Issuance and the bond insurance premium.

⁽²⁾ 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:

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TABLE 4
ESTIMATED SOURCES AND USES
SPECIAL TAX REFUNDING BONDS

	<i>CFD No. 06-I Improvement Area A</i>	<i>CFD No. 06-I Improvement Area B</i>	<i>CFD No. 07-I</i>	<i>CFD No. 08-I</i>	<i>CFD No. 2001-2</i>	<i>Total</i>
<i>Sources of Funds</i>						
Principal Amount of Special Tax Refunding Bonds	\$ 23,600,000.00	\$ 5,270,000.00	\$ 19,480,000.00	\$ 16,345,000.00	\$ 7,405,000.00	\$ 72,100,000.00
Plus Net Original Issue Premium	1,083,454.55	211,850.30	782,248.05	749,245.25	339,843.65	3,166,641.80
Plus Other Available Money ⁽¹⁾	<u>11,442,623.99</u>	<u>1,979,521.82</u>	<u>4,032,366.02</u>	<u>3,211,427.89</u>	<u>1,755,934.91</u>	<u>22,421,874.63</u>
Total Sources	<u>\$ 36,126,078.54</u>	<u>\$ 7,461,372.12</u>	<u>\$ 24,294,614.07</u>	<u>\$ 20,305,673.14</u>	<u>\$ 9,500,778.56</u>	<u>\$ 97,688,516.43</u>
<i>Uses of Funds</i>						
Deposit to Escrow Fund ⁽²⁾	\$ 33,961,718.75	\$ 6,977,588.75	\$ 22,501,076.25	\$ 18,807,770.63	\$ 8,823,338.75	\$ 91,071,493.13
Share of Reserve Fund ⁽³⁾	1,917,074.48	428,092.48	1,582,398.77	1,327,736.54	601,522.73	5,856,825.00
Share of Underwriter's Discount	94,400.00	21,080.00	77,920.00	65,380.00	29,620.00	288,400.00
Share of Costs of Issuance ⁽⁴⁾	<u>152,885.31</u>	<u>34,610.89</u>	<u>133,219.05</u>	<u>104,785.97</u>	<u>46,297.08</u>	<u>471,798.30</u>
Total Uses	<u>\$ 36,126,078.54</u>	<u>\$ 7,461,372.12</u>	<u>\$ 24,294,614.07</u>	<u>\$ 20,305,673.14</u>	<u>\$ 9,500,778.56</u>	<u>\$ 97,688,516.43</u>

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

⁽²⁾ To be applied to refund and defease the Prior Special Tax Bonds.

⁽³⁾ To be paid to the Trustee to be held in the Reserve Fund for the Bonds

⁽⁴⁾ Includes share of legal fees, Financial Advisor fees, printing fees, Trustee fees, Fiscal Agent fees, Escrow Bank Fees, Special Tax Consultant fees, Verification Agent fees, insurance bond premium 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, 2014 (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, 2024 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, 2023, 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, 2014 through March 1, 2021	103%
September 1, 2021 and March 1, 2022	102
September 1, 2022 and March 1, 2023	101
September 1, 2023 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.

Mandatory Sinking Fund Redemption. The Outstanding Bonds maturing on September 1, 2034 in the principal amount of \$8,765,000 are subject to mandatory sinking fund redemption in part, on September 1, 2031 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 (September 1)</i>	<i>Principal Amount</i>
2031	\$ 2,485,000
2032	2,610,000
2033	2,740,000
2034 (maturity)	930,000

The Outstanding Bonds maturing on September 1, 2034 in the principal amount of \$8,770,000 are subject to mandatory sinking fund redemption in part, on September 1, 2031 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 (September 1)</i>	<i>Principal Amount</i>
2031	\$ 2,485,000
2032	2,610,000
2033	2,735,000
2034 (maturity)	940,000

If some but not all of the Bonds maturing on September 1, 2034 are redeemed pursuant to the provisions set forth above under the caption “—Optional Redemption,” the principal amount of the Bonds maturing on September 1, 2034 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, 2034 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, 2034 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, 2034 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, 2034 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, 2034 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>
2014	\$ 2,010,000.00	\$ 3,841,396.53	\$ 5,851,396.53
2015	2,210,000.00	3,637,075.00	5,847,075.00
2016	2,310,000.00	3,526,575.00	5,836,575.00
2017	2,435,000.00	3,411,075.00	5,846,075.00
2018	2,550,000.00	3,289,325.00	5,839,325.00
2019	2,695,000.00	3,161,825.00	5,856,825.00
2020	2,815,000.00	3,027,075.00	5,842,075.00
2021	2,950,000.00	2,886,325.00	5,836,325.00
2022	3,100,000.00	2,738,825.00	5,838,825.00
2023	3,265,000.00	2,583,825.00	5,848,825.00
2024	3,420,000.00	2,420,575.00	5,840,575.00
2025	3,605,000.00	2,241,025.00	5,846,025.00
2026	3,800,000.00	2,042,750.00	5,842,750.00
2027	4,005,000.00	1,833,750.00	5,838,750.00
2028	4,225,000.00	1,613,475.00	5,838,475.00
2029	4,465,000.00	1,381,100.00	5,846,100.00
2030	4,705,000.00	1,135,525.00	5,840,525.00
2031	4,970,000.00	876,750.00	5,846,750.00
2032	5,220,000.00	628,250.00	5,848,250.00
2033	5,475,000.00	367,250.00	5,842,250.00
2034	<u>1,870,000.00</u>	<u>93,500.00</u>	<u>1,963,500.00</u>
Total	<u>\$ 72,100,000.00</u>	<u>\$46,737,271.53</u>	<u>\$118,837,271.53</u>

Source: De La Rosa & Co.

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. Initially, Revenues will be generated from debt service from all five series of Special Tax Refunding Bonds. As shown in Table 6 below, after Bond Year 2033, Revenues will be generated only from debt service on two of the five series of Special Tax Refunding Bonds. The Taxing Jurisdictions contribute varying amounts toward the Revenues each year ranging from a typical contribution of approximately 34% by Community Facilities District No 06-I Improvement Area A to a typical contribution of approximately 8% from Community Facilities District No. 06-I Improvement Area B.

TABLE 6
SOURCES OF REVENUES FROM SPECIAL TAX REFUNDING BONDS

Bond Year (Ending 9/1)	CFD No. 06-I Improvement Area A Special Tax Refunding Bonds Debt Service		CFD No. 06-I Improvement Area B Special Tax Refunding Bonds Debt Service		CFD No. 07-I Special Tax Refunding Bonds Debt Service		CFD No. 08-I Special Tax Refunding Bonds Debt Service		CFD No. 2001-2 Special Tax Refunding Bonds Debt Service		Total Special Tax Refunding Bonds Debt Service	Debt Service Coverage ⁽¹⁾
2014	\$ 1,933,565.28	\$ 415,262.15	\$ 1,551,000.00	\$ 1,341,671.18	\$ 609,897.92	\$ 5,851,396.53	100%					
2015	1,930,800.00	420,937.50	1,552,250.00	1,334,612.50	608,475.00	5,847,075.00	100					
2016	1,933,800.00	418,187.50	1,548,750.00	1,334,112.50	601,725.00	5,836,575.00	100					
2017	1,934,800.00	420,187.50	1,549,000.00	1,337,362.50	604,725.00	5,846,075.00	100					
2018	1,933,800.00	416,687.50	1,542,750.00	1,339,112.50	606,975.00	5,839,325.00	100					
2019	1,935,800.00	422,937.50	1,550,250.00	1,339,362.50	608,475.00	5,856,825.00	100					
2020	1,935,550.00	418,437.50	1,545,750.00	1,338,112.50	604,225.00	5,842,075.00	100					
2021	1,928,050.00	418,687.50	1,544,750.00	1,340,362.50	604,475.00	5,836,325.00	100					
2022	1,928,550.00	418,437.50	1,547,000.00	1,335,862.50	608,975.00	5,838,825.00	100					
2023	1,931,550.00	422,687.50	1,547,250.00	1,339,862.50	607,475.00	5,848,825.00	100					
2024	1,931,800.00	416,187.50	1,550,500.00	1,336,862.50	605,225.00	5,840,575.00	100					
2025	1,931,425.00	418,850.00	1,549,300.00	1,340,125.00	606,325.00	5,846,025.00	100					
2026	1,934,875.00	420,100.00	1,548,425.00	1,333,925.00	605,425.00	5,842,750.00	100					
2027	1,929,475.00	415,525.00	1,544,800.00	1,340,525.00	608,425.00	5,838,750.00	100					
2028	1,930,500.00	415,400.00	1,548,425.00	1,339,100.00	605,050.00	5,838,475.00	100					
2029	1,932,400.00	419,450.00	1,548,750.00	1,339,925.00	605,575.00	5,846,100.00	100					
2030	1,929,900.00	422,400.00	1,545,775.00	1,337,725.00	604,725.00	5,840,525.00	100					
2031	1,928,000.00	419,250.00	1,549,500.00	1,342,500.00	607,500.00	5,846,750.00	100					
2032	1,934,750.00	422,000.00	1,545,750.00	1,339,500.00	606,250.00	5,848,250.00	100					
2033	1,932,000.00	418,750.00	1,549,000.00	1,338,750.00	603,750.00	5,842,250.00	100					
2034	--	414,750.00	1,548,750.00	--	--	1,963,500.00	100					
Total	\$38,641,390.28	\$8,795,112.15	\$32,507,725.00	\$26,769,371.18	\$12,123,672.92	\$118,837,271.53	100%					

⁽¹⁾ Reflects Total Special Tax Refunding Bonds Debt Service divided by Bond Debt Service.
Source: De La Rosa & Co.

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, 2024 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, 2023, 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

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, 2014, 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:

<i>Redemption Date</i>	<i>Redemption Price</i>
March 1, 2014 through March 1, 2021	103%
September 1, 2021 and March 1, 2022	102
September 1, 2022 and March 1, 2023	101
September 1, 2023 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 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, 37 and 44 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.

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, 36 and 43 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.”

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com. BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law. BAM's financial strength is rated "AA/Stable" by S&P. An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2013 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$6.2 million and \$479.8 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

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

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

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 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.

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Development Status. As of January 1, 2013, approximately 97.8% of the parcels in the Taxing Jurisdictions were classified as developed by the County. Table 7 below sets forth the development status of the property within the Taxing Jurisdictions as of March 1, 2013 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 2013-14 and the projected Fiscal Year 2013-14 Special Tax levy by land use category. 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.

**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>Fiscal Year 2013- 14 Assessed Value⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy⁽³⁾</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>
Developed Commercial	4	\$ 51,615,986	\$ 118,440	\$ 94,748	1.31%
Developed Residential - Attached	2,932	803,290,449	3,594,671	2,753,040	38.05
Developed Residential - Detached	3,449	1,551,359,627	6,031,733	4,387,550	60.64
Undeveloped Commercial	3	8,874,651	214,209	-	0.00
Undeveloped Residential	<u>143</u>	<u>20,104,834</u>	<u>390,653</u>	<u>-</u>	<u>0.00</u>
Total	6,531	\$ 2,435,245,547	\$ 10,349,707	\$ 7,235,338	100.00%

⁽¹⁾ Total Assessed Value per County of San Diego as of January 1, 2013 lien date.

⁽²⁾ Pursuant to the Rate and Method for each Taxing Jurisdiction, 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. See "SPECIAL RISK FACTORS—Insufficiency of Special Taxes."

⁽³⁾ Amounts levied are used to pay debt service on, and other costs associated with, the Special Tax Refunding Bonds and the CFD 07-I Parity Bonds.

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 based on the Fiscal Year 2012-13 assessed value of the property upon which Special Taxes could have been levied in each of the Taxing Jurisdictions, the principal amount of the Special Tax Refunding Bonds and the overlapping tax and assessment debt payable from taxes and assessments levied within the Taxing Jurisdictions in Fiscal Year 2012-13. Based on this information, the overall estimated value-to-lien ratio for the Taxing Jurisdictions in the aggregate is 14.30 to 1. Table 8-A uses Fiscal Year 2012-13 information as overlapping indebtedness for Fiscal Year 2013-14 is not yet available.

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 2013-14 assessed value of the property upon which Special Taxes will be levied in each of the Taxing Jurisdictions and the principal amount of the Special Tax Refunding Bonds. Based on this information, the overall estimated value-to-lien ratio for the Taxing Jurisdictions in the aggregate is 28.42 to 1 for the Developed Property upon which Special Taxes will be levied in Fiscal Year 2013-14.

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, 39-B, 46-A and 46-B herein for the value-to-lien analysis within each Taxing Jurisdiction.

**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 2012-13 Special Tax Levy⁽¹⁾</i>	<i>% of Fiscal Year 2012-13 Special Tax Levy</i>	<i>Fiscal Year 2012-13 Total Assessed Value⁽²⁾</i>	<i>Total Direct & Overlapping Tax & Assessment Debt⁽³⁾</i>
0.00 to 2.99:1	0	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	43	58,349	0.66	3,516,703	880,673
5.00 to 9.99:1	230	297,746	3.38	44,534,464	4,924,087
10.00 to 14.99:1	4,125	5,455,627	61.91	1,367,617,097	105,882,417
15.00 to 19.99:1	1,897	2,810,073	31.89	851,607,068	51,274,078
20.00 to 24.99:1	63	161,138	1.83	72,840,835	3,293,556
25.00 to 29.99:1	7	16,166	0.18	12,833,096	461,923
30.00 to 39.99:1	105	10,959	0.12	44,249,796	1,183,790
Greater than 40:1	<u>73</u>	<u>1,758</u>	<u>0.02</u>	<u>6,025,991</u>	<u>138,446</u>
Total	6,543	\$ 8,811,818	100.00%	\$ 2,403,225,050	\$ 168,038,969

⁽¹⁾ Actual Fiscal Year 2012-13 Special Tax levy.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2012.

⁽³⁾ Total includes Special Tax Refunding Bonds in the amount of \$72,100,000 and CFD 07-I Parity Bonds in the amount of \$13,595,000 plus \$82,009,459 of overlapping tax and assessment debt per California Municipal Statistics, Inc. See Tables 16, 23, 30, 37 and 44 herein.

Source: NBS.

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TABLE 8-B
CHULA VISTA MUNICIPAL FINANCING AUTHORITY
THE COMMUNITY FACILITIES DISTRICTS IN AGGREGATE
ASSESSED VALUE-TO-LIEN RATIOS
INCLUDING DIRECT DEBT ONLY

<i>Estimated Assessed Value-to-Lien Ratio</i>	<i>No. of Parcels</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy⁽¹⁾</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>Fiscal Year 2013-14 Total Assessed Value⁽²⁾</i>	<i>Total Special Tax Refunding Bonds⁽³⁾</i>
0.00 to 2.99:1	0	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	25	30,812	0.43	1,881,091	386,764
5.00 to 9.99:1	9	13,808	0.19	1,188,663	164,678
10.00 to 14.99:1	134	166,551	2.30	27,780,284	2,057,448
15.00 to 19.99:1	1,191	1,480,173	20.46	324,991,915	18,009,983
20.00 to 24.99:1	1,386	1,728,379	23.89	470,256,973	21,115,683
25.00 to 29.99:1	851	1,000,673	13.83	315,695,451	11,667,170
30.00 to 39.99:1	1,790	1,943,295	26.86	782,522,866	22,113,635
Greater than 40:1	999	871,648	12.05	472,702,420	10,179,640
Undeveloped Parcels	<u>146</u>	<u>-</u>	<u>0.00</u>	<u>38,225,884</u>	<u>-</u>
Total	6,531	\$ 7,235,338	100.00%	\$ 2,435,245,547	\$ 85,695,000

⁽¹⁾ Projected Fiscal Year 2013-14 Special Tax levy.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2013.

⁽³⁾ Reflects principal amount of Special Tax Refunding Bonds and CFD 07-I Parity Bonds.

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 seven fiscal years. Between Fiscal Years 2007-08 and 2013-14, assessed values in the Taxing Jurisdictions declined by approximately 28.9% due to significant declines in home values beginning in 2007. The assessed values for Fiscal Year 2013-14 are slightly above the values for Fiscal Year 2012-13 reflecting the first year over year increase since Fiscal Year 2007-08. For historical assessed valuations within each of the Taxing Jurisdictions, see Tables 13, 20, 27, 34 and 41 herein.

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TABLE 9
CHULA VISTA MUNICIPAL FINANCING AUTHORITY
THE COMMUNITY FACILITIES DISTRICTS IN AGGREGATE
HISTORICAL ASSESSED VALUES

<i>Fiscal Year</i>	<i>Land Value⁽¹⁾</i>	<i>Structure Value⁽¹⁾</i>	<i>Total Assessed Value⁽¹⁾</i>	<i>% change in Total Assessed Value</i>
2007-08	\$1,658,094,925	\$1,765,621,454	\$3,423,716,379	-
2008-09	1,560,196,702	1,655,361,402	3,215,558,104	-6.08%
2009-10	1,239,603,979	1,344,231,359	2,583,835,338	-19.65
2010-11	1,157,911,148	1,334,569,977	2,492,481,125	-3.54
2011-12	1,119,338,756	1,361,591,784	2,480,930,540	-0.46
2012-13	1,046,640,579	1,356,584,471	2,403,225,050	-3.13
2013-14	1,052,818,309	1,382,427,238	2,435,245,547	1.33

⁽¹⁾ Total Assessed Value per County of San Diego as of the January 1 of the preceding Fiscal Year.
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 six fiscal years. For historical Special Tax collections within each of the Taxing Jurisdictions, see Tables 15, 22, 29, 36 and 43 herein.

TABLE 10
CHULA VISTA MUNICIPAL FINANCING AUTHORITY
THE 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>
2007-08	\$7,926,830	\$664,630	6,006	643	8.38%
2008-09	8,008,076	630,713	6,348	565	7.88
2009-10	7,927,311	276,245	6,385	232	3.48
2010-11	7,915,919	145,072	6,420	129	1.83
2011-12	7,803,390	154,674	6,434	134	1.98
2012-13	7,802,957	100,705	6,435	107	1.29

Source: NBS.

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Table 11 sets forth the Special Tax delinquencies remaining as of June 30, 2013 for the taxable property in the Taxing Jurisdictions for Fiscal Years 2007-08 through 2012-13.

TABLE 11
CHULA VISTA MUNICIPAL FINANCING AUTHORITY
THE COMMUNITY FACILITIES DISTRICTS IN AGGREGATE
SPECIAL TAX DELINQUENCIES
AS OF JUNE 30, 2013

<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>
2007-08	\$7,926,830	\$ -	6,006	-	0.00%
2008-09	8,008,076	6,989	6,348	6	0.09
2009-10	7,927,311	4,844	6,385	4	0.06
2010-11	7,915,919	12,309	6,420	12	0.16
2011-12	7,803,390	42,642	6,434	33	0.55
2012-13	7,802,957	100,705	6,435	107	2.20

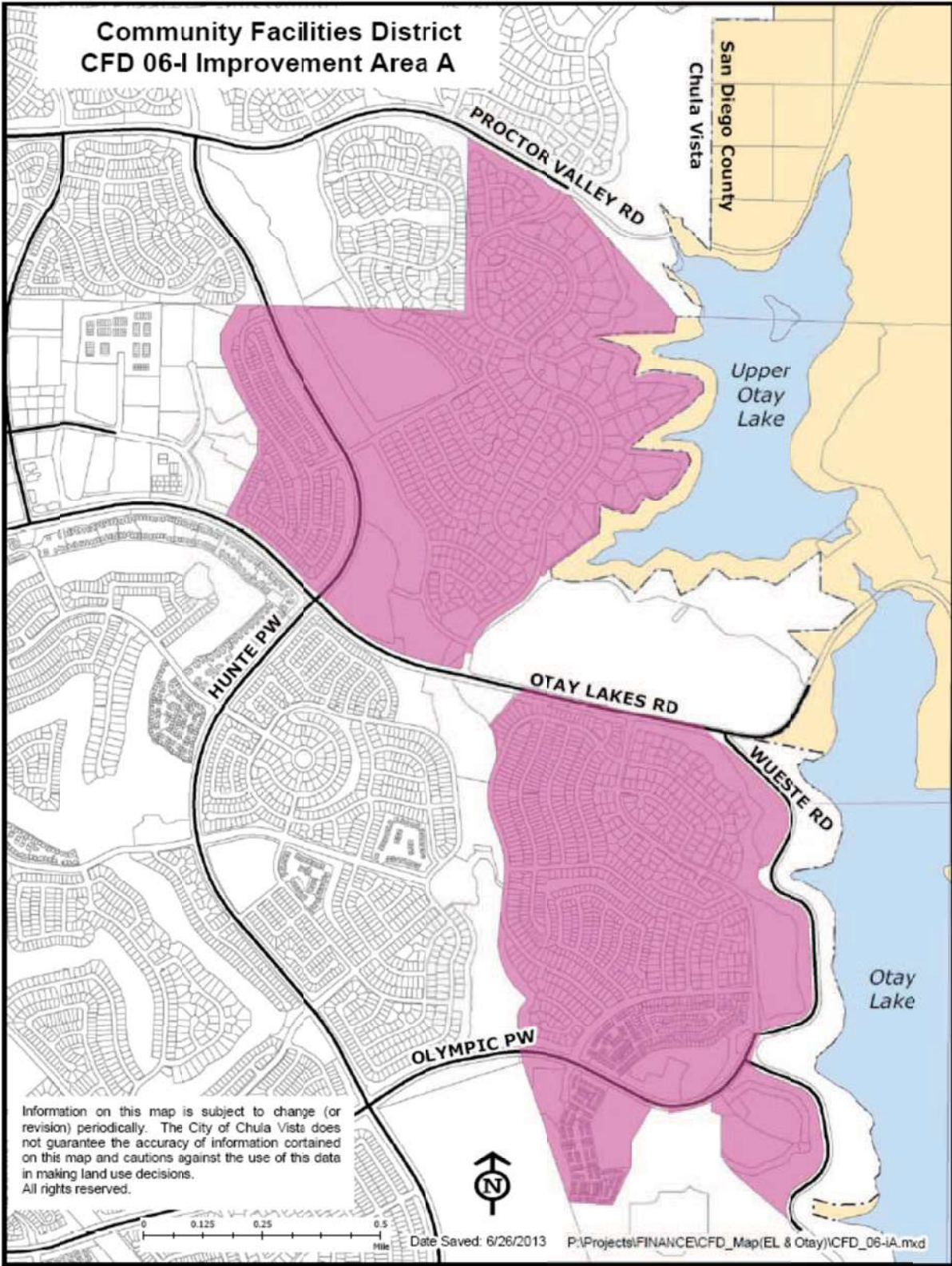
Source: NBS.

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 2013-14. These top ten property owners are responsible for approximately 3.6% percent of the Special Taxes expected to be levied in Fiscal Year 2013-14. For a list of top ten property owners within each of the Taxing Jurisdictions see Tables 19, 26, 33, 40 and 47 herein.

TABLE 12
CHULA VISTA MUNICIPAL FINANCING AUTHORITY
THE COMMUNITY FACILITIES DISTRICTS IN AGGREGATE
TOP TEN PROPERTY OWNERS

<i>Owner</i>	<i>Total Assessed Value⁽¹⁾</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>Parcel Count</i>
Olympic Pointe West Communities LLC	\$ 17,093,612	\$ 53,605	0.74%	2
Windingwalk Marketplace LLC	25,500,000	49,832	0.69	1
Olympic Pointe East Communities LLC	17,262,536	43,103	0.60	2
Brookfield Otay R 17 LLC	2,114,300	30,812	0.43	25
Realty Income Properties 1 LLC	12,409,242	19,007	0.26	1
Pathfinder Otay Holdings LLC	6,528,000	18,020	0.25	1
Otay Ranch Fourteen LLC	25,000,000	19,207	0.27	1
Peninsula Property Services LLC	6,800,000	8,924	0.12	1
Shea Homes Limited Partnership	2,279,724	8,627	0.12	7
Federal National Mortgage Assn	1,575,000	6,756	0.09	7
All Others	<u>2,318,683,133</u>	<u>6,977,445</u>	<u>96.44</u>	<u>6,483</u>
Totals	\$ 2,435,245,547	\$ 7,235,338	100.00%	6,531

⁽¹⁾ Total Assessed Value per County of San Diego as of January 1, 2013.
Source: NBS.



Community Facilities District No. 06-I Improvement Area No. A

Location and Description. Community Facilities District No. 06-I Improvement Area No. A (“CFD No. 06-I IAA”) includes 1,420 single-family detached residences and 555 single-family attached residences on approximately 737 gross acres. The first building permits in CFD No. 06-I IAA were issued on April 18, 2003 and the last certificates of occupancy were issued on May 15, 2012. The residences range in size from 1,216 square feet to 11,876 square feet. There are 2 parcels categorized under the Rate and Method for CFD No. 06-I IAA as Undeveloped Commercial property and 17 parcels as Undeveloped Residential property. No assurance can be given that any of these remaining parcels will be developed.

Table 13 sets forth the historical assessed values for the taxable property in CFD No. 06-I IAA for each of the last seven fiscal years. Between Fiscal Years 2007-08 and 2013-14, assessed values in the CFD No. 06-I-IAA declined by approximately 30.2% due to significant declines in home values beginning in 2007. The assessed values for Fiscal Year 2013-14 are slightly above the values for Fiscal Year 2012-13 reflecting the first year over year increase since Fiscal Year 2007-08.

**TABLE 13
CFD NO. 06-I IAA
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Land Value⁽¹⁾</i>	<i>Structure Value⁽¹⁾</i>	<i>Total Assessed Value⁽¹⁾</i>	<i>% change in Total Assessed Value</i>
2007-08	\$552,978,258	\$762,211,361	\$1,315,189,619	-
2008-09	524,255,026	706,635,395	1,230,890,421	-6.41%
2009-10	416,139,844	566,211,450	982,351,294	-20.19
2010-11	393,356,506	544,340,934	937,697,440	-4.55
2011-12	385,174,124	533,265,710	918,439,834	-2.05
2012-13	377,359,809	524,866,686	902,226,495	-1.77
2013-14	387,008,604	530,860,167	917,868,771	1.73

⁽¹⁾ Total Assessed Value per County of San Diego as of the January 1 preceding each Fiscal Year.
Source: NBS.

Assigned Special Taxes. Table 14 below sets forth the Assigned Special Taxes projected to be levied on the property within CFD No. 06-I IAA in Fiscal Year 2013-14 based on the development status within CFD No. 06-I IAA as of March 1, 2013. The Special Taxes in CFD No. 06-I IAA may not be levied after the 2042-43 Fiscal Year. The final maturity of the CFD No. 06-I IAA Bonds is September 1, 2033.

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TABLE 14
CFD NO. 06-I IAA
ASSIGNED SPECIAL TAXES

<i>Development Status</i>	<i>No. of Parcels /Units</i>	<i>Fiscal Year 2013-14 Assessed Value⁽²⁾</i>	<i>Maximum Assigned Special Tax⁽³⁾</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>
Developed Commercial	-	\$ -	\$ -	\$ -	-
Developed Residential - Attached	555 ⁽¹⁾	171,443,735	643,670	373,769	18.61%
Developed Residential - Detached	1,420	730,317,558	2,815,297	1,634,797	81.39
Undeveloped Commercial	2	7,541,834	136,197	-	0.00
Undeveloped Residential	17	8,565,644	212,630	-	0.00
Total	1,994	\$ 917,868,771	\$ 3,807,794	\$ 2,008,565	100.00

⁽¹⁾ Represents units not parcels.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2013.

⁽³⁾ Pursuant to the Rate and Method for CFD No. 06-I IAA, 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. See "SPECIAL RISK FACTORS—Insufficiency of Special Taxes."

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. 06-I IAA) is calculated as set forth below. The terms "Residential Property", "Residential Floor Area", "Commercial Property", "Hotel Property" and "Acre" are defined in the Rate and Method for CFD No. 06-I IAA included in Appendix F — "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS."

(a) For Zone 1 (Vistas)

(1) For Residential Property \$0.58 per square foot of Residential Floor Area.

(2) For Commercial Property and Hotel Property \$6,000 per Acre.

(b) For Zone 2 (Woods)

(1) For Residential Property \$0.67 per square foot of Residential Floor Area.

(2) For Commercial Property \$6,000 per Acre.

As shown in Table 14 above, the projected Special Tax levy for CFD No. 06-I IAA in Fiscal Year 2013-14 is \$2,008,565, which is approximately 52.75% of the maximum Assigned Special Tax for all property in CFD No. 06-I IAA and approximately 58.07% of the maximum Assigned Special Tax for all Developed Property in CFD No. 06-I IAA.

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 06-I IAA for Fiscal Years 2007-08 through 2012-13.

TABLE 15
CFD NO. 06-I IAA
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2007-08 TO 2012-13

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End⁽¹⁾</i>			<i>Delinquencies as of June 30, 2013</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>
2007-08	\$2,859,741	1,957	220	\$269,437	9.42%	-	\$ -	0.00%
2008-09	2,913,556	1,959	181	269,537	9.25	2	3,057	0.10
2009-10	2,911,816	1,970	84	111,032	3.81	1	1,751	0.06
2010-11	2,912,259	1,970	42	72,074	2.47	4	5,844	0.20
2011-12	2,909,506	1,970	37	69,266	2.38	9	20,427	0.70
2012-13	2,913,428	1,971	33	36,179	1.24	33	36,179	1.24

⁽¹⁾ As of June 30 of each Fiscal Year.
Source: NBS.

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Direct and Overlapping Debt. The property within CFD No. 06-I IAA 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. The table below sets forth the direct and overlapping debt for CFD No. 06-I IAA as of May 1, 2013. As of May 1, 2013, the Prior Special Tax Bonds for CFD 06-I IAA were outstanding in the amount of \$32,960,000. The Special Tax Refunding Bonds for CFD 06-I IAA will be issued in the amount of \$23,600,000.

TABLE 16⁽¹⁾
DIRECT AND OVERLAPPING DEBT
CFD NO. 06-I IAA

2012-13 Local Secured Assessed Valuation: \$902,408,495 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/13</u>
Metropolitan Water District General Obligation Bonds	0.043%	\$ 70,915
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	9.048	564,119
Southwestern Community College District General Obligation Bonds	2.177	5,135,801
Sweetwater Union High School District General Obligation Bonds	2.602	9,400,135
Chula Vista City School District General Obligation Bonds	3.767	2,501,690
Chula Vista City Community Facilities District No. 1	10.202	514,196
Sweetwater Union High School District Community Facilities District No. 1	22.826	11,038,126
City of Chula Vista Community Facilities District No. 06-I, Area A	100.000	<u>32,960,000</u>⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$62,184,982
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.236%	\$ 943,237
San Diego County Pension Obligations	0.236	1,778,739
San Diego County Superintendent of Schools Obligations	0.236	41,201
Southwestern Community College District General Fund Obligations	2.177	27,107
Sweetwater Union High School District Certificates of Participation	2.602	156,886
Chula Vista City School District General Fund Obligations	3.737	5,296,289
City of Chula Vista Certificates of Participation	4.305	5,526,537
Otay Municipal Water District Certificates of Participation	3.948	<u>2,220,572</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$15,990,568
Less: Otay Municipal Water District Certificates of Participation (100% supported)		<u>2,220,572</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$13,769,996
 GROSS COMBINED TOTAL DEBT		\$78,175,550⁽²⁾
NET COMBINED TOTAL DEBT		\$75,954,978

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$32,960,000)	3.65%
Total Direct and Overlapping Tax and Assessment Debt.....	6.89%
Gross Combined Total Debt.....	8.66%
Net Combined Total Debt	8.42%

⁽¹⁾ Excludes refunding issue to be sold.

⁽²⁾ 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. 06-I IAA in Fiscal Year 2012-13. The estimated tax rates and amounts presented are based on information for Fiscal Year 2012-13 as the tax rates and charges for Fiscal Year 2013-14 are not yet available. For Fiscal Year 2012-13, the projected total effective tax for a residential unit with an assessed value approximately equal to the average was 1.82% of assessed value. If the Special Tax was levied at the full amount of the Assigned Special Tax allowed under the CFD 06-I IAA Rate and Method, the total effective tax rate would have been approximately 1.87% of assessed value. See Appendix F — “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.” It is not expected that the maximum percentage will be reached. The actual effective tax rates for individual parcels within CFD No. 06-I IAA 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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**TABLE 17
SAMPLE TAX BILL
CFD NO. 06-I IAA
TAX YEAR 2012-2013**

Land Use: Residential
2012-13 Local Secured Assessed Valuation (includes \$7,000 HOE): \$ 493,000.00

Ad Valorem Taxes:

	<i>Rate per \$100</i>	<i>Amount</i>
1% TAX ON NET VALUE	100%	\$ 4,930.00
VOTER APPROVED BONDS:		
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998C	0.00%	\$ -
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998D	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998E	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998F	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998G	0.00	22.58
Gen Bond Chula Vista-Prop JJ 11/03/1998, 2005 Ref	0.01	47.67
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00	21.79
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.01	32.49
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00	21.64
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000B	0.01	41.51
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.02	83.32
Hi Bond Sweetwater-Prop O 11/07/2006, Series 2007	0.03	142.53
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.01	32.09
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2004	0.00	0
Southwestern Comm Coll-Prop AA 11/07/00, 2005B Ref	0.01	57.34
Southwestern Comm Coll-Prop R 11/04/08 Ser 2009A	0.00	8.78
Southwestern Comm Coll-Prop R 11/04/08 Ser 2009B	0.01	52.21
Southwestern Comm Coll-Prop R 11/04/08 Ser 2010C	0.01	34.61
Southwestern Comm Coll-Prop R 11/04/08 Ser 2010D	0.00	0
Otay Water Imp Dist No 27-Debt Service (Water)	0.01	24.65
MWD D/S Remainder Of SDCWA 15019999	<u>0.00</u>	<u>17.26</u>
TOTAL ON NET VALUE	100.13%	\$ 5,570.47

FIXED CHARGE ASSMTS:

Vector Disease Ctrl		\$ 5.86
Mosquito Surveillanc		2.28
Sweetwater Hi CFD#1		839.52
CFD 06I Eastlk Woods		1,768.46
CFD 07M Eastlake III		425.82
MWD Wtr Standby Chrg		11.50
Assmt Dist 2001-1		54.18
CWA Wtr Availability		10.00
Water Availability		10.00
Chula V. Elem CFD#1		<u>283.46</u>
Total Direct Charges		\$ 3,411.08

Total Taxes \$ 8,981.55
As a Percentage of the 2012-13 Local Secured Assessed Valuation 1.82%

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. 06-I IAA within certain ranges based on the Fiscal Year 2012-13 assessed value of the property upon which Special Taxes could have been levied, the principal amount of the CFD No. 06-I IAA Special Tax Refunding Bonds and the overlapping debt payable from taxes and assessments on the taxable property within CFD No. 06-I IAA as of May 23, 2013, as shown in Table 16. Based on this information, the estimated value-to-lien ratio for CFD No. 06-I IAA is 17.08-to-1. Table 18-A uses the Fiscal Year 2012-13 information as overlapping indebtedness for Fiscal Year 2013-14 is not yet available.

Table 18-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 06-I IAA and within certain ranges based on the Fiscal Year 2013-14 assessed value of the property upon which Special Taxes will be levied, the projected Fiscal Year 2013-14 Special Tax levy and the principal amount of the CFD No. 06-I IAA Special Tax Refunding Bonds. Based on this information the estimated value-to-lien ratio for CFD No. 06-I IAA is 38.89 to 1 for the Developed Property upon which Special Taxes will be levied in Fiscal Year 2013-14.

TABLE 18-A
CFD NO. 06-I IAA
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES
INCLUDING DIRECT AND OVERLAPPING DEBT

<i>Estimated Assessed Value-to-Lien Ratio⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Fiscal Year 2012-13 Special Tax Levy</i>	<i>% of Fiscal Year 2012-13 Special Tax Levy</i>	<i>Fiscal Year 2012-13 Assessed Value⁽²⁾</i>	<i>Total Direct & Overlapping Tax & Assessment Debt⁽³⁾</i>
0.00 to 2.99:1	0	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	1	893	0.03	48,438	14,256
5.00 to 9.99:1	11	28,813	0.99	3,423,726	457,444
10.00 to 14.99:1	251	290,214	9.96	74,665,232	5,203,474
15.00 to 19.99:1	1,659	2,464,718	84.60	729,971,429	43,663,218
20.00 to 24.99:1	57	101,665	3.49	44,538,978	2,030,155
25.00 to 29.99:1	7	16,166	0.55	12,833,096	461,923
30.00 to 39.99:1	6	10,959	0.38	36,745,596	994,512
Greater than 40:1	<u>0</u>	<u>-</u>	<u>0.00</u>	<u>-</u>	<u>-</u>
Total*	1,992	\$ 2,913,428	100.00%	\$ 902,226,495	\$ 52,824,982

* Totals include 21 parcels that are currently undeveloped and therefore not attributed an outstanding Special Tax Refunding Bond amount.

(1) Calculated for each parcel by dividing its assessed value by its allocable share of direct and overlapping debt.

(2) Total Assessed Value per County of San Diego as of January 1, 2012.

(3) Total includes Special Tax Refunding Bonds in the amount of \$23,600,000 and the overlapping tax and assessment debt taken from Table 16 as calculated by California Municipal Statistics, Inc.

Source: NBS.

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TABLE 18-B
CFD NO. 06-I IAA
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES
INCLUDING DIRECT DEBT ONLY

<i>Estimated Assessed Value-to-Lien Ratio⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>Fiscal Year 2013-14 Assessed Value⁽²⁾</i>	<i>Special Tax Refunding Bonds⁽³⁾</i>
0.00 to 2.99:1	0	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	0	-	0.00	-	-
5.00 to 9.99:1	2	4,922	0.25	386,678	57,831
10.00 to 14.99:1	7	14,564	0.73	2,218,459	171,117
15.00 to 19.99:1	5	78,915	3.93	17,245,550	927,226
20.00 to 24.99:1	1	681	0.03	168,667	8,004
25.00 to 29.99:1	30	57,462	2.86	19,436,710	675,157
30.00 to 39.99:1	1,013	1,150,723	57.29	483,990,659	13,520,629
Greater than 40:1	917	701,299	34.92	369,068,171	8,240,035
Undeveloped Parcels	<u>19</u>	<u>-</u>	<u>0.00</u>	<u>25,353,877</u>	<u>-</u>
Total	1,994	\$ 2,008,565	100.00%	\$ 917,868,771	\$ 23,600,000

⁽¹⁾ Calculated for each parcel by dividing its assessed value by its allocable share of Special Tax Refunding Bonds.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2013.

⁽³⁾ Reflects principal amount of Special Tax Refunding Bonds.

Source: NBS.

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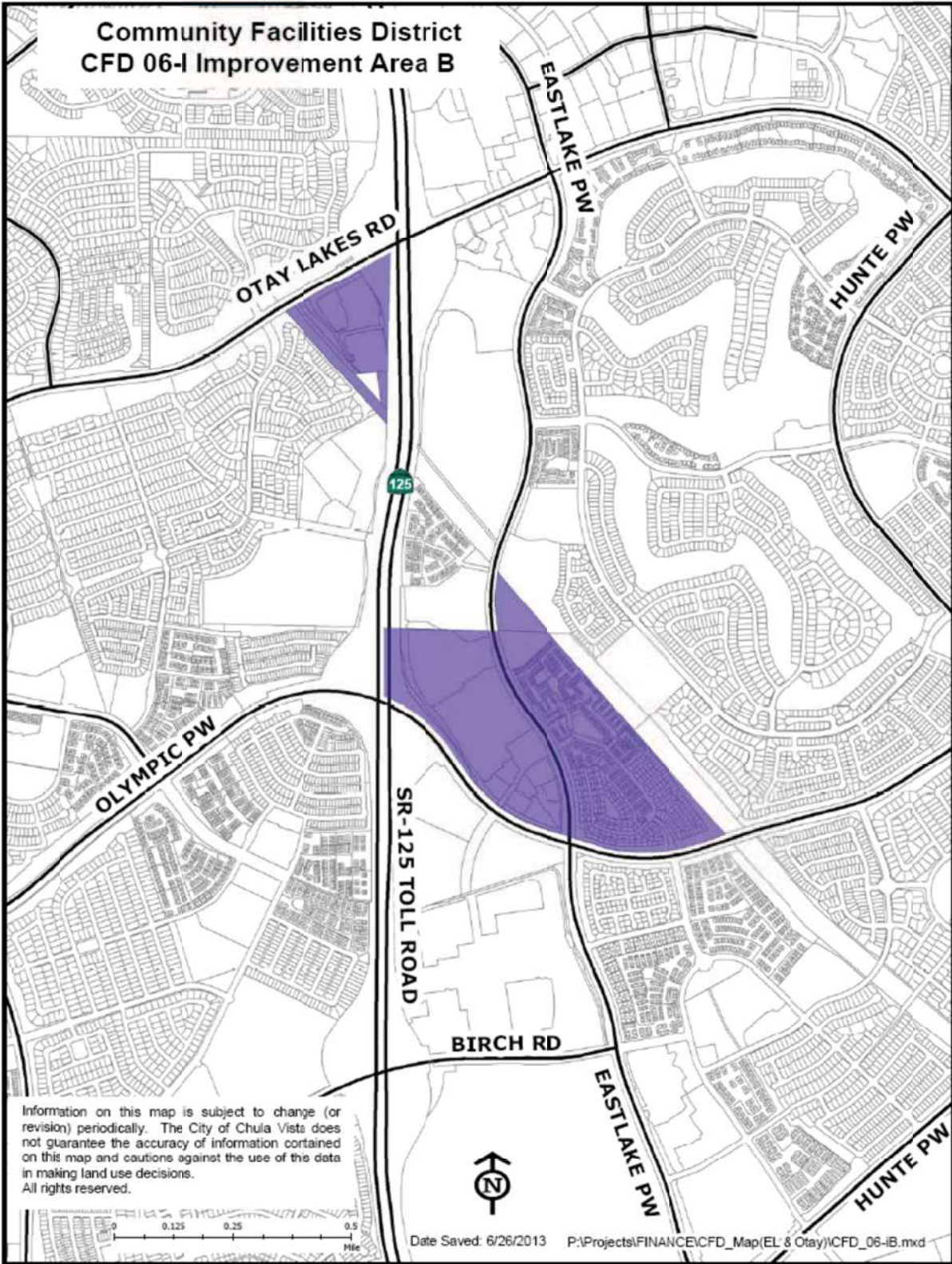
Top Ten Property Owners. Table 19 below sets forth the top ten property owners in CFD No. 06-I IAA based on the projected Special Tax levy for Fiscal Year 2013-14.

**TABLE 19
CFD NO. 06-I IAA
TOP TEN PROPERTY OWNERS**

<i>Owner</i>	<i>Total Value⁽¹⁾</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>Parcel Count</i>
Olympic Pointe West Communities LLC	\$ 17,093,612	\$ 53,605	2.67%	2
Olympic Pointe East Communities LLC	17,262,536	43,103	2.15	2
Yoon Don	2,297,000	6,042	0.30	4
Gutierrez Oscar & Angelica	3,429,654	5,714	0.28	3
Villalvazo Saul & Mattei Erika	1,800,000	4,621	0.23	1
Crosthwaite Alejandro J & Midred B	2,000,000	4,606	0.23	1
Limon Alejandro & Godinez Imelda	341,700	4,336	0.22	1
Mevi Brothers LLC	2,244,000	3,823	0.19	1
Bundang Emil	1,173,000	3,778	0.19	1
Clark Tracy C & Silvia Revocable Trust 0	1,779,000	3,745	0.19	2
All Others	<u>868,448,269</u>	<u>1,875,193</u>	<u>93.36</u>	<u>1,976</u>
Total	\$ 917,868,771	\$ 2,008,565	100.00%	1,994

⁽¹⁾ Total Assessed Value per County of San Diego as of January 1, 2013.
Source: NBS.

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Community Facilities District No. 06-I Improvement Area No. B

Location and Description. Community Facilities District No. 06-I Improvement Area No. B (“CFD No. 06-I IAB”) includes 496 single-family attached residences on approximately 135 gross acres. The first building permits in CFD No. 06-I IAB were issued on February 5, 2004 and the last certificates of occupancy were issued on September 2, 2004. The residences range in size from 1,293 square feet to 2,747 square feet. There are 3 parcels categorized under the Rate and Method for CFD No. 06-I IAB as Developed Commercial property and 85 parcels categorized 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. 06-I IAB for each of the last seven fiscal years. Between Fiscal Years 2007-08 and 2013-14, assessed values in the CFD No. 06-I-IAB declined by approximately 24.5% due to significant declines in home values beginning in 2007. The assessed values for Fiscal Year 2013-14 are slightly above the values for Fiscal Year 2012-13 reflecting the first year over year increase since Fiscal Year 2007-08.

**TABLE 20
CFD NO. 06-I IAB
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Land Value⁽¹⁾</i>	<i>Structure Value⁽¹⁾</i>	<i>Total Assessed Value⁽¹⁾</i>	<i>% change in Total Assessed Value</i>
2007-08	\$136,382,015	\$95,533,671	\$231,915,686	-
2008-09	127,343,750	96,643,674	223,987,424	-3.42%
2009-10	106,767,161	85,299,507	192,066,668	-14.25
2010-11	103,409,000	88,081,980	191,490,980	-0.30
2011-12	91,885,327	93,683,395	185,568,722	-3.09
2012-13	79,154,826	87,488,119	166,642,945	-10.20
2013-14	80,988,294	94,090,400	175,078,694	5.06

⁽¹⁾ Total Assessed Value per County of San Diego as of the January preceding each Fiscal Year.
Source: NBS.

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Assigned Special Taxes. Table 21 below sets forth the Assigned Special Taxes projected to be levied on the property within CFD No. 06-I IAB in Fiscal Year 2013-14 based on the development status within CFD No. 06-I IAB as of March 1, 2013. The Special Taxes in CFD No. 06-I IAB may not be levied after the 2043-44 Fiscal Year. The final maturity of the CFD No. 06-I IAB Bonds is September 1, 2034.

**TABLE 21
CFD NO. 06-I IAB
ASSIGNED SPECIAL TAXES**

<i>Development Status</i>	<i>No. of Parcels /Units</i>	<i>Fiscal Year 2013-14 Assessed Value⁽²⁾</i>	<i>Maximum Assigned Special Tax⁽³⁾</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>
Developed Commercial	3	\$ 26,115,986	\$ 64,260	\$ 44,916	9.16%
Developed Residential - Attached	496 ⁽¹⁾	142,390,848	637,149	445,347	90.84
Developed Residential - Detached	-	-	-	-	0.00
Undeveloped Commercial	-	-	-	-	0.00
Undeveloped Residential	85	6,571,860	94,348	-	0.00
Total	584	\$ 175,078,694	\$ 795,758	\$ 490,262	100.00%

⁽¹⁾ Represents units not parcels.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2013.

⁽³⁾ Pursuant to the Rate and Method for CFD No 06-I IAB, 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. See “SPECIAL RISK FACTORS—Insufficiency of Special Taxes.”

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. 06-I IAB) is calculated as follows: (1) for Residential Property, \$0.74 per square foot of Residential Floor Area, and (2) for Commercial Property, \$6,000 per Acre. The terms “Residential Property”, “Residential Floor Area”, “Commercial Property” and “Acre” are defined in the Rate and Method for CFD No. 06-I IAB included in Appendix F — “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.”

As shown in Table 21 above, the projected Special Tax levy for CFD No. 06-I IAB in Fiscal Year 2013-14 is \$490,262, which is approximately 61.61% of the maximum Assigned Special Tax for all property in CFD No. 06-I IAB and approximately 69.90% of the maximum Assigned Special Tax for all Developed Property in CFD No. 06-I IAB.

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Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 06-I IAB for Fiscal Years 2007-08 through 2012-13.

TABLE 22
CFD NO. 06-I IAB
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2007-08 TO 2012-13

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End⁽¹⁾</i>			<i>Delinquencies as of June 30, 2013</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>
2007-08	\$632,808	437	46	\$53,783	8.50%	-	\$ -	0.00%
2008-09	632,605	454	34	40,307	6.37	-	-	0.00
2009-10	636,867	472	17	39,407	6.19	-	-	0.00
2010-11	635,343	472	9	8,192	1.29	1	1,065	0.17
2011-12	633,293	474	4	3,150	0.50	1	1,034	0.16
2012-13	635,175	485	7	6,390	1.01	7	6,390	1.01

⁽¹⁾ As of June 30 of each Fiscal Year.
Source: NBS.

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Direct and Overlapping Debt. The property within CFD No. 06-I 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. The table below sets forth the direct and overlapping debt for CFD No. 06-I IAB as of May 1, 2013. As of May 1, 2013, the Prior Special Tax Bonds for CFD 06-I IAB were outstanding in the amount of \$6,780,000. The Special Tax Refunding Bonds for CFD 06-I IAB will be issued in the amount of \$5,270,000.

**TABLE 23⁽¹⁾
DIRECT AND OVERLAPPING DEBT
CFD NO. 06-I IAB**

2012-13 Local Secured Assessed Valuation: \$173,870,643 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/13</u>
Metropolitan Water District General Obligation Bonds	0.008	\$ 13,657
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	0.588	36,668
Southwestern Community College District General Obligation Bonds	0.419	989,079
Sweetwater Union High School District General Obligation Bonds	0.501	1,810,326
Chula Vista City School District General Obligation Bonds	0.726	481,788
Chula Vista City School District Community Facilities District No. 1	3.082	155,341
Sweetwater Union High School District Community Facilities District No. 1	6.466	3,126,694
City of Chula Vista Community Facilities District No. 06-I, I.A. B	100.000	<u>6,780,000</u>⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$13,393,553
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.045%	\$ 181,653
San Diego County Pension Obligations	0.045	342,559
San Diego County Superintendent of Schools Obligations	0.045	7,935
Otay Municipal Water District Certificates of Participation	0.760	427,649
Southwestern Community College District General Fund Obligations	0.419	5,220
Sweetwater Union High School District Certificates of Participation	0.501	30,214
Chula Vista City School District General Fund Obligations	0.726	1,019,986
City of Chula Vista Certificates of Participation	0.829	<u>1,064,329</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$3,079,545
Less: Otay Municipal Water District Certificates of Participation (100% supported)		<u>427,649</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$2,651,896
 GROSS COMBINED TOTAL DEBT		 \$16,473,098 ⁽²⁾
NET COMBINED TOTAL DEBT		\$16,045,449

(1) Excludes refunding issue to be sold.

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

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$6,780,000)	3.90%
Total Direct and Overlapping Tax and Assessment Debt.....	7.70%
Gross Combined Total Debt.....	9.47%
Net Combined Total Debt	9.23%

(1) Excludes refunding issue to be sold.

(2) 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. 06-I IAB in Fiscal Year 2012-13. The estimated tax rates and amounts presented are based on information for Fiscal Year 2012-13 as the tax rates and charges for Fiscal Year 2013-14 are not yet available. For Fiscal Year 2012-13, the projected total effective tax for a residential unit with an assessed value approximately equal to the average was 1.70% of assessed value. If the Special Tax was levied at the full amount of the Assigned Special Tax allowed under the CFD 06-I IAB Rate and Method, the total effective tax rate would have been approximately 1.72% of assessed value. See Appendix F — “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.” It is not expected that the maximum percentage will be reached. The actual effective tax rates for individual parcels within CFD No. 06-I IAB 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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**TABLE 24
SAMPLE TAX BILL
CFD NO. 06-I IAB
TAX YEAR 2012-2013**

Land Use: Residential
2012-13 Local Secured Assessed Valuation (includes \$7,000 HOE): \$ 300,000.00

Ad Valorem Taxes:

	<i>Rate per \$100</i>	<i>Amount</i>
1% TAX ON NET VALUE	100%	\$ 3,000.00
VOTER APPROVED BONDS:		
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998C	0.00%	\$ -
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998D	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998E	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998F	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998G	0.00	13.74
Gen Bond Chula Vista-Prop JJ 11/03/1998, 2005 Ref	0.01	29.01
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00	13.26
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.01	19.77
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00	13.17
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000B	0.01	25.26
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.02	50.7
Hi Bond Sweetwater-Prop O 11/07/2006, Series 2007	0.03	86.73
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.01	19.53
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2004	0.00	0
Southwestern Comm Coll-Prop AA 11/07/00, 2005B Ref	0.01	34.89
Southwestern Comm Coll-Prop R 11/04/08 Ser 2009A	0.00	5.34
Southwestern Comm Coll-Prop R 11/04/08 Ser 2009B	0.01	31.77
Southwestern Comm Coll-Prop R 11/04/08 Ser 2010C	0.01	21.06
Southwestern Comm Coll-Prop R 11/04/08 Ser 2010D	0.00	0
Otay Water Imp Dist No 27-Debt Service (Water)	0.01	15
MWD D/S Remainder Of SDCWA 15019999	<u>0.00</u>	<u>10.5</u>
TOTAL ON NET VALUE	100.13%	\$ 3,389.73

FIXED CHARGE ASSMTS:

Vector Disease Ctrl	\$ 4.10
CFD 06-I Imp Area B	888.48
Water Availability	10.00
Sweetwater Hi CFD#1	496.36
Mosquito Surveillanc	2.28
Chula V. Elem CFD#1	166.34
CWA Wtr Availability	10.00
MWD Wtr Standby Chrg	11.50
CFD 07M Imp Area 2	<u>114.84</u>
Total Direct Charges	\$ 1,703.90

Total Taxes \$ 5,093.63
As a Percentage of the 2012-13 Local Secured Assessed Valuation 1.70%

Source: NBS.

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. 06-I IAB within certain ranges based on the Fiscal Year 2012-13 assessed value of the property upon which Special Taxes could have been levied, the principal amount of the CFD No. 06-I IAB Special Tax Refunding Bonds and the overlapping debt payable from taxes and assessments on the taxable property within CFD No. 06-I IAB as of May 23, 2013, as shown in Table 23. Based on this information, the estimated assessed value-to-lien ratio for CFD No. 06-I IAB is 14.29-to-1. Table 25-A uses the Fiscal Year 2012-13 information as overlapping indebtedness for Fiscal Year 2013-14 is not yet available.

Table 25-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 06-I IAB and within certain ranges based on the Fiscal Year 2013-14 assessed value of the property upon which Special Taxes will be levied, the projected Fiscal Year 2013-14 Special Tax levy and the principal amount of the CFD No. 06-I IAB Special Tax Refunding Bonds. Based on this information the estimated assessed value-to-lien ratio for CFD No. 06-I IAB is 33.22 to 1 for the Developed Property upon which Special Taxes will be levied in Fiscal Year 2013-14.

TABLE 25-A
CFD NO. 06-I IAB
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES
INCLUDING DIRECT AND OVERLAPPING DEBT

<i>Estimated Assessed Value-to-Lien Ratio⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Fiscal Year 2012-13 Special Tax Levy</i>	<i>% of Fiscal Year 2012-13 Special Tax Levy</i>	<i>Fiscal Year 2012-13 Assessed Value⁽²⁾</i>	<i>Total Direct & Overlapping Tax & Assessment Debt⁽³⁾</i>
0.00 to 2.99:1	0	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	8	10,892	1.71	606,400	147,078
5.00 to 9.99:1	13	15,671	2.47	1,333,951	236,281
10.00 to 14.99:1	385	466,722	73.48	106,443,751	8,013,355
15.00 to 19.99:1	79	141,890	22.34	50,754,643	3,071,756
20.00 to 24.99:1	0	-	0.00	-	-
25.00 to 29.99:1	0	-	0.00	-	-
30.00 to 39.99:1	99	-	0.00	7,504,200	189,279
Greater than 40:1	<u>0</u>	<u>-</u>	<u>0.00</u>	<u>-</u>	<u>-</u>
Totals	584	\$ 635,175	100.00%	\$ 166,642,945	\$ 11,657,749

⁽¹⁾ Calculated for each parcel by dividing its assessed value by its allocable share of direct and overlapping debt.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2012.

⁽³⁾ Total includes Special Tax Refunding Bonds in the amount of \$5,270,000 and the overlapping tax and assessment debt taken from Table 23 as calculated by California Municipal Statistics, Inc.

Source: NBS.

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TABLE 25-B
CFD NO. 06-I IAB
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES
INCLUDING DIRECT DEBT ONLY

<i>Estimated Assessed Value-to-Lien Ratio⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>Fiscal Year 2013-14 Assessed Value⁽²⁾</i>	<i>Special Tax Refunding Bonds⁽³⁾</i>
0.00 to 2.99:1	0	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	0	-	0.00	-	-
5.00 to 9.99:1	2	2,054	0.42	154,632	22,084
10.00 to 14.99:1	0	-	0.00	-	-
15.00 to 19.99:1	1	764	0.16	143,316	8,214
20.00 to 24.99:1	56	50,922	10.39	12,697,307	547,373
25.00 to 29.99:1	216	195,191	39.81	58,219,161	2,098,174
30.00 to 39.99:1	197	195,536	39.88	69,475,886	2,101,889
Greater than 40:1	27	45,795	9.34	27,816,532	492,266
Undeveloped Parcels	<u>85</u>	<u>-</u>	<u>0.00</u>	<u>6,571,860</u>	<u>-</u>
Totals	584	\$ 490,262	100.00%	\$ 175,078,694	\$ 5,270,000

⁽¹⁾ Calculated for each parcel by dividing its assessed value by its allocable share of Special Tax Refunding Bonds.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2013.

⁽³⁾ Reflects principal amount of Special Tax Refunding Bonds.

Source: NBS.

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Top Ten Property Owners. Table 26 below sets forth the top ten property owners in CFD No. 06-I IAB based on the projected Special Tax levy for Fiscal Year 2013-14.

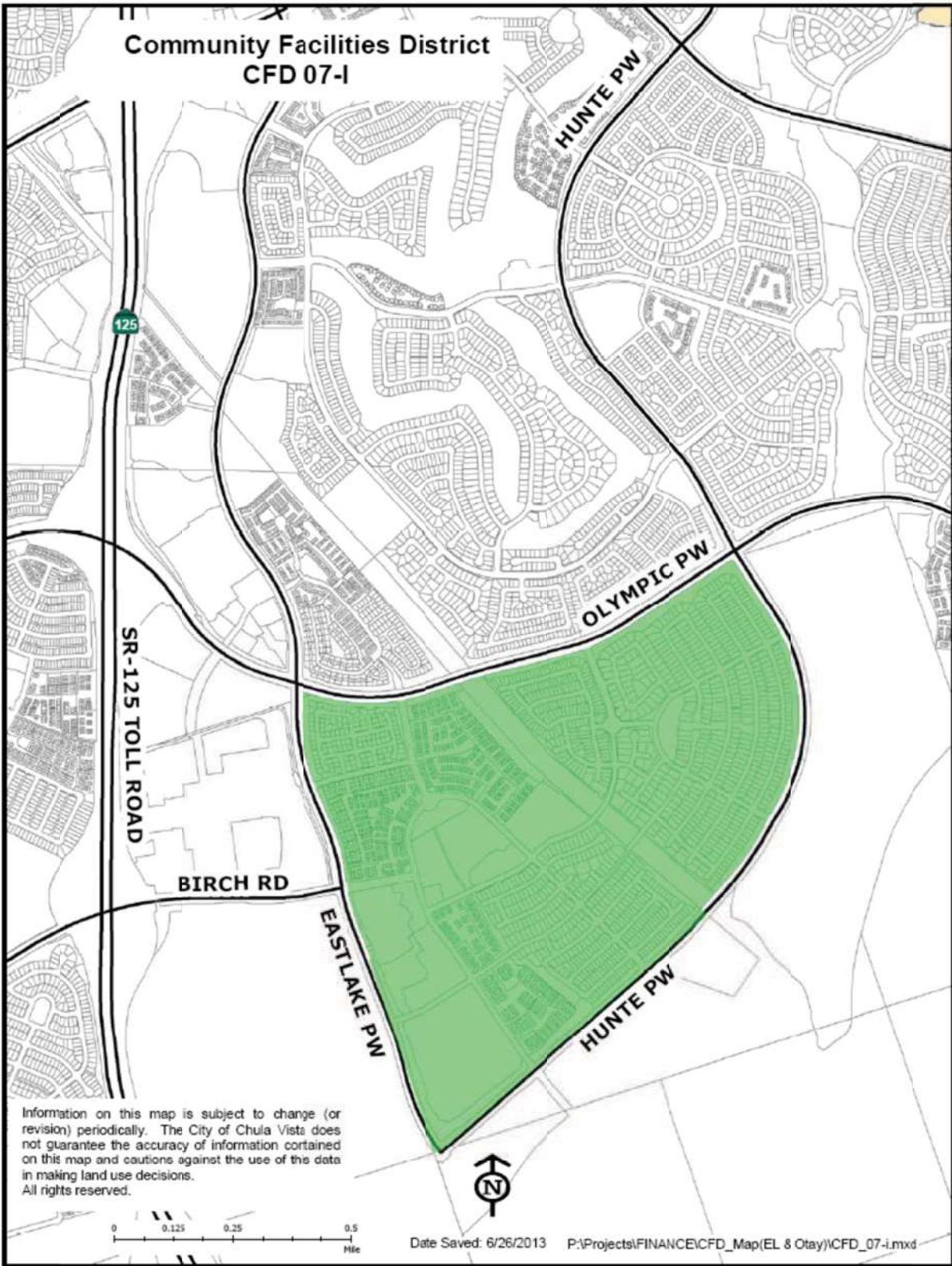
**TABLE 26
CFD NO. 06-I IAB
TOP TEN PROPERTY OWNERS**

<i>Owner</i>	<i>Total Value⁽¹⁾</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>Parcel Count</i>
Realty Income Properties 1 LLC	\$ 12,409,242	\$ 19,007	3.88%	1
Pathfinder Otay Holdings LLC	6,528,000	18,020	3.68	1
Peninsula Property Services LLC	6,800,000	8,924	1.82	1
Anaya Anna Trust 09-26-12	1,111,847	3,626	0.74	3
Veranza II LLC	7,049,400	2,885	0.59	93
Andorra 48 L L C	343,755	2,875	0.59	3
Net Global Invest L L C	676,209	2,609	0.53	2
A L U Investments L L C	1,042,791	2,355	0.48	3
Davila Ruiz Family Living Trust 09-24-01	506,000	1,746	0.36	2
Cope Amando S Jr	395,749	1,454	0.30	1
All Others	<u>138,215,701</u>	<u>426,761</u>	<u>87.05</u>	<u>474</u>
Total	\$ 175,078,694	\$ 490,262	100.00%	584

⁽¹⁾ Total Assessed Value per County of San Diego as of January 1, 2013.
Source: NBS.

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**Community Facilities District
CFD 07-I**



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Community Facilities District No. 07-I

Location and Description. Community Facilities District No. 07-I (“CFD No. 07-I”) includes 1,103 single-family detached residences and 781 single-family attached residences on approximately 489 gross acres located within the boundaries of the City of Chula Vista. The first building permits in CFD No. 07-I were issued on May 3, 2004 and the last certificates of occupancy were issued on July 16, 2010. The residences range in size from 1,279 square feet to 3,817 square feet. There is one parcel categorized under the Rate and Method for CFD No. 07-I as Developed Commercial property and 41 parcels as Undeveloped Residential property. No assurance can be given that any of these remaining undeveloped parcels will be developed.

Table 27 sets forth the historical assessed values for the taxable property in CFD No. 07-I for each of the last seven fiscal years. Between Fiscal Years 2007-08 and 2013-14, assessed values in the CFD No. 07-I declined by approximately 24.5% due to significant declines in home values beginning in 2007. The assessed values for Fiscal Year 2013-14 are slightly above the values for Fiscal Year 2012-13 reflecting the first year over year increase since Fiscal Year 2007-08.

**TABLE 27
CFD NO. 07-I
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Land Value⁽¹⁾</i>	<i>Structure Value⁽¹⁾</i>	<i>Total Assessed Value⁽¹⁾</i>	<i>% change in Total Assessed Value</i>
2007-08	\$528,829,975	\$398,016,539	\$926,846,514	-
2008-09	482,854,516	390,301,961	873,156,477	-5.79%
2009-10	399,559,913	343,655,489	743,215,402	-14.88
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	310,622,880	377,873,093	688,495,973	-2.89
2013-14	309,216,406	390,128,698	699,345,104	1.58

⁽¹⁾ Total Assessed Value per County of San Diego as of the January 1 preceding each Fiscal Year.
Source: NBS.

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Assigned Special Taxes. Table 28 below sets forth the Assigned Special Taxes expected to be levied on the property within CFD No. 07-I in Fiscal Year 2013-14 based on the development status within CFD No. 07-I as of March 1, 2013. 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, 2034.

**TABLE 28
CFD NO. 07-I
ASSIGNED SPECIAL TAXES**

<i>Development Status</i>	<i>No. of Parcels /Units</i>	<i>Total Assessed Value⁽²⁾</i>	<i>Maximum Assigned Special Tax⁽³⁾</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy⁽⁴⁾</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>
Developed Commercial	1	\$ 25,500,000	\$ 54,180	\$ 49,832	1.89%
Developed Residential - Attached	781 ⁽¹⁾	219,211,176	978,870	900,320	34.17
Developed Residential - Detached	1,103	449,666,598	1,831,780	1,684,789	63.94
Undeveloped Commercial	-	-	-	-	0.00
Undeveloped Residential	41	4,967,330	83,675	-	0.00
Total	1,926	\$ 699,345,104	\$ 2,948,505	\$ 2,634,941	100.00%

⁽¹⁾ Represents units not parcels.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2013.

⁽³⁾ Pursuant to the Rate and Method for CFD No. 07-I, 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. See "SPECIAL RISK FACTORS—Insufficiency of Special Taxes."

⁽⁴⁾ These amounts will be used to pay debt service on the 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 28 above, the projected Special Tax levy for CFD No. 07-I in Fiscal Year 2013-14 is \$2,634,941, which is approximately 89.37% of the maximum Assigned Special Tax for all property in CFD No. 07-I and approximately 91.98% of the maximum Assigned Special Tax for all Developed Property in CFD No. 07-I.

Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 07-I for Fiscal Years 2007-08 through 2012-13.

TABLE 29
CFD NO. 07-I
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2007-08 TO 2012-13

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End⁽¹⁾</i>			<i>Delinquencies as of June 30, 2013</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>
2007-08	\$2,063,926	1,734	188	151,153	7.32%	-	\$ -	0.00%
2008-09	2,060,674	2,014	172	145,515	7.06	3	2,713	0.13
2009-10	1,974,899	1,988	63	53,314	2.70	-	-	0.00
2010-11	1,959,992	1,987	39	27,855	1.42	4	2,489	0.13
2011-12	1,861,519	1,971	41	33,628	1.81	9	8,596	0.46
2012-13	1,852,144	1,953	31	23,639	1.28	31	23,639	1.28

⁽¹⁾ As of June 30 of each Fiscal Year.
Source: NBS.

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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. The table below sets forth the direct and overlapping debt for CFD No. 07-I as of May 1, 2013. As of May 1, 2013, the Prior Special Tax Bonds for CFD 07-I and the CFD No. 07-I Parity Bonds were outstanding in the amount of \$35,505,000 (but see footnote 1 to Table 30, below). The Special Tax Refunding Bonds for CFD 07-I will be issued in the amount of \$19,480,000 and upon their issuance, the CFD No. 07-I Parity Bonds will remain outstanding in the principal amount of \$13,595,000.

**TABLE 30⁽¹⁾
DIRECT AND OVERLAPPING DEBT
CFD NO. 07-I**

2012-13 Local Secured Assessed Valuation: \$694,734,163 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/13</u>
Metropolitan Water District General Obligation Bonds	0.033%	\$ 54,070
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	6.898	430,117
Southwestern Community College District General Obligation Bonds	1.660	3,915,837
Sweetwater Union High School District General Obligation Bonds	1.984	7,167,216
Chula Vista City School District General Obligation Bonds	2.872	1,907,436
Sweetwater Union High School District Community Facilities District No. 14	95.467	6,832,944
City of Chula Vista Community Facilities District No. 07-1	100.000	<u>35,505,000</u>⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$55,812,620
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.180%	\$ 719,179
San Diego County Pension Obligations	0.180	1,356,215
San Diego County Superintendent of Schools Obligations	0.180	31,414
Southwestern Community College District General Fund Obligations	1.660	20,668
Sweetwater Union High School District Certificates of Participation	1.984	119,619
Chula Vista City School District General Fund Obligations	2.872	4,038,202
City of Chula Vista Certificates of Participation	3.282	4,213,757
Otay Municipal Water District Certificates of Participation	3.010	<u>1,693,094</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$12,192,148
Less: Otay Municipal Water District Certificates of Participation (100% supported)		<u>1,693,094</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$10,499,054
 GROSS COMBINED TOTAL DEBT		 \$68,004,768 ⁽²⁾
NET COMBINED TOTAL DEBT		\$66,311,671

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$35,505,000)	5.11%
Total Direct and Overlapping Tax and Assessment Debt.....	8.03%
Gross Combined Total Debt.....	9.79%
Net Combined Total Debt.....	9.54%

⁽¹⁾ Excludes refunding issue to be sold and includes the CFD 07-I Parity Bonds. Includes CFD 07-I Parity Bonds to be called on September 1, 2013 in the amount of \$5,000 and the scheduled payment of principal and interest due on the CFD 07-I Parity Bonds on September 1, 2013 in the amount of \$230,000.

⁽²⁾ 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. 07-I in Fiscal Year 2012-13. The estimated tax rates and amounts presented are based on information for Fiscal Year 2012-13 as the tax rates and charges for Fiscal Year 2013-14 are not yet available. For Fiscal Year 2012-13, the projected total effective tax for a residential unit with an assessed value approximately equal to the average was 2.15% of assessed value. The Special Tax was levied at the full amount of the Assigned Special Tax allowed under the CFD 07-I Rate and Method. 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 31 and the actual total effective tax rate is expected to vary and may increase in future years.

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**TABLE 31
SAMPLE TAX BILL
CFD NO. 07-I
TAX YEAR 2012-2013**

Land Use: Residential
2012-13 Local Secured Assessed Valuation (includes \$7,000 HOE): \$ 385,000.00

Ad Valorem Taxes:

1% Tax On Net Value *Rate per \$100*
100% *Amount*
\$ 3,850.00

Voter Approved Bonds:

Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998C	0.00%	\$ -
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998D	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998E	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998F	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998G	0.00	17.63
Gen Bond Chula Vista-Prop JJ 11/03/1998, 2005 Ref	0.01	37.23
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00	17.02
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.01	25.37
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00	16.9
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000B	0.01	32.42
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.02	65.07
Hi Bond Sweetwater-Prop O 11/07/2006, Series 2007	0.03	111.3
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.01	25.06
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2004	0.00	0
Southwestern Comm Coll-Prop AA 11/07/00, 2005B Ref	0.01	44.78
Southwestern Comm Coll-Prop R 11/04/08 Ser 2009A	0.00	6.85
Southwestern Comm Coll-Prop R 11/04/08 Ser 2009B	0.01	40.77
Southwestern Comm Coll-Prop R 11/04/08 Ser 2010C	0.01	27.03
Southwestern Comm Coll-Prop R 11/04/08 Ser 2010D	0.00	0
Otay Water Imp Dist No 27-Debt Service (Water)	0.01	19.25
MWD D/S Remainder Of SDCWA 15019999	<u>0.00</u>	<u>13.48</u>
Total On Net Value	100.13%	\$ 4,350.16

FIXED CHARGE ASSMTS:

Sweetwater Hi CFD#14	\$ 913.44
CFD 97-2	15.50
Vector Disease Ctrl	5.86
Chula V. Elem CFD#14	806.46
Mosquito Surveillanc	2.28
MWD Wtr Standby Chrg	11.50
CFD 09M Village 11	469.48
CWA Wtr Availability	10.00
CFD 07-I O R Vlg 11B	590.64
CFD 07-I O R Vlg 11	1,084.36
Water Availability	<u>10.00</u>
Total Direct Charges	\$ 3,919.52

Total Taxes \$ 8,269.68
As a Percentage of the Local Secured 2012-13 Assessed Valuation 2.15%

Source: NBS.

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. 07-I within certain ranges based on the Fiscal Year 2012-13 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 May 23, 2013, as shown in Table 30. Based on this information, the estimated value-to-lien ratio for CFD No. 07-I is 12.90-to-1. Table 32-A uses Fiscal Year 2012-13 information as overlapping indebtedness for Fiscal Year 2013-14 is not yet available.

Table 32-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 2013-14 assessed value of the property upon which Special Taxes will be levied, the projected Fiscal Year 2013-14 Special Tax levy and the principal amount of the CFD No. 07-I Special Tax Refunding Bonds. Based on this information the estimated value-to-lien ratio for CFD No. 07-I is 21.14 to 1 for the Developed Property upon which Special Taxes will be levied in Fiscal Year 2013-14.

TABLE 32-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⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Fiscal Year 2012-13 Special Tax Levy⁽²⁾</i>	<i>% of Fiscal Year 2012-13 Special Tax Levy</i>	<i>Fiscal Year 2012-13 Assessed Value⁽³⁾</i>	<i>Total Direct & Overlapping Tax & Assessment Debt⁽⁴⁾</i>
0.00 to 2.99:1	0	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	32	44,248	1.55	2,671,412	677,553
5.00 to 9.99:1	91	129,365	4.52	19,393,281	2,107,871
10.00 to 14.99:1	1,658	2,507,383	87.64	596,236,897	46,775,663
15.00 to 19.99:1	86	123,623	4.32	39,975,076	2,577,325
20.00 to 24.99:1	1	54,628	1.91	25,500,000	1,131,376
25.00 to 29.99:1	0	-	0.00	-	-
30.00 to 39.99:1	0	-	0.00	-	-
Greater than 40:1	<u>72</u>	<u>1,758</u>	<u>0.06</u>	<u>4,719,307</u>	<u>112,833</u>
Totals	1,940	\$ 2,861,005	100.00%	\$ 688,495,973	\$ 53,382,621

(1) Calculated for each parcel by dividing its assessed value by its allocable share of direct and overlapping debt.

(2) Includes debt service and priority administrative fees for the CFD No. 07-I Prior Special Tax Bonds and the CFD 07-I Parity Bonds.

(3) Total Assessed Value per County of San Diego as of January 1, 2012.

(4) Total includes Special Tax Refunding Bonds in the amount of \$33,075,000 and the overlapping tax and assessment debt taken from Table 30 as calculated by California Municipal Statistics, Inc.

Source: NBS

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TABLE 32-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 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>Fiscal Year 2013-14 Assessed Value⁽²⁾</i>	<i>CFD 07-I Bonds⁽³⁾</i>
0.00 to 2.99:1	0	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	25	30,812	1.17	1,881,091	386,764
5.00 to 9.99:1	4	5,854	0.22	567,662	73,485
10.00 to 14.99:1	105	131,566	4.99	22,238,685	1,651,481
15.00 to 19.99:1	667	902,785	34.26	203,697,686	11,332,179
20.00 to 24.99:1	862	1,203,200	45.66	335,863,823	15,103,126
25.00 to 29.99:1	209	293,020	11.12	97,625,130	3,678,124
30.00 to 39.99:1	12	17,871	0.68	7,003,697	224,323
Greater than 40:1	1	49,832	1.89	25,500,000	625,518
Undeveloped Parcels	<u>41</u>	<u>-</u>	<u>0.00</u>	<u>4,967,330</u>	<u>-</u>
Total	1,926	\$ 2,634,941	100.00%	\$ 699,345,104	\$ 33,075,000

⁽¹⁾ Calculated for each parcel by dividing its assessed value by its allocable share of Special Tax Refunding Bonds and CFD No. 07-I Parity Bonds.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2013.

⁽³⁾ Reflects \$19,480,000 principal amount of Special Tax Refunding Bonds and \$13,595,000 for the CFD 07-I Parity Bonds.

Source: NBS.

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Top Ten Property Owners. Table 33 below sets forth the top ten property owners in CFD No. 07-I based on the projected Special Tax levy for Fiscal Year 2013-14.

**TABLE 33
CFD NO. 07-I
TOP TEN PROPERTY OWNERS**

<i>Owner</i>	<i>Total Value⁽¹⁾</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy⁽²⁾</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>Parcel Count</i>
Windingwalk Marketplace LLC	\$ 25,500,000	\$ 49,832	1.89%	1
Brookfield Otay R 17 LLC	2,114,300	30,812	1.17	25
Shea Homes Limited Partnership	2,279,724	8,627	0.33	7
Bel Vue Terrace Properties LLC	856,228	3,697	0.14	3
Gramico Inc	869,500	3,697	0.14	3
Lucky 4 U Investments LLC	620,480	3,697	0.14	3
Investments Of The Baja Californias L L	685,499	3,389	0.13	3
Escarcega Rafael & Vanessa	657,500	3,081	0.12	2
Park Phil Shu & Kil Young Joint Living T	805,000	3,081	0.12	2
Ruvalcaba Jose A	705,000	3,081	0.12	2
All Others	<u>664,251,873</u>	<u>2,521,945</u>	<u>95.71</u>	<u>1,875</u>
Total	\$ 699,345,104	\$ 2,634,941	100.00%	1,926

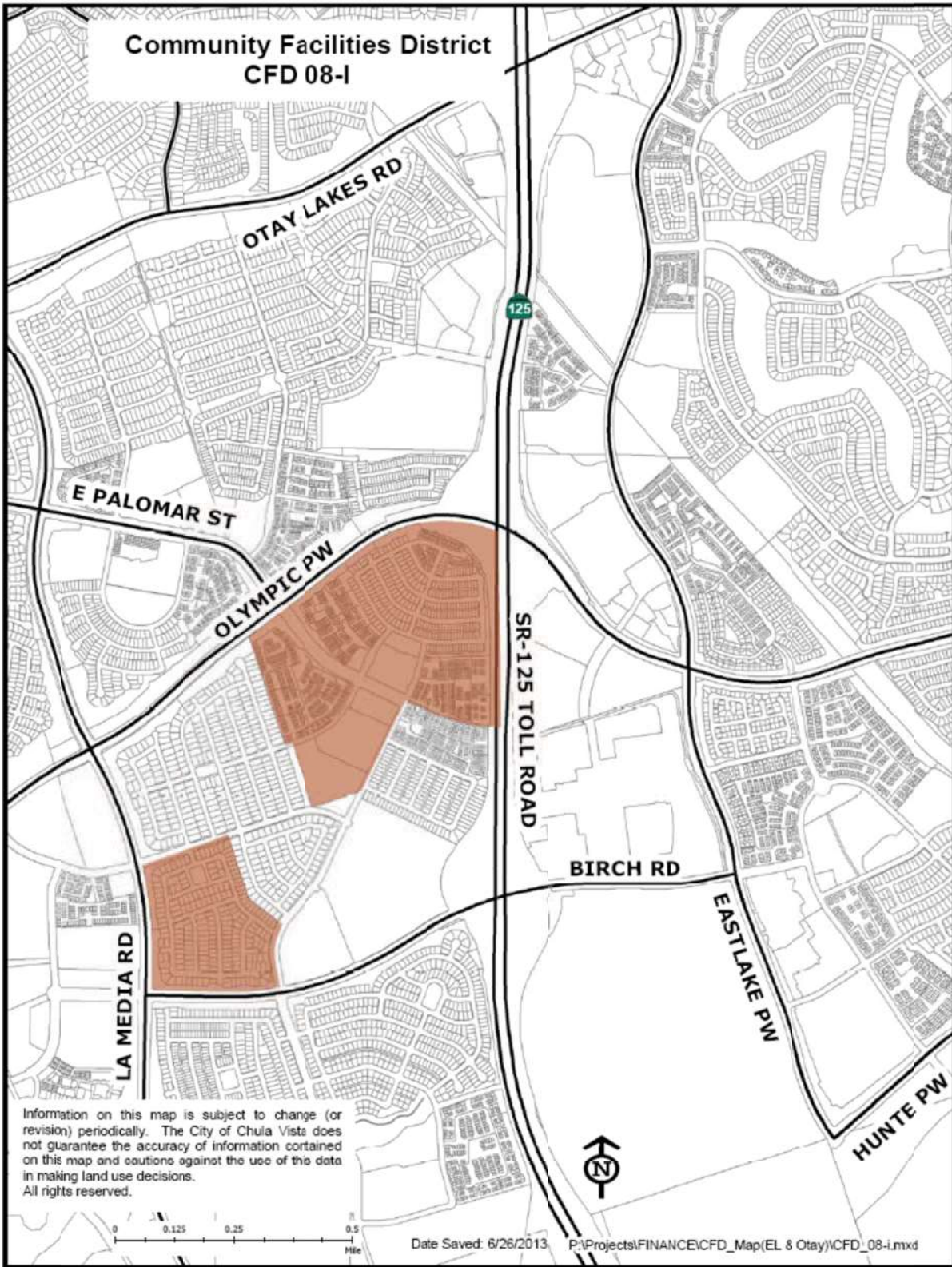
⁽¹⁾ Total Assessed Value per County of San Diego as of January 1, 2013.

⁽²⁾ Includes debt service and priority administrative fees for the CFD 07-I Parity Bonds.

Source: NBS.

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**Community Facilities District
CFD 08-I**



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Date Saved: 6/26/2013 P:\Projects\FINANCE\CFD_Map(EL & Otay)\CFD_08-I.mxd

Community Facilities District No. 08-I

Location and Description. Community Facilities District No. 08-I (“CFD No. 08-I”) includes 445 single-family detached residences and 887 single-family attached residences on approximately 189 gross acres. The first building permits in CFD No. 08-I were issued on November 5, 2003 and the last certificates of occupancy were issued on August 18, 2009. The residences range in size from 959 square feet to 3,525 square feet. There is one parcel categorized under the Rate and Method for CFD No. 08-I as Undeveloped Commercial property. No assurance can be given that the remaining undeveloped parcel will be developed.

Table 34 sets forth the historical assessed values for the taxable property in CFD No. 08-I on an aggregate basis for each of the last seven fiscal years. Between Fiscal Years 2007-08 and 2013-14, assessed values in the CFD No. 08-I declined by approximately 28.0% due to significant declines in home values beginning in 2007.

**TABLE 34
CFD NO. 08-I
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Land Value⁽¹⁾</i>	<i>Structure Value⁽¹⁾</i>	<i>Total Assessed Value⁽¹⁾</i>	<i>% change in Total Assessed Value</i>
2007-08	\$263,065,780	\$266,462,537	\$529,528,317	-
2008-09	270,597,588	248,608,762	519,206,350	-1.95%
2009-10	205,418,170	190,836,465	396,254,635	-23.68
2010-11	200,699,442	191,632,005	392,331,447	-0.99
2011-12	201,288,886	201,489,562	402,778,448	2.66
2012-13	174,356,564	209,120,552	383,477,116	-4.79
2013-14	171,225,402	209,993,999	381,219,401	-0.59

⁽¹⁾ Total Assessed Value per County of San Diego as of the January 1 preceding each Fiscal Year.
Source: NBS.

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Assigned Special Taxes. Table 35 below sets forth the Assigned Special Taxes expected to be levied on the property within CFD No. 08-I in Fiscal Year 2013-14 based on the development status within CFD No. 08-I as of March 1, 2013. The Special Taxes in CFD No. 08-I may not be levied after the 2039-40 Fiscal Year. The final maturity of the CFD No. 08-I Special Tax Refunding Bonds is September 1, 2033.

**TABLE 35
CFD NO. 08-I
ASSIGNED SPECIAL TAXES**

<i>Development Status</i>	<i>No. of Parcels/ Units</i>	<i>Total Assessed Value⁽²⁾</i>	<i>Maximum Assigned Special Tax⁽³⁾</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>
Developed Commercial	-	-	-	-	-
Developed Residential - Attached	887 ⁽¹⁾	\$ 217,402,431	\$ 1,129,941	\$ 876,349	61.86%
Developed Residential - Detached	445	162,484,153	696,676	540,322	38.14
Undeveloped Commercial	1	1,332,817	78,013	-	-
Undeveloped Residential	-	-	-	-	-
Total	<u>1,333</u>	<u>\$ 381,219,401</u>	<u>\$ 1,904,630</u>	<u>\$ 1,416,671</u>	<u>100.00%</u>

⁽¹⁾ Represents units not parcels.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2013.

⁽³⁾ Pursuant to the Rate and Method for CFD 08-I, 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. See "SPECIAL RISK FACTORS—Insufficiency of Special Taxes."

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. 08-I) is calculated as follows: (1) for Residential Property, \$800 per unit plus \$.35 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. 08-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 projected Special Tax levy for CFD No. 08-I in Fiscal Year 2013-14 is \$1,416,671, which is approximately 74.39% of the maximum Assigned Special Tax for all property in CFD No. 08-I and approximately 77.56% of the maximum Assigned Special Tax for all Developed Property in CFD No. 08-I.

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Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 08-I for Fiscal Years 2007-08 through 2012-13.

TABLE 36
CFD NO. 08-I
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2007-08 TO 2012-13

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End⁽¹⁾</i>			<i>Delinquencies as of June 30, 2013</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>
2007-08	\$1,621,697	1,193	116	\$121,513	7.49%	-	\$ -	0.00%
2008-09	1,619,660	1,235	121	122,345	7.55	1	1,219	0.08
2009-10	1,619,286	1,269	53	57,300	3.54	2	1,803	0.11
2010-11	1,622,288	1,305	24	24,504	1.51	3	2,911	0.18
2011-12	1,617,387	1,332	31	27,154	1.68	6	5,714	0.35
2012-13	1,615,535	1,332	27	25,569	1.58	27	25,569	1.58

⁽¹⁾ As of June 30 of each Fiscal Year.

Source: NBS.

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Direct and Overlapping Debt. The property within CFD No. 08-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. The table below sets forth the direct and overlapping debt for CFD No. 08-I as of May 1, 2013. As of May 1, 2013, the Prior Special Tax Bonds for CFD 08-I were outstanding in the amount of \$18,280,000. The Special Tax Refunding Bonds for CFD 08-I will be issued in the amount of \$16,345,000.

**TABLE 37⁽¹⁾
DIRECT AND OVERLAPPING DEBT
CFD NO. 08-I**

2012-13 Local Secured Assessed Valuation: \$383,270,116 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/13</u>
Metropolitan Water District General Obligation Bonds	0.018%	\$ 30,100
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	3.622	225,820
Southwestern Community College District General Obligation Bonds	0.924	2,179,864
Sweetwater Union High School District General Obligation Bonds	1.104	3,989,839
Chula Vista City School District General Obligation Bonds	1.599	1,061,830
Sweetwater Union High School District Community Facilities District No. 15	100.000	7,402,358
City of Chula Vista Community Facilities District No. 08-I	100.000	<u>18,280,000</u>⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$33,169,811
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.110%	\$ 400,352
San Diego County Pension Obligations	0.110	754,977
San Diego County Superintendent of Schools Obligations	0.110	17,487
Otay Municipal Water District Certificates of Participation	1.676	942,510
Southwestern Community College District General Fund Obligations	0.924	11,505
Sweetwater Union High School District Certificates of Participation	1.104	66,589
Chula Vista City School District Certificates of Participation	1.599	2,247,983
City of Chula Vista Certificates of Participation	1.827	<u>2,345,710</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$6,787,113
Less: Otay Municipal Water District Certificates of Participation		<u>942,510</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$5,844,603
 GROSS COMBINED TOTAL DEBT		 \$39,956,924 ⁽²⁾
NET COMBINED TOTAL DEBT		\$39,014,414

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$18,280,000)	4.77%
Total Direct and Overlapping Tax and Assessment Debt.....	8.65%
Gross Combined Total Debt	10.43%
Net Combined Total Debt.....	10.18%

(1) Excludes refunding issue to be sold.

(2) 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. 08-I in Fiscal Year 2012-13. The estimated tax rates and amounts presented are based on information for Fiscal Year 2012-13 as the tax rates and charges for Fiscal Year 2013-14 are not yet available. For Fiscal Year 2012-13, the projected total effective tax for a residential unit with an assessed value approximately equal to the average was 2.13% of assessed value. If the Special Tax was levied at the full amount of the Assigned Special Tax allowed under the CFD 08-I Rate and Method, the total effective tax rate would have been approximately 2.18% of assessed value. See Appendix F — “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.” It is not expected that the maximum percentage will be reached. The actual effective tax rates for individual parcels within CFD No. 08-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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**TABLE 38
SAMPLE TAX BILL
CFD NO. 08-I
TAX YEAR 2012-2013**

Land Use: Residential
2012-13 Local Secured Assessed Valuation (includes \$7,000 HOE): \$ 365,000.00

Ad Valorem Taxes:

	<i>Rate per \$100</i>	<i>Amount</i>
1% Tax On Net Value	100%	\$ 3,650.00
Voter Approved Bonds:		
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998C	0.00%	\$ -
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998D	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998E	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998F	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998G	0.00	16.72
Gen Bond Chula Vista-Prop JJ 11/03/1998, 2005 Ref	0.01	35.3
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00	16.13
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.01	24.05
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00	16.02
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000B	0.01	30.73
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.02	61.69
Hi Bond Sweetwater-Prop O 11/07/2006, Series 2007	0.03	105.52
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.01	23.76
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2004	0.00	0
Southwestern Comm Coll-Prop AA 11/07/00, 2005B Ref	0.01	42.45
Southwestern Comm Coll-Prop R 11/04/08 Ser 2009A	0.00	6.5
Southwestern Comm Coll-Prop R 11/04/08 Ser 2009B	0.01	38.65
Southwestern Comm Coll-Prop R 11/04/08 Ser 2010C	0.01	25.62
Southwestern Comm Coll-Prop R 11/04/08 Ser 2010D	0.00	0
Otay Water Imp Dist No 27-Debt Service (Water)	0.01	18.25
MWD D/S Remainder Of SDCWA 15019999	<u>0.00</u>	<u>12.78</u>
Total On Net Value	100.13%	\$ 4,124.17

FIXED CHARGE ASSMTS:

CFD 08M Imp Area 2		\$ 544.52
MWD Wtr Standby Chrg		11.50
Sweetwater Hi CFD#15		855.90
CFD 08-I O R Vlg 6		1,415.50
Mosquito Surveillanc		2.28
CFD 97-2		5.12
Chula V. Elem CFD#15		778.08
CWA Wtr Availability		10.00
Water Availability		10.00
Vector Disease Ctrl		<u>5.86</u>
Total Direct Charges		\$ 3,638.76

Total Taxes \$ 7,762.93
As a Percentage of the 2012-13 Local Secured Assessed Valuation 2.13%

Source: NBS.

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. 08-I within certain ranges based on the Fiscal Year 2012-13 assessed value of the property upon which Special Taxes could have been levied, the principal amount of the CFD No. 08-I Special Tax Refunding Bonds and the overlapping debt payable from taxes and assessments on the taxable property within CFD No. 08-I as of May 23, 2013, as shown in Table 37. Based on this information, the estimated value-to-lien ratio for CFD No. 08-I is 12.27-to-1. Table 39-A uses Fiscal Year 2012-13 information as overlapping indebtedness for Fiscal Year 2013-14 is not yet available.

Table 39-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 08-I and within certain ranges based on the Fiscal Year 2013-14 assessed value of the property upon which Special Taxes will be levied, the projected Fiscal Year 2013-14 Special Tax levy and the principal amount of the CFD No. 08-I Special Tax Refunding Bonds. Based on this information the estimated value-to-lien ratio for CFD No. 08-I is 23.32 to 1 for the Developed Property upon which Special Taxes will be levied in Fiscal Year 2013-14.

TABLE 39-A
CFD NO. 08-I
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES
INCLUDING DIRECT AND OVERLAPPING DEBT

<i>Estimated Assessed Value-to-Lien Ratio⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Fiscal Year 2012-13 Special Tax Levy</i>	<i>% of Fiscal Year 2012-13 Special Tax Levy</i>	<i>Fiscal Year 2012-13 Assessed Value⁽²⁾</i>	<i>Total Direct & Overlapping Tax & Assessment Debt⁽³⁾</i>
0.00 to 2.99:1	0	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	1	1,115	0.07	78,130	17,444
5.00 to 9.99:1	111	120,219	7.44	19,654,412	2,045,415
10.00 to 14.99:1	1,219	1,493,182	92.43	362,230,890	29,136,023
15.00 to 19.99:1	1	1,020	0.06	207,000	10,315
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	<u>1</u>	<u>-</u>	<u>0.00</u>	<u>1,306,684</u>	<u>25,613</u>
Totals*	1,333	\$ 1,615,535	100.00%	\$ 383,477,116	\$ 31,234,811

* Totals include 1 parcel that is currently undeveloped and therefore not attributed an outstanding bond amount.

(1) Calculated for each parcel by dividing its assessed value by its allocable share of direct and overlapping debt.

(2) Total Assessed Value per County of San Diego as of January 1, 2012.

(3) Total includes Special Tax Refunding Bonds in the amount of \$16,345,000 and the overlapping tax and assessment debt taken from Table 37 as calculated by California Municipal Statistics, Inc.

Source: NBS.

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TABLE 39-B
CFD NO. 08-I
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES
INCLUDING DIRECT DEBT ONLY

<i>Estimated Assessed Value-to-Lien Ratio⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>Total Assessed Value⁽²⁾</i>	<i>Special Tax Refunding Bonds⁽³⁾</i>
0.00 to 2.99:1	0	\$ -	0.00%	\$-	\$ -
3.00 to 4.99:1	0	-	0.00	-	-
5.00 to 9.99:1	1	977	0.07	79,691	11,277
10.00 to 14.99:1	21	19,375	1.37	3,208,572	223,541
15.00 to 19.99:1	518	497,708	35.13	103,905,363	5,742,363
20.00 to 24.99:1	454	464,276	32.77	119,131,985	5,356,634
25.00 to 29.99:1	332	408,292	28.82	126,013,647	4,710,714
30.00 to 39.99:1	5	6,836	0.48	2,547,326	78,869
Greater than 40:1	1	19,207	1.36	25,000,000	221,602
Undeveloped Parcels	<u>1</u>	<u>-</u>	<u>0.00</u>	<u>1,332,817</u>	<u>-</u>
Totals*	1,333	\$ 1,416,671	100.00%	\$ 381,219,401	\$ 16,345,000

* Totals do not include 1 parcel that is currently undeveloped and therefore not attributed an outstanding bond amount.

(1) Calculated for each parcel by dividing its assessed value by its allocable share of Special Tax Refunding Bonds.

(2) Total Assessed Value per County of San Diego as of January 1, 2013.

(3) Reflects principal amount of Special Tax Refunding Bonds.

Source: NBS.

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Top Ten Property Owners. Table 40 below sets forth the top ten property owners in CFD No. 08-I based on the projected Special Tax levy for Fiscal Year 2013-14.

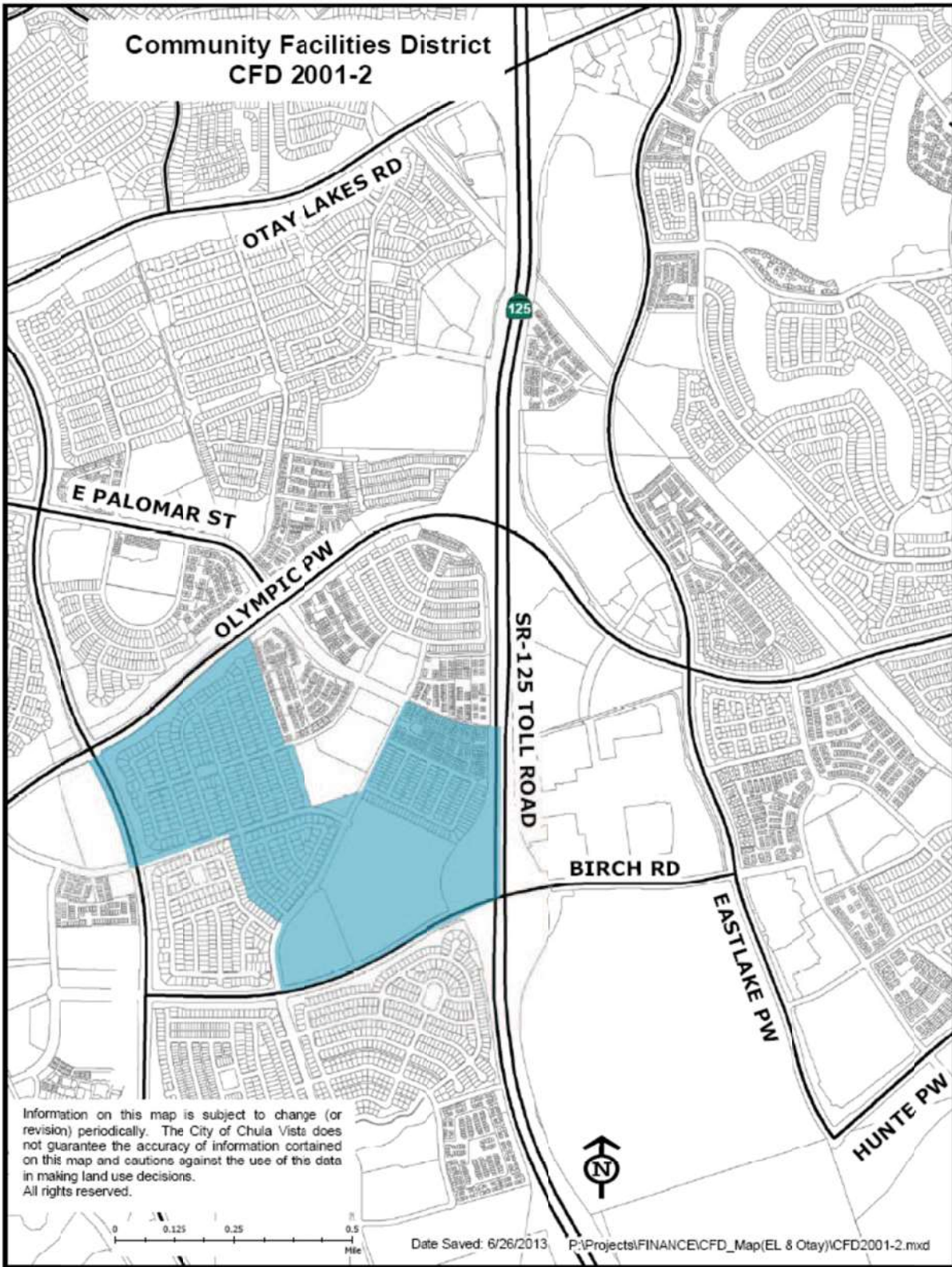
**TABLE 40
CFD NO. 08-I
TOP TEN PROPERTY OWNERS**

<i>Owner</i>	<i>Total Value⁽¹⁾</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>Parcel Count</i>
Otay Ranch Fourteen L L C	\$ 25,000,000	\$ 19,207	1.36%	1
Federal National Mortgage Assn	1,575,000	6,756	0.48	7
Mich Dos L L C	838,384	3,145	0.22	3
Toby Puck L L C	792,540	3,145	0.22	3
Grilmar Investments L L C	554,000	2,960	0.21	3
Recasas Jeffrey S & Hazelle L	613,000	2,438	0.17	2
Bank Of America	557,677	2,050	0.14	2
Alegria Real Estate Fund III L L C	468,000	2,032	0.14	2
N I N Warrior L L C	465,304	2,030	0.14	2
Shin Jung Hyun & Lee Seung Hee	466,393	2,007	0.14	2
All Others	<u>349,889,103</u>	<u>1,370,903</u>	<u>96.77</u>	<u>1,306</u>
Total	\$ 381,219,401	\$ 1,416,671	100.00%	1,333

⁽¹⁾ Total Assessed Value per County of San Diego as of January 1, 2013.
Source: NBS.

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**Community Facilities District
CFD 2001-2**



Information on this map is subject to change (or revision) periodically. The City of Chula Vista does not guarantee the accuracy of information contained on this map and cautions against the use of the data in making land use decisions. All rights reserved.

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Community Facilities District No. 2001-2

Location and Description. Community Facilities District No. 2001-2 (“CFD No. 2001-2”) includes 481 single-family detached residences and 213 single-family attached residences on approximately 215 gross acres. The first building permits in CFD No. 2001-2 were issued on September 18, 2003 and the last certificates of occupancy were issued on October 12, 2005. The residences range in size from 1,245 square feet to 3,864 square feet. There are no remaining undeveloped parcels in CFD No. 2001-2.

Table 41 sets forth the historical assessed values for the taxable property in CFD No. 2001-2 on an aggregate basis for each of the last seven fiscal years. Between Fiscal Years 2007-08 and 2013-14, assessed values in the CFD No. 08-I declined by approximately 37.7% due to significant declines in home values beginning in 2007.

**TABLE 41
CFD NO. 2001-2
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Land Value⁽¹⁾</i>	<i>Structure Value⁽¹⁾</i>	<i>Total Assessed Value⁽¹⁾</i>	<i>% change in Total Assessed Value</i>
2007-08	\$176,838,897	\$243,397,346	\$420,236,243	-
2008-09	155,145,822	213,171,610	368,317,432	-12.35%
2009-10	111,718,891	158,228,448	269,947,339	-26.71
2010-11	106,715,917	156,019,771	262,735,688	-2.67
2011-12	106,700,464	158,446,726	265,147,190	0.92
2012-13	105,146,500	157,236,021	262,382,521	-1.04
2013-14	104,379,603	157,353,974	261,733,577	-0.25

⁽¹⁾ Total Assessed Value per County of San Diego as of the January 1 preceding each Fiscal Year.
Source: NBS.

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Assigned Special Taxes. Table 42 below sets forth the Assigned Special Taxes expected to be levied on the property within CFD No. 2001-2 in Fiscal Year 2013-14 based on the development status within CFD No. 2001-2 as of March 1, 2013. The Special Taxes in CFD No. 2001-2 may not be levied after the 2037-38 Fiscal Year. The final maturity of the CFD No. 2001-2 Bonds is September 1, 2033.

**TABLE 42
CFD NO. 2001-2
ASSIGNED SPECIAL TAXES**

<i>Development Status</i>	<i>No. of Parcels /Units</i>	<i>Total Assessed Value⁽²⁾</i>	<i>Maximum Assigned Special Tax⁽³⁾</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>
Developed Commercial	-	-	-	-	0.00%
Developed Residential - Attached	213 ⁽¹⁾	\$ 52,842,259	\$ 205,040	\$ 157,255	22.96
Developed Residential - Detached	481	208,891,318	687,980	527,642	77.04
Undeveloped Commercial	-	-	-	-	0.00
Undeveloped Residential	-	-	-	-	0.00
Total	<u>694</u>	<u>\$ 261,733,577</u>	<u>\$ 893,020</u>	<u>\$ 684,898</u>	<u>100.00%</u>

⁽¹⁾ Represents units not parcels.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2013.

⁽³⁾ Pursuant to the Rate and Method for CFD No. 2001-2, 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. See "SPECIAL RISK FACTORS—Insufficiency of Special Taxes."

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. 2001-2) is calculated as follows: (1) for Residential Property, \$440 per unit plus \$.34 per square foot of Residential Floor Area, and (2) for Non-Residential Property, \$11,365 per Acre. The terms "Residential Property", "Residential Floor Area", "Non-Residential Property" and "Acre" are defined in the Rate and Method for CFD No. 2001-2 included in Appendix F — "RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS."

As shown in Table 42 above, the projected Special Tax levy for CFD No. 2001-2 in Fiscal Year 2013-14 is \$684,898, which is approximately 76.69% of the maximum Assigned Special Tax for all property in CFD No. 2001-2.

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Delinquencies. The following table is a summary of Special Tax levies, collections and delinquency rates in CFD No. 2001-2 for Fiscal Years 2007-08 through 2012-13.

TABLE 43
CFD NO. 2001-2
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2007-08 TO 2012-13

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies at Fiscal Year End⁽¹⁾</i>			<i>Delinquencies as of June 30, 2013</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>
2007-08	\$748,659	685	73	68,744	9.18%	-	\$ -	0.00%
2008-09	781,581	686	57	53,008	6.78	-	-	0.00
2009-10	784,443	686	15	15,192	1.94	1	1,290	0.16
2010-11	786,037	686	15	12,446	1.58	-	-	0.00
2011-12	781,685	687	21	21,476	2.75	5	4,472	0.57
2012-13	786,675	694	9	8,929	1.14	9	8,929	1.14

⁽¹⁾ As of June 30 of each Fiscal Year.
Source: NBS.

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Direct and Overlapping Debt. The property within CFD No. 2001-2 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. The table below sets forth the direct and overlapping debt for CFD No. 2001-2 as of May 1, 2013. As of May 1, 2013, the Prior Special Tax Bonds for CFD 2001-2 were outstanding in the amount of \$8,585,000. The Special Tax Refunding Bonds for CFD 2001-2 will be issued in the amount of \$7,405,000.

**TABLE 44⁽¹⁾
DIRECT AND OVERLAPPING DEBT
CFD NO. 2001-2**

2012-13 Local Secured Assessed Valuation: \$262,382,521 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/13</u>
Metropolitan Water District General Obligation Bonds	0.012%	\$ 20,550
Otay Municipal Water District, I.D. No. 27 General Obligation Bonds	2.622	163,471
Southwestern Community College District General Obligation Bonds	0.631	1,488,261
Sweetwater Union High School District General Obligation Bonds	0.754	2,723,986
Chula Vista City School District General Obligation Bonds	1.092	724,944
Sweetwater Union High School District Community Facilities District No. 11	40.605	6,412,596
City of Chula Vista Community Facilities District No. 2001-2	100.000	<u>8,585,000</u>⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$20,118,808
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.068%	\$ 273,333
San Diego County Pension Obligations	0.068	515,446
San Diego County Superintendent of Schools Obligations	0.068	11,939
Otay Municipal Water District Certificates of Participation	1.144	643,481
Southwestern Community College District General Fund Obligations	0.631	7,855
Sweetwater Union High School District Certificates of Participation	0.754	45,463
Chula Vista City School District	1.092	1,534,767
City of Chula Vista Certificates of Participation	1.248	<u>1,601,489</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$4,633,773
Less: Otay Municipal Water District Certificates of Participation (100% supported)		<u>643,481</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$3,990,292
 GROSS COMBINED TOTAL DEBT		 \$24,752,581 ⁽²⁾
NET COMBINED TOTAL DEBT		\$24,109,100

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$8,585,000)	3.27%
Total Direct and Overlapping Tax and Assessment Debt.....	7.67%
Gross Combined Total Debt	9.43%
Net Combined Total Debt.....	9.19%

⁽¹⁾ Excludes refunding issue to be sold.

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

Source: California Municipal Statistics, Inc.

Table 45 below sets forth a sample property tax bill for a residential unit with an assessed value approximately equal to the average assessed value for all residential units in CFD No. 2001-2 in Fiscal Year 2012-13. The estimated tax rates and amounts presented are based on information for Fiscal Year 2012-13 as the tax rates and charges for Fiscal Year 2013-14 are not yet available. For Fiscal Year 2012-13, the projected total effective tax for a residential unit with an assessed value approximately equal to the average was 2.23% of assessed value. If the Special Tax was levied at the full amount of the Assigned Special Tax allowed under the CFD 2001-2 Rate and Method, the total effective tax rate would have been approximately 2.27% of assessed value. See Appendix F — “RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAXES FOR THE COMMUNITY FACILITIES DISTRICTS.” It is not expected that the maximum percentage will be reached. The actual effective tax rates for individual parcels within CFD No. 2001-1 will vary from the effective tax rate shown in Table 45 and the actual total effective tax rate is expected to vary and may increase in future years.

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**TABLE 45
SAMPLE TAX BILL
CFD NO. 2001-2
TAX YEAR 2012-2013**

Land Use: Residential
2012-13 Local Secured Assessed Valuation (includes \$7,000 HOE): \$ 376,000.00

Ad Valorem Taxes:

	<i>Rate per \$100</i>	<i>Amount</i>
1% Tax On Net Value	100%	\$ 3,760.00
Voter Approved Bonds:		
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998C	0.00%	\$ -
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998D	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998E	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998F	0.00	0
Gen Bond Chula Vista-Prop JJ 11/03/1998, Ser 1998G	0.00	17.22
Gen Bond Chula Vista-Prop JJ 11/03/1998, 2005 Ref	0.01	36.36
Gen Bond Chula Vista-Prop JJ 11/03/98, 2010 Ref	0.00	16.62
Gen Bond Chula Vista-Prop JJ 11/03/98, 2012 Ref	0.01	24.78
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000A	0.00	16.51
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000B	0.01	31.66
Hi Bond Sweetwater-Prop BB 11/07/2000, Ser 2000C	0.02	63.54
Hi Bond Sweetwater-Prop O 11/07/2006, Series 2007	0.03	108.7
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2000	0.01	24.48
Southwestern Comm Coll-Prop AA 11/07/00, Ser 2004	0.00	0
Southwestern Comm Coll-Prop AA 11/07/00, 2005B Ref	0.01	43.73
Southwestern Comm Coll-Prop R 11/04/08 Ser 2009A	0.00	6.69
Southwestern Comm Coll-Prop R 11/04/08 Ser 2009B	0.01	39.82
Southwestern Comm Coll-Prop R 11/04/08 Ser 2010C	0.01	26.4
Southwestern Comm Coll-Prop R 11/04/08 Ser 2010D	0.00	0
Otay Water Imp Dist No 27-Debt Service (Water)	0.01	18.8
MWD D/S Remainder Of SDCWA 15019999	<u>0.00</u>	<u>13.16</u>
Total On Net Value	100.13%	\$ 4,248.47

FIXED CHARGE ASSMTS:

MWD Wtr Standby Chrg		\$ 11.50
Mosquito Surveillanc		2.28
Sweetwater Hi CFD#11		978.18
CFD08M Otay Rch V1 6		1,119.90
Vector Disease Ctrl		5.86
CFD 97-2		5.98
Water Availability		10.00
CWA Wtr Availability		10.00
CFD 2001-2 Mcmillin		1,184.90
Chula V. Elem CFD#11		<u>790.02</u>
Total Direct Charges		\$ 4,118.62

Total Taxes \$ 8,367.09
As a Percentage of CFD No. 2001-2's Total 2012-13 Assessed Valuation 2.23%

Source: NBS.

Value-To-Lien Ratios. Table 46-A below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 2001-2 within certain ranges based on the Fiscal Year 2012-13 assessed value of the property upon which Special Taxes could have been levied, the principal amount of the CFD No. 2001-2 Special Tax Refunding Bonds and the overlapping debt payable from taxes and assessments on the taxable property within CFD No. 2001-2 as of May 23, 2013, as shown in Table 44. Based on this information, the estimated value-to-lien ratio for CFD No. 2001-2 is 13.85 to 1. Table 46-A uses Fiscal Year 2012-13 information as overlapping indebtedness for Fiscal Year 2013-14 is not yet available.

Table 46-B below sets forth the estimated assessed value-to-lien ratio of all the taxable property in CFD No. 2001-2 and within certain ranges based on the Fiscal Year 2013-14 assessed value of the property upon which Special Taxes will be levied, the projected Fiscal Year 2013-14 Special Tax levy and the principal amount of the CFD No. 2001-2 Special Tax Refunding Bonds. Based on this information the estimated value-to-lien ratio is 35.35 to 1.

TABLE 46-A
CFD NO. 2001-2
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES
INCLUDING DIRECT AND OVERLAPPING DEBT

<i>Estimated Assessed Value-to-Lien Ratio⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Fiscal Year 2012-13 Special Tax Levy</i>	<i>% of Fiscal Year 2012-13 Special Tax Levy</i>	<i>Fiscal Year 2012-13 Assessed Value⁽²⁾</i>	<i>Total Direct & Overlapping Tax & Assessment Debt⁽³⁾</i>
0.00 to 2.99:1	0	\$ -	0.00%	\$ -	\$ -
3.00 to 4.99:1	1	1,201	0.15	112,323	24,343
5.00 to 9.99:1	4	3,678	0.47	729,094	77,076
10.00 to 14.99:1	612	698,127	88.74	228,040,327	16,753,901
15.00 to 19.99:1	72	78,823	10.02	30,698,920	1,951,463
20.00 to 24.99:1	5	4,846	0.62	2,801,857	132,025
25.00 to 29.99:1	0	-	0.00	-	-
30.00 to 39.99:1	0	-	0.00	-	-
Greater than 40:1	<u>0</u>	<u>-</u>	<u>0.00</u>	<u>-</u>	<u>-</u>
Totals	694	\$ 786,675	100.00%	\$ 262,382,521	\$ 18,938,808

⁽¹⁾ Calculated for each parcel by dividing its assessed value by its allocable share of direct and overlapping debt.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2012.

⁽³⁾ Total includes Special Tax Refunding Bonds in the amount of \$7,405,000 and the overlapping tax and assessment debt taken from Table 44 as calculated by California Municipal Statistics, Inc.

Source: NBS.

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TABLE 46-B
CFD NO. 2001-2
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES
INCLUDING DIRECT DEBT ONLY

<i>Estimated Assessed Value-to-Lien Ratio⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>Fiscal Year 2013-14 Assessed Value⁽²⁾</i>	<i>Special Tax Refunding Bonds⁽³⁾</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	1	1,046	0.15	114,568	11,309
15.00 to 19.99:1	0	-	0.00	-	-
20.00 to 24.99:1	13	9,300	1.36	2,395,191	100,547
25.00 to 29.99:1	64	46,708	6.82	14,400,803	505,001
30.00 to 39.99:1	563	572,329	83.56	219,505,298	6,187,925
Greater than 40:1	<u>53</u>	<u>55,515</u>	<u>8.11</u>	<u>25,317,717</u>	<u>600,219</u>
Totals	694	\$ 684,898	100.00%	\$ 261,733,577	\$ 7,405,000

⁽¹⁾ Calculated for each parcel by dividing its assessed value by its allocable share of Special Tax Refunding Bonds. There are no undeveloped parcels in CFD No 2001-2.

⁽²⁾ Total Assessed Value per County of San Diego as of January 1, 2013.

⁽³⁾ Reflects principal amount of Special Tax Refunding Bonds.

Source: NBS.

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Top Ten Property Owners. Table 47 below sets forth the top ten property owners in CFD No. 2001-2 based on the projected Special Tax levy for Fiscal Year 2013-14.

**TABLE 47
CFD NO. 2001-2
TOP TEN PROPERTY OWNERS**

<i>Owner</i>	<i>Total Value⁽¹⁾</i>	<i>Projected Fiscal Year 2013-14 Special Tax Levy</i>	<i>% of Projected Fiscal Year 2013- 14 Special Tax Levy</i>	<i>Parcel Count</i>
Chula Vista Encore L P	\$ 1,288,000	\$ 3,437	0.50%	3
Radoc Manuel V & Janet E	957,643	2,294	0.33	2
Moschese Massimo	762,607	2,120	0.31	2
Eastlake Properties L L C	658,998	1,345	0.20	2
Agbayani Orlino L & Rosie B	488,000	1,345	0.20	1
Avelino Roland B & Gloria D	481,000	1,345	0.20	1
Cabral Lucia	543,000	1,345	0.20	1
Doria Salvador I & Ruby A	496,000	1,345	0.20	1
Espanol Lolita L	556,000	1,345	0.20	1
Gonzalez Ronaldo R & Indrani	479,400	1,345	0.20	1
All Others	<u>255,022,929</u>	<u>667,632</u>	<u>97.48</u>	<u>679</u>
Total	\$ 261,733,577	\$ 684,898	100.00%	694

⁽¹⁾ Total Assessed Value per County of San Diego as of January 1, 2013.
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. The assessed value of the parcels within the Community Facilities Districts has declined by approximately 29% since 2007 and it is likely that there are homeowners within the Community Facilities Districts with little or no equity in their homes.

The recent decline in home values in the Taxing Jurisdictions and any future declines 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, bankruptcies are likely to increase. 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. Recently, several counties in the State, including the County of San Diego, have reassessed certain properties acquired in recent years at the peak of the real estate market. The Authority is aware that the County of San Diego Assessor made reductions in Fiscal Year 2008-09 and 2009-10 assessed values within the Taxing Jurisdictions and the City generally. The Authority cannot predict whether the County of San Diego will further reduce assessed values within the Taxing Jurisdictions in future years. However, many of the homes within the Taxing Jurisdictions were purchased after 2004 at the height of the San Diego real estate market. 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 2013-14 Assessor's Roll. No assurance can be given that Fiscal Year 2013-14 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, 38, 44 and 45 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 XIII C and Article XIII D

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 XIII C and XIII D 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 XIII C 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.

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 De La Rosa & Co. and Stifel, Nicolaus & Company, Incorporated (the “Underwriters”) pursuant to a Bond Purchase Agreement, dated July 30, 2013 (the “Purchase Agreement”), by and among the Underwriters, the Authority and the Community Facilities Districts. The Underwriters have agreed to purchase the Bonds at a price of \$74,978,241.80 (being the aggregate principal amount thereof, plus a net original issue premium of \$3,166,641.80 and less an Underwriter’s discount of \$288,400.00). The Purchase Agreement provides that the Underwriters 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 Underwriters 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 Underwriters.

De La Rosa & Co., one of the Underwriters of the Bonds, has entered into separate agreements with Credit Suisse Securities USA LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Bonds, De La Rosa & Co. will share a portion of its underwriting compensation with respect to the Bonds, with Credit Suisse Securities USA LLC or City National Securities, Inc.

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 Underwriters 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, subject, however, to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority, the City and the Community Facilities Districts comply with all requirements of the Internal Revenue Code of 1986 (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority, the City and the Community Facilities Districts will covenant to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

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.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes.

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.

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 recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

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).

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. 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 federal or state tax consequences arising with respect to the Bonds other than as expressly described above. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

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 Underwriters 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 Underwriters 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.

Ratings

The District received the rating of “BBB+” on the Bonds from Standard & Poor’s Rating Services, a Standard & Poor’s Financial Services LLC business (“S&P”). The District expects that S&P will assign the Insured Bonds the rating of “AA” based upon the delivery of the Policy by BAM at the time of issuance of the Bonds. See “BOND INSURANCE” herein. 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 2012-13; 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 Underwriters 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 have not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events in the last five years. The Authority has not previously entered into an undertaking with regard to the Rule. The full text of the Continuing Disclosure Agreement is set forth in Appendix D.

Miscellaneous

All of the preceding summaries of the Indenture, 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: /s/ Jim Sandoval
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 2013 estimated population of 251,613, 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 2009 and 2013.

**TABLE NO. A-1
POPULATION
2008 - 2012**

<i>Year</i>	<i>Chula Vista</i>	<i>San Diego County</i>
2009	239,369	3,064,436
2010	243,712	3,091,579
2011	245,987	3,115,810
2012	249,382	3,143,429
2013	251,613	3,150,178

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts*, Sacramento, CA, August 2011 and *E-4 City/County Population Estimates, 2011-2013, with 2010 Benchmark*, Sacramento, CA, May 2012.

Employment and Industry

The following table summarizes the civilian labor force, civilian employment and civilian unemployment figures over the period from 2008 through 2012 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⁽¹⁾</i>	<i>Civilian Unemployment⁽²⁾</i>	<i>Civilian Unemployment Rate⁽³⁾</i>
2008				
Chula Vista	90,400	84,100	6,400	7.0%
San Diego County	1,548,200	1,455,600	92,700	6.0
California	18,203,100	16,890,000	1,313,100	7.2
United States ⁽⁴⁾	154,287,000	145,362,000	8,924,000	5.8
2009				
Chula Vista	91,400	81,200	10,200	11.2%
San Diego County	1,554,200	1,405,000	149,200	9.6
California	18,208,300	16,144,500	2,063,900	11.3
United States	154,142,000	139,877,000	14,265,000	9.3
2010				
Chula Vista	92,600	81,300	11,300	12.3%
San Diego County	1,572,600	1,407,100	165,600	10.5
California	18,316,400	16,051,500	2,264,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011				
Chula Vista	93,200	82,400	10,800	11.6%
San Diego County	1,583,800	1,426,100	157,700	10.0
California	18,384,900	16,226,600	2,158,300	11.7
United States	153,617,000	139,869,000	13,747,000	8.9
2012				
Chula Vista	93,900	84,100	9,800	10.4%
San Diego County	1,599,200	1,456,300	142,800	8.9
California	18,494,000	16,560,300	1,934,500	10.5
United States	154,975,000	142,469,000	12,506,000	8.1

Note: Data is not seasonally adjusted.

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

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

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

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

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

The following table shows industry employment figures for the San Diego-Carlsbad-San Marcos MSA for calendar years 2008 through 2012. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the MSA.

TABLE NO. A-3
SAN DIEGO-CARLSBAD-SAN MARCOS MSA
INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE
Calendar Years 2008 through 2012

	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Civilian Labor Force	1,548,200	1,554,200	1,572,600	1,583,800	1,599,200
Civilian Employment	1,455,600	1,405,000	1,407,100	1,426,100	1,456,300
Civilian Unemployment	92,700	149,200	165,500	157,700	142,800
Civilian Unemployment Rate	6.0%	9.6%	10.5%	10.0%	8.9%
Total Farm	10,500	9,500	10,500	10,000	9,800
Total Nonfarm	1,298,700	1,231,400	1,222,800	1,231,200	1,258,800
Total Private	1,073,600	1,006,900	992,400	1,002,700	1,031,300
Goods Producing	179,200	156,800	148,600	148,400	150,200
Mining and Logging	400	400	400	400	400
Construction	76,100	61,100	55,300	55,200	56,300
Manufacturing	102,800	95,300	92,900	92,800	93,400
Service Providing	1,119,500	1,074,600	1,074,200	1,082,800	1,108,700
Trade, Transportation & Utilities	215,900	199,600	197,300	199,000	206,800
Wholesale Trade	44,900	40,600	40,100	40,700	43,500
Retail Trade	142,000	131,600	130,700	132,200	148,100
Transportation, Warehousing & Utilities	29,000	27,400	26,500	26,100	27,600
Information	31,400	28,200	25,100	24,000	24,600
Financial Activities	75,200	69,800	67,200	66,800	69,500
Professional & Business Services	222,300	206,800	207,700	211,500	215,500
Educational & Health Services	137,300	144,300	145,500	149,100	154,500
Leisure and Hospitality	164,000	154,800	154,800	156,900	161,000
Other Services	48,400	46,800	46,200	47,100	49,300
Government	<u>225,100</u>	<u>224,500</u>	<u>230,400</u>	<u>228,400</u>	<u>227,600</u>
Total, All Industries	<u>1,309,300</u>	<u>1,240,900</u>	<u>1,233,300</u>	<u>1,241,200</u>	<u>1,268,600</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 2012 Benchmark*.

The major employers operating within the City and their respective number of employees as of June 30, 2012 are as follows:

<i>Name of Company</i>	<i>Employment</i>	<i>Type of Business/Product</i>
Sweetwater Union High School District	3,911	Education
Chula Vista Elementary School District	2,727	Education
Rohr DBA Goodrich Aerospace	2,167	Aerospace Manufacturing
Sharp Chula Vista Medical Center	1,735	Hospital
Southwestern Community College	1,716	Education
City of Chula Vista	1,106	Government
Scripps Mercy Hospital Chula Vista	1,109	Hospital
Wal-Mart	1,239	General Merchandise
Costco	538	Retail
24 Hour Fitness	475	Health 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 2007 through 2011.

**TABLE NO. A-4
PER CAPITAL PERSONAL INCOME
2007 - 2011**

<i>Year</i>	<i>San Diego County</i>	<i>State of California</i>	<i>United States</i>
2007	\$45,768	\$43,211	\$39,506
2008	47,197	44,003	40,947
2009	44,107	41,034	38,637
2010	44,951	41,893	39,791
2011	46,800	43,647	41,560

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 2007 through 2011.

**TABLE NO. A-5
CITY OF CHULA VISTA
TOTAL TAXABLE TRANSACTIONS
(in Thousands)
2007 – 2011**

<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>
2007	2,350,689	2,285	2,599,523	4,277
2008	2,226,573	2,353	2,476,218	4,328
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

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)
2007 - 2011**

	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
Residential	\$ 122,486,454	\$ 59,983,313	\$ 60,719,922	\$ 109,274,635	\$ 140,672,439
Non-Residential	<u>74,148,582</u>	<u>33,852,503</u>	<u>21,159,969</u>	<u>28,134,101</u>	<u>30,276,573</u>
Total Valuation	<u>\$ 196,635,036</u>	<u>\$ 93,835,816</u>	<u>\$ 81,879,891</u>	<u>\$ 137,408,736</u>	<u>\$ 170,949,012</u>
 Total Permits	 578	 333	 266	 518	 722

Source: Construction Industry Research Board.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF BOND DOCUMENTS

The following is a summary of selected provisions of the Authority Indenture of Trust and the Fiscal Agent Agreements. The provisions of the separate Fiscal Agent Agreements for each Series of the Special Tax Refunding Bonds are substantially equivalent, except where specified otherwise in this summary. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the documents summarized herein. Purchasers of the Bonds are referred to the complete text of each respective document, copies of which are available upon request from the Trustee.

Authority Indenture

Definitions.

The capitalized terms set forth in the Authority Indenture are defined as follows:

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

“Agreement” means that certain Joint Exercise of Powers Agreement, dated June 11, 2013, by and between the City and the Housing Authority and as hereafter duly amended and supplemented from time to time, creating the Authority for the purposes, among other things, of assisting the City and the Housing Authority in the financing and refinancing of Public Capital Improvements, as such term is defined in the Bond Law.

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

“Assistant Director of Finance” means the Assistant Director of Finance of the City.

“Authority” means the Chula Vista Municipal Financing Authority, a joint powers authority organized and existing under the Agreement and under and by virtue of the laws of the State of California.

“Authority Administrative Expenses” means all actual costs and expenses incurred in connection with the administration of the Bonds, including but not limited to: (a) the fees and expenses payable to the Trustee, and its counsel, and other Persons for professional services rendered in connection with the administration, continuing disclosure and rebate obligations of or for the Bonds; and (b) fees and expenses of Independent Accountants for preparation of audits required by the Indenture.

“Authorized Denomination” means the principal amount or maturity amount, as applicable, of \$5,000 or any integral multiple thereof.

“Authorized Representative” means: (a) with respect to the Authority, its Chairman, Vice Chairman, Executive Director, Secretary, Treasurer, or any other Person designated as an Authorized Representative of the Authority by a certificate of the Authority signed by its Executive Director and filed with the Community Facilities District, the Authority and the Trustee; (b) with respect to the City, its Mayor, Deputy Mayor, City Manager, Director of Finance, Assistant Director of Finance or any other Person designated as an Authorized Representative of the City by a certificate signed on behalf of the City by its City Manager and filed with the Authority and the Trustee; (c) with respect to each of the Community Facilities Districts, the Authorized Representative of the City, or any other Person designated as an Authorized Representative of the City by a certificate signed on behalf of such Community Facilities District by the City Manager and filed with the Authority and the Trustee; and (d) with respect to the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Authorized Officer, or any Trust Officer of the Trustee, and when used with reference to any act or document also means any other Person authorized to perform such act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee. An Authorized Representative may by written instrument designate any Person to act on his or her behalf.

“BAM” means Build America Mutual Assurance Company, or any successor thereto.

“Bond Counsel” means the law firm of Best Best & Krieger LLP, San Diego, California, and any successor firm or any other firm of nationally recognized bond counsel acceptable to the Authority.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as amended from time to time.

“Bond Purchase Agreement” means an agreement to purchase the Bonds by and among the Underwriter of the Bonds, the Authority, and the Community Facilities Districts.

“Bond Year” means each twelve-month period beginning on September 2 of each year and ending on September 1 of the following year. With respect to the Bonds, the first such Bond Year shall begin on the Closing Date and end on September 1, 2013.

“Bonds” means the \$72,100,000 Chula Vista Municipal Financing Authority Special Tax Revenue Refunding Bonds, Series 2013.

“Business Day” means a day which is not a Saturday, Sunday, or legal holiday on which banking institutions in the State of California, or in any state in which the Principal Office of the Trustee is located, or the New York Stock Exchange are closed. If any payment under the Indenture is due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such previous day.

“Certificate of Authentication” means the Trustee’s Certificate of Authentication, the form of which is attached to the Indenture.

“CFD No. 06-1 Improvement Area A” means Improvement Area A of CFD No. 06-I.

“CFD No. 06-1 Improvement Area B” means Improvement Area B of CFD No. 06-I.

“CFD Bonds Reserve Fund Credit Amount” means, as to each Series of Special Tax Refunding Bonds, that amount equal to the cash deposited in the Reserve Fund on the Closing Date multiplied by a fraction with the numerator equal to the principal of the such Series of Special Tax Bonds and the denominator equal to the aggregate principal of the Special Tax Bonds. The CFD Bond Reserve Fund Credit Amount for each Series of the Special Tax Refunding Bonds is:

- (a) CFD No. 06-I IA A ST Refunding Bonds \$1,917,074.48;
- (b) CFD No. 06-I IA B ST Refunding Bonds \$428,092.48;
- (c) CFD No. 07-I ST Refunding Bonds \$1,582,398.77;
- (d) CFD No. 08-I ST Refunding Bonds \$1,327,736.54; and
- (e) CFD No. 2001-2 ST Refunding Bonds \$601,522.73.

“City” means the City of Chula Vista, a municipal corporation organized under its charter and the laws of the State.

“Closing Date” means the date on which the Bonds are delivered to the Underwriter thereof.

“Community Facilities District” or “CFD” means, individually, CFD No. 06-I, CFD No. 07-I, CFD No. 08-I or CFD No. 2001-2.

“Community Facilities District No. 06-I” or “CFD No. 06-I” means the City of Chula Vista Community Facilities District No. 06-I (Eastlake – Woods, Vistas and Land Swap), a community facilities district formed pursuant to the Mello-Roos Act.

“Community Facilities District No. 07-I” or “CFD No. 07-I” means the City of Chula Vista Community Facilities District No 07-I (Otay Ranch Village Eleven), a community facilities district formed pursuant to the Mello-Roos Act.

“Community Facilities District No. 08-I” or “CFD No. 08-I” means the City of Chula Vista Community Facilities District No. 08-I (Otay Ranch Village Six), a community facilities district formed pursuant to the Mello-Roos Act.

“Community Facilities District No. 2001-2” or “CFD No. 2001-2” means the City of Chula Vista Community Facilities District No. 2001-2 (McMillin – Otay Ranch – Village Six), a community facilities district formed pursuant to the Mello-Roos Act.

“Community Facilities Districts” or “CFDs” means, collectively, CFD No. 06-I, CFD No. 07-I, CFD No. 08-I and CFD No. 2001-2.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority relating to the authorization, issuance, sale and delivery of the Bonds and the Special Tax Refunding Bonds, including but not limited to underwriter’s discount, printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges and first annual administrative fee of the Trustee and fees of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and the Special Tax Refunding Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds and the Special Tax Refunding Bonds.

“Defeasance Obligations” means those investments identified in paragraph A of the definition of Permitted Investments and which are non-callable.

“DTC” shall have the meaning given such term in the Indenture.

“Event of Bankruptcy” means, with respect to any Person, the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against such Person as debtor, other than any involuntary proceeding which has been finally dismissed without entry of an order for relief or similar order as to which all appeal periods have expired.

“Event of Default” means any of the events of default specified in the Indenture 1.

“Fiscal Agent” means U.S. Bank National Association, or its successor, as Fiscal Agent under the Fiscal Agent Agreement.

“Fiscal Agent Agreement” or “Fiscal Agent Agreements” means the Fiscal Agent Agreement or Fiscal Agent Agreements, each dated as of August 1, 2013, by and between the Community Facilities District and the Fiscal Agent as originally executed or as it or they may from time to time be supplemented, modified or amended, pertaining to any series of Special Tax Refunding Bonds.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Authority and certified to the Trustee in writing by an Authorized Representative of the Authority.

“Housing Authority” means the Chula Vista Housing Authority

“Improvement Area” means CFD No. 06-I Improvement Area A or CFD No. 06-I Improvement Area B, as applicable.

“Improvement Areas” means, collectively, CFD No. 06-I Improvement Area A and CFD No. 06-I Improvement Area B.

“Indenture” means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended.

“Independent Accountant” means any nationally recognized firm of certified public accountants or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the Authority, and who, or each of whom:

(a) is, in fact, independent and not under domination of the Authority, the City or the Community Facilities District;

(b) does not have any substantial interest, direct or indirect, with the Authority, the City or the Community Facilities District; and

(c) is not connected with the Authority, the City or the Community Facilities District as an officer or employee of the Authority, the City or the Community Facilities District, but who may be regularly retained to make reports to the Authority, the City or the Community Facilities District.

“Independent Financial Consultant” means any financial consultant or firm of such financial consultants appointed by the Authority and who, or each of whom:

(a) is judged by the Authority to have experience with respect to the financing of public capital improvement projects;

(b) is, in fact, independent and not under the domination of the Authority, the City, or the Community Facilities District;

(c) does not have any substantial interest, direct or indirect, with the Authority, the City, or the Community Facilities District; and

(d) is not connected with the Authority, the City, or the Community Facilities District as an officer or employee of the Authority, the City, or the Community Facilities District, but who may be regularly retained to make reports to the Authority, the City, or the Community Facilities District.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>); and, in accordance with then current guidelines of the Securities and Exchange Commission, and such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Insured Bonds” means those Bonds maturing on September 1, 2034 in the principal amount of \$8,770,000 with the CUSIP number 17131CAU3.

“Interest Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

“Interest Payment Date” means March 1 and September 1, commencing March 1, 2014.

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

“Maximum Annual Debt Service” means, as of any date of calculation, the largest Annual Debt Service, during the current or any future Bond Year.

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

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Nominee” shall have the meaning given such term in the Indenture.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including particular Bonds (or portions of Bonds) described in the Indenture; and (c) Bonds for the transferor exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture. When used as of any particular time with reference to any Series of the Special Tax Refunding Bonds, “Outstanding” shall have the meaning given such term in the applicable Fiscal Agent Agreement.

“Owner” or “Bond Owner,” whenever used in the Indenture with respect to a Bond, means the Person in whose name the ownership of such Bond is registered on the Registration Books.

“Permitted Investments” means any of the investments listed below that at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall have no duty to investigate the legality of any investments):

A. The following obligations may be used for all purposes, including defeasance investments:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation) or collateralized by permitted investments listed in A(2) below.

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- (a) U.S. treasury obligations,
- (b) all direct or fully guaranteed obligations,
- (c) Farmers Home Administration,
- (d) General Services Administration,
- (e) Guaranteed Title XI financing,
- (f) Government National Mortgage Association (GNMA), and
- (g) State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or pre-payable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

B. The following obligations may be used as for all purposes other than defeasance investments in refunding escrow accounts:

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- (a) Export-Import Bank,
- (b) Rural Economic Community Development Administration,
- (c) U.S. Maritime Administration,
- (d) Small Business Administration,
- (e) U.S. Department of Housing & Urban Development (PHAs),
- (f) Federal Housing Administration, and
- (g) Federal Financing Bank.

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- (a) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
- (b) obligations of the Resolution Funding Corporation (REFCORP); or
- (c) senior debt obligations of the Federal Home Loan Bank System.

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(4) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1” or “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase.

(5) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P including funds for which the Trustee or an affiliate provides investment advice or other services.

(6) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:

(a) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in A.(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(7) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P.

(8) Investment in the Local Agency Investment Fund of the State of California (LAIF), provided that any investment of the type authorized pursuant to paragraphs (d), (e), (h), and (i) of Section 53601 of the California Government Code are additionally restricted as provided in the appropriate paragraph or paragraphs above applicable to such type of investment and provided further that investments authorized pursuant to paragraphs (r) and (m) of Section 53601 of the California Government Code are not permitted.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

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

“Principal Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Principal Office” means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Authority, initially being in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer or exchange or maintenance of the Registration Books, such term shall mean the office of the Trustee at which its corporate agency business shall be conducted.

“Principal Prepayments” means any amounts received by the Trustee representing a prepayment of principal of any issue of Special Tax Refunding Bonds, whether at maturity of such issue of Special Tax Refunding Bonds or upon the prior redemption, prepayment or acceleration thereof.

“Prior Special Tax Bonds” means the following:

(a) \$39,000,000 City of Chula Vista Community Facilities District No. 06-I (Eastlake – Woods, Vistas and Land Swap) 2002 Improvement Area A Special Tax Bonds;

(b) \$7,880,000 City of Chula Vista Community Facilities District No. 06-I (Eastlake – Woods, Vistas and Land Swap) 2004 Improvement Area B Special Tax Bonds;

(c) \$28,050,000 City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) 2004 Special Tax Bonds;

(d) \$21,665,000 City of Chula Vista Community Facilities District No. 08-I (Otay Ranch Village Six) 2003 Special Tax Bonds; and

(e) \$10,250,000 City of Chula Vista Community Facilities District No. 2001-2 (McMillin – Otay Ranch – Village Six) 2003 Special Tax Bonds.

“Proceeds” means the face amount of the Bonds, plus accrued interest and original issue premium, if any, less original issue discount, if any.

“Program Fund” means the fund by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be maintained as provided in the Indenture.

“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.

“Rebate Fund” means the fund by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

“Record Date” means the fifteenth (15th) day of the month (whether or not such day is a Business Day) preceding each Interest Payment Date.

“Redemption Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“Representation Letter” means the letter of representations from the Authority to, or other instrument or agreement of the Authority with, DTC in which the Authority, among other things, makes certain representations to such depository with respect to the Bonds, the payment thereof and delivery of notices with respect thereto.

“Requisition” means a written requisition signed in the name of the Authority by its Authorized Representative.

“Reserve Fund” means the fund by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“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. The Reserve Requirement as of the Closing Date shall be \$5,856,825.00.

“Residual Account” means the account by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Revenue Fund” means the fund by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Revenues” means, with respect to the Bonds: (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 Administrative Expense Fund (as defined in each Fiscal Agent Agreement) and the Rebate Fund).

“RMA” shall have the meaning given such term in the Fiscal Agent Agreement applicable to a particular Series of Special Tax Refunding Bonds.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 25th Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-5004; and, in accordance with then current

guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Special Record Date” means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on the Bonds, if any.

“Special Tax Refunding Bonds” means, collectively, those series of special tax bonds designated as:

(a) \$23,600,000 City of Chula Vista Community Facilities District No. 06-I (Eastlake – Woods, Vistas and Land Swap) Improvement Area A Special Tax Refunding Bonds, Series 2013 (the “CFD No. 06-I IA A ST Refunding Bonds”);

(b) \$5,270,000 City of Chula Vista Community Facilities District No. 06-I (Eastlake – Woods, Vistas and Land Swap) Improvement Area B Special Tax Refunding Bonds, Series A (the “CFD No. 06-I IA B ST Refunding Bonds”);

(c) \$19,480,000 City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) Special Tax Refunding Bonds, Series 2013 (“CFD No. 07-I ST Refunding Bonds”);

(d) \$16,345,000 City of Chula Vista Community Facilities District No. 08-I (Otay Ranch Village Six) Special Tax Refunding Bonds, Series 2013 (“CFD No. 08-I ST Refunding Bonds”); and

(e) \$7,405,000 City of Chula Vista Community Facilities District No. 2001-2 (McMillin – Otay Ranch – Village Six) Special Tax Refunding Bonds, Series 2013 (“CFD No. 2001-2 ST Refunding Bonds”);

Each such series of Special Tax Refunding Bonds may be referred to as a “Series.”

“Special Tax Refunding Bonds Prepayment Reserve Fund Credit” means, as to any parcel within a CFD or an Improvement Area, as applicable, for which the Special Tax obligation is to be prepaid pursuant to the RMA applicable thereto, the amount, if any, by which the Reserve Requirement will be reduced as a consequence of the mandatory redemption of Bonds from Principal Prepayments that resulted from such prepayment of such Special Tax obligation.

“Special Taxes” has the meaning given such term in the applicable Fiscal Agent Agreement.

“Supplemental Indenture” means a Supplemental Indenture of Trust providing for any matter in the Indenture authorized, entered into by and between the Authority and the Trustee pursuant to the provisions of the Indenture.

“Tax Certificate” means the certificate delivered by the Authority upon the delivery of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

“Tax Code” means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a provision of the Tax Code shall include the applicable Tax Regulations promulgated with respect to such provision.

“Tax Regulations” means temporary and permanent regulations promulgated under Section 103 and related sections of the Tax Code.

“Trustee” means U.S. Bank National Association, or its successor, as Trustee under the Indenture as provided in the Indenture, or such other trustee as shall be named, provided such other trustee shall meet the requirements of the Indenture.

“Underwriter” means, collectively, E.J. De La Rosa & Co., Inc. and Stifel, Nicolaus & Company, Incorporated.

“Written Certificate” and “Written Request” of the Authority or a Community Facilities District mean, respectively, a written certificate or written request signed in the name of the Authority by its Authorized Representative or in the name of such Community Facilities District by its Authorized Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such certificate or request shall include the statements provided for in the Indenture.

Revenues; Funds and Accounts.

Pledge and Assignment of Revenues.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, 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) are 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. Said pledge shall constitute a first lien on and security interest in such assets and shall 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 shall 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 pledges and assigns 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 paragraph (a) above and all of the right, title, and interest of the Authority in the Special Tax Refunding Bonds. The Authority shall 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, shall be deemed to be held, and to have been collected or received, by the Authority, in trust, and shall be paid to the Trustee as set forth in the Indenture. The Trustee also shall be 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 each Community Facilities District under and with respect to the applicable Series of the Special Tax Refunding Bonds

Program Fund.

The Trustee shall, pursuant to the Indenture, establish and maintain the Program Fund as a separate fund into which shall be deposited the proceeds of the sale of the Bonds pursuant to the Indenture. The Trustee shall use the proceeds of the Bonds in the Program Fund to purchase the Special Tax Refunding Bonds on the Closing Date as directed in writing by the Authority.

The Special Tax Refunding Bonds shall, upon receipt by the Trustee, be deposited by the Trustee in the Program Fund and maintained therein until such Special Tax Refunding Bonds mature, are redeemed or otherwise disposed of pursuant to the Indenture.

Cost of Issuance Fund.

The Trustee shall, pursuant to the Indenture, establish and maintain the Costs of Issuance Fund as a separate fund to be held by the Trustee into which shall be deposited the amounts from the proceeds of the Bonds specified in the Indenture. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Requisition of the Authority. On the date which is one hundred eighty (180) days following the Closing Date, or upon the earlier receipt by the Trustee of a Written Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Revenue Fund and the Trustee shall close the Costs of Issuance Fund.

Revenue Fund.

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

On or before each Interest Payment Date, the Trustee shall transfer all Revenues (other than Revenues representing Principal Prepayments and Revenues resulting from the optional redemption of Special Tax Refunding Bonds which shall be transferred as described below) 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 shall 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 shall 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 shall 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 (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 shall immediately notify the Director of Finance 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 shall disburse or transfer such funds in the following order of priority: (i) for deposit in the Reserve Fund such amount as shall be necessary to replenish the amount of any transfers from the Reserve Fund to the Interest Account 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 (i).

(e) The Trustee shall 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 subsections (a), (b), (c), (d) and (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 subsections (a), (b), (c), (d) and (e) above for such September 1 Interest Payment Date, the Trustee shall transfer all amounts remaining on deposit in the Revenue Fund to the Residual Account.

The Trustee shall deposit in the Redemption Account those Revenues representing Principal Prepayments and which are to be used for the mandatory redemption of the Bonds. The Trustee shall 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

Application of the Interest Account.

Subject to the provisions of the Indenture, all amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become 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 pursuant to the Indenture. Any amounts on deposit in the Interest Account on September 2 of any year during the term of the Bonds shall be transferred from the Interest Account to the Revenue Fund for reallocation pursuant to the Indenture.

Application of the Principal Account.

Subject to the provisions of the Indenture, all amounts in the Principal Account shall 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 shall be transferred from the Principal Account to the Revenue Fund for reallocation pursuant to the Indenture.

Application of the Residual Account.

Amounts in the Residual Account shall 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 Fiscal Agent Agreements, on July 1 and on September 2 of each year, the remaining balance in the Residual Account shall, except as provided below, be transferred to the Special Tax Fund (as such term is defined in the 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. 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 shall 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 shall 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.

Application of the Redemption Account.

The Trustee shall 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 shall 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).

Reserve Fund.

The Trustee shall establish Reserve Fund as a special fund which fund the Trustee shall maintain and hold in trust as a separate and distinct fund. On the Closing Date, the Trustee shall 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 shall be maintained in the Reserve Fund an amount equal to the Reserve Requirement.

Moneys in the Reserve Fund shall 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 shall 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 shall 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 pursuant to the Indenture in connection with an optional redemption, a mandatory redemption or a defeasance 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 shall be applied toward such optional redemption, mandatory redemption or defeasance, as applicable.

In the event that the Trustee receives a Written Request of the Community Facilities District notifying the Trustee of the Prepayment of the Special Tax obligation for any parcel within an Improvement Area 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 Improvement Area, the Trustee shall transfer from

the Reserve Fund, not less than five (5) 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 shall 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 shall not less than five (5) 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 shall be deposited in the Reserve Fund.

Rebate Fund.

The Trustee shall establish the Rebate Fund and maintain such fund as a separate fund. The Trustee shall, in accordance with written directions received from an Authorized Representative of the Authority, deposit into the Rebate Fund moneys transferred by the Fiscal Agent pursuant to the provisions of the applicable Fiscal Agent Agreement or Fiscal Agent Agreements. The Rebate Fund shall be held either uninvested or invested only in Permitted Investments described in clause B(5) of the definition thereof at the written direction of the Authority. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States to the extent such payments are required by the Tax Certificate. The Trustee shall, upon written request and direction of an Authorized Representative of the Authority, make such payments to the United States.

The Trustee may rely conclusively upon the Authority's determinations, calculations and certifications required by the Indenture. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority's calculations under the Indenture. The Trustee's sole responsibilities pertaining to the Rebate Fund are to follow the written instructions of the Authority pertaining to the Rebate Fund. The Authority shall be responsible for any fees and expenses incurred by the Trustee pertaining to the Rebate Fund.

The Trustee shall, upon written request and direction from an Authorized Representative of the Authority, transfer to or upon the order of the Authority any moneys on deposit in the Rebate Fund in excess of the amount, if any, required to be maintained or held therein in accordance with the Tax Certificate.

Additional Funds and Accounts.

The Trustee may establish additional accounts or subaccounts of the above-described funds and accounts as the Trustee shall deem necessary in furtherance of its duties pursuant to the Indenture. The Authority may request the establishment of such additional accounts as it deems necessary to meet its obligations pursuant to the Indenture and the Trustee shall establish such accounts.

Investment of Moneys.

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture shall be invested by the Authority solely in Permitted Investments, or, if such fund or account is held by the Trustee solely in Permitted Investments, as directed in writing by the Authority two (2) Business Days prior to the making of such investment. Such investment instructions shall certify that the investment is a Permitted Investment. Permitted Investments may be purchased at such prices as the Authority shall determine. All Permitted Investments shall be acquired subject to any restrictive instructions given to the Trustee pursuant to the Indenture and such additional limitations or requirements consistent with the foregoing as may be established by the Written Request of the Authority. Moneys in any funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified

in the Indenture. Absent timely written direction from the Authority, the Trustee shall invest any funds held by it in Permitted Investments described in clause B(5) of the definition thereof.

Except as provided in the Indenture with respect to the Reserve Fund and the Rebate Fund, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investments equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investments shall be credited to the fund from which such accrued interest was paid.

Permitted Investments acquired as an investment of moneys in any fund established under the Indenture shall be credited to such fund. Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code). The Trustee shall not be liable for verification of the application of such sections of the Code.

The Trustee or an affiliate may act as principal or agent in the making or disposing of any investment and shall be entitled to its customary fee therefor. Upon the Written Request of the Authority, or as required for the purposes of the provisions of the Indenture, the Trustee shall sell or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal, or disbursement from the fund to which such Permitted Investments are credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture.

Investments purchased with funds on deposit in the Reserve Fund not payable on demand shall be restricted to maturities of five years or less.

The Trustee shall furnish the Authority periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Authority. Upon the Authority's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

Covenants.

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal, of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not 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. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Special Tax Refunding Bonds and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid, and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee, subject to the provisions of the Indenture, shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all Persons whomsoever.

Accounting Records and Financial Statement. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the Bond proceeds, the Revenues, the Special Tax Refunding Bonds and all funds and accounts established with the Trustee pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, the Independent Financial Consultant, the Underwriter, and the Community Facilities District, during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee.

The Authority shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Bond proceeds, the Revenues, the Special Tax Refunding Bonds and all funds and accounts established pursuant to the Indenture (other than those records and accounts kept by the Trustee). Such books of record and account shall be available for inspection by the Trustee, the Independent Financial Consultant and the Community Facilities District, during regular business hours and upon twenty-four (24) hours, notice and under reasonable circumstances as agreed to by the Authority.

Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Authority to the extent permitted by law.

Tax Covenants. The Authority will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority or take or omit to take any action that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Tax Code, or obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Tax Code. The Authority will not allow five percent (5%) or more of the proceeds of the Bonds to be used in the trade or business of any non-governmental units and will not loan five percent (5%) or more of the proceeds of the Bonds to any non-governmental units.

The Authority covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Tax Code. The Authority will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code. To that end, the Authority will comply with all requirements of Section 148 of the Tax Code to the extent applicable to the Bonds. In the event that at any time the Authority is of the opinion that for purposes of this covenant it is necessary to restrict or limit the yield on the investment of any moneys held under the Indenture or otherwise the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Authority agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Tax Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds.

Notwithstanding any provision of this covenant, if the Authority shall obtain an opinion of Bond Counsel to the effect that any action required under this covenant is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Tax Code, the Trustee may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenant under the Indenture shall be deemed to be modified to that extent.

Collection of Revenues. The Authority shall cause to be collected and paid to it all Revenues payable with respect to the Special Tax Refunding Bonds promptly as such Revenues become due and payable, and shall

vigorously enforce and cause to be enforced all rights of the Authority and the Trustee under and with respect to the Special Tax Refunding Bonds. Upon any failure of the Authority to perform as required by the Indenture, the Trustee shall, subject to the provisions of the Indenture, take appropriate actions to collect and cause the Revenues to be paid to the Trustee.

Special Tax Refunding Bonds. The Authority, the Trustee and the Community Facilities District may at any time consent to, amend or modify any Series of the Special Tax Refunding Bonds pursuant to the terms of the applicable Fiscal Agent Agreement, (i) with the prior consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, or (ii) without the consent of any of the Owners, if such amendment or modification is for any one or more of the following purposes:

(a) to add to the covenants and agreements contained in such Special Tax Refunding Bonds, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the Community Facilities District; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in such Special Tax Refunding Bonds, or in any other respect whatsoever as the Community Facilities District may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) to amend any provision thereof to the extent necessary to comply with the Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of the interest on any of the Bonds under the Code, in the opinion of nationally-recognized bond counsel.

Limitation on Defeasance, Sale and Refunding of Special Tax Refunding Bonds. The Authority shall not consent to a sale, defeasance or optional redemption of any Special Tax Refunding Bonds unless the Authority shall provide to the Trustee a certificate of an Independent Financial Consultant or an Independent Accountant, certifying that after giving effect to the sale, defeasance or redemption, cash flows from the remaining outstanding Special Tax Refunding Bonds will be sufficient to satisfy the ongoing requirement for payment of principal of and interest on the Bonds.

Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Events of Default and Remedies of Bond Owners.

Events of Default; Notice of Event of Default.

With respect to the Bonds, the following events shall be Events of Default:

(a) if default by the Authority shall be made in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for sinking fund redemption, or otherwise;

(b) if default by the Authority shall be made in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable;

(c) if default shall be made by the Authority in the observance of any of the other covenants, agreements, or conditions on its part in the Indenture, if such default shall have continued for a period of thirty (30) days after written notice thereof and specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding as determined in the Indenture; provided, however, if the failure stated in the notice can be corrected (other than a failure to pay the Trustee's fees and expenses, which may only be waived by the Trustee), but not within the applicable period, the Authority, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected; and

(d) the occurrence of an Event of Bankruptcy with respect to the Authority.

No Acceleration.

The Bonds are not subject to acceleration in the payment of interest or principal.

Remedies of Bond Owners.

Subject to the provisions of the Indenture, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners:

(a) by mandamus, suit, action or proceeding, to compel the Authority and its members, officers, agents or employees to perform each and every term, provision, and covenant contained in the Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Authority in respect of such Series and the fulfillment of all duties imposed upon it by the Bond Law;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful or the violation of any of the Bond Owners' rights; or

(c) upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the Authority and its members and employees to account as if it and they were the trustees of an express trust.

Application of Revenues and other Funds After Default.

If an Event of Default with respect to the Bonds, shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Authority shall immediately upon receipt by the Authority be transferred by the Authority to the Trustee and be deposited by the Trustee in the appropriate accounts of the Bond Fund and all amounts held in the Revenue Fund by the Trustee and all Revenues and any other funds (excluding the Rebate Fund) then held or thereafter received by the Authority or the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

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

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

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

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

Trustee to Represent Bond Owners.

Subject to the provisions of the Indenture, the Trustee is irrevocably appointed as trustee and true and lawful attorney-in-fact of the Owners of the Bonds (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds, the Indenture, the Bond Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or

agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee and such Owners under the Bonds, the Indenture, the applicable Supplemental Indenture, the Bond Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture, or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds as their interests appear, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default with respect to the Bonds, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture in respect of the Bonds; provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and if the Bonds are no longer Outstanding, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue.

No Owner of any of the Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Agreement, the Bond Law, or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default with respect to the Bonds; (b) the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be condition precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that one or more Owners of Bonds shall not have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Bond Law or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds as their interests appear, subject to the provisions of the Indenture.

Absolute Obligation of Authority.

Nothing in any other provision of the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture and subject to the restrictions set forth therein, but only out of the Revenues and other assets in the Indenture pledged therefor and received by the Authority or the Trustee, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Indenture.

Termination of Proceedings.

In case any proceedings taken by the Trustee, or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, or the Bond Owners, then in every such case the Authority, the Trustee, and the Bond Owners, object to any

determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive.

No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default.

No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee, or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Modification or Amendment of the Indenture.

Amendments Permitted.

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, as determined pursuant to the Indenture, which shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof, or extend the time of payment, without the consent of the Owner of each Bond so affected; or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment; or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture) without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. The Trustee shall, at least fifteen (15) days in advance of the effective date of any Supplemental Indenture, cause to be mailed a notice (the form of which shall be furnished to the Trustee by the Authority) of the proposed modification or amendment of the Indenture containing a copy of the Supplemental Indenture intended to effectuate such amendment or modification. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to this subsection (a), (i) the Trustee shall cause to be mailed a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail, postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and any Supplemental Indenture and the rights and obligations of the Authority, the Trustee, and the Owners of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or as to any other provisions of the Indenture as the Authority may deem necessary or desirable, in any case which do not have a material and adverse effect on the security for the Bonds granted under the Indenture;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal

statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend, or supplement the Indenture in such manner as to cause interest on the Bonds to be excludable, or remain, from gross income for purposes of federal income taxation by the United States of America; and

(v) to modify or amend any provision of the Indenture with any effect and to any extent whatsoever permissible by law, provided that any such modification or amendment shall apply only to the Bonds issued and delivered subsequent to the execution and delivery of the applicable Supplemental Indenture.

Effect of Supplemental Indenture.

Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under the Indenture of the Authority, the Trustee, and all Owners of Bonds Outstanding shall thereafter be determined, exercised, and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds.

Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

Amendment of Particular Bonds.

The provisions of the Indenture shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Defeasance.

Discharge of Indenture. The Bonds or any portion thereof may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium, if any, on the Bonds or any portion thereof, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee, in trust (pursuant to an escrow agreement), at or before maturity, money or Defeasance Obligations in the necessary amount (as provided in the Indenture to pay or redeem all or any portion of the Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all or any portion of the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority including without limitation any compensation or other amounts due and owing the Trustee under the Indenture, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, and upon receipt of a Written Certificate of an Authorized

Representative of the Authority and an opinion of Bond Counsel acceptable to the Trustee, each to the effect that all conditions precedent in the Indenture provided for relating to the discharge and satisfaction of the obligations of the Authority have been satisfied, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign, or deliver all moneys or securities or other property held by it pursuant to the Indenture and the applicable Supplemental Indenture, which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, to the Authority.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Subject to the Indenture, whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

- (a) Lawful money of the United States of America, in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or
- (b) Noncallable defeasance obligations (described in paragraph A of the definition of Permitted Investments), the principal of, premium, if any, and interest on which when due will provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal and interest become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such funds to the payment of such principal and interest with respect to such Bonds.

Insurer Provisions.

Discharge of Liability on the Insured Bonds. At least five (5) Business Days prior to any defeasance of the Insured Bonds, the Authority shall deliver to BAM copies of an escrow agreement, opinions regarding the validity and enforceability of the escrow agreement, a verification report (a "Verification Report") of a nationally recognized independent financial analyst or firm of certified public accountants regarding sufficiency of the escrow and a defeasance legal opinion. Such opinions and Verification Report shall be addressed to BAM and shall be in form and substance satisfactory to BAM. In addition, the escrow agreement shall provide that:

- (a) Any substitution of securities shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Bonds is excludable) from gross income of the holders of the Insured Bonds of the interest on the Insured Bonds for federal income tax purposes and the prior written consent of BAM.
- (b) The Authority will not exercise any prior optional redemption of Insured Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been

disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to BAM a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(c) The Authority shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

BAM Rights with Respect to the Trustee.

(a) BAM shall receive prior written notice of any name change of the Trustee for the Insured Bonds or the resignation or removal of the Trustee.

(b) No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to BAM, shall be qualified and appointed.

BAM Rights with Respect to Amendments, Supplements and Consents.

(a) Amendments and Supplements. BAM's prior written consent is required for all amendments and supplements to the Indenture, with the exceptions noted below. The Authority shall send copies of any such amendments or supplements to BAM and the rating agencies which have assigned a rating to the Insured Bonds.

(b) Consent of BAM. Any amendments or supplements to the Indenture shall require the prior written consent of BAM with the exception of amendments or supplements:

(i) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

(ii) To grant or confer upon the holders of the Insured Bonds any additional rights, remedies, powers authority or security that may lawfully be granted to or conferred upon the Bondholders, or

(iii) To add to the conditions, limitations and restrictions on the issuance of Insured Bonds under the provisions of the Indenture other conditions, limitations and restrictions thereafter to be observed or

(iv) To add to the covenants and agreements of the Authority in the Indenture other covenants and agreements thereafter to be observed by the Authority or to surrender any right or power therein reserved to or conferred upon the Authority or

(c) Consent of BAM in Addition to Bondholder Consent. Any amendment, supplement, modification to, or waiver of, the Indenture that requires the consent of holders of the Insured Bonds or adversely affects the rights or interests of BAM shall be subject to the prior written consent of BAM.

(d) Consent of BAM in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Authority must be acceptable to BAM in writing. In the event of any reorganization or liquidation of the Authority, BAM shall have the right to vote on behalf of all holders of the Insured Bonds absent a continuing failure by BAM to make a payment under the Policy.

(e) Consent of BAM Upon Default. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an Event of Default, BAM shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Bonds or the Trustee for the benefit of the holders of the Insured Bonds under the Indenture. The Trustee may not waive any default or Event of Default without BAM's written consent.

(f) BAM as Owner. Upon the occurrence and continuance of a default or an Event of Default, BAM shall be deemed to be the sole owner of the Insured Bonds for all purposes under the Indenture, including, without limitations, for purposes of exercising remedies and approving amendments.

(g) Grace Period for Payment Defaults. No grace period shall be permitted for payment defaults on the Insured Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of BAM.

(h) Special Provisions for Default by BAM. If an Insurer Default (defined below) shall occur and be continuing, then, notwithstanding anything in paragraphs 4(a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the Policy, to the extent of such payment BAM shall

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

BAM as Third Party Beneficiary. BAM is recognized as and shall be deemed to be a third party beneficiary of the Indenture and may enforce the provisions of the Indenture as if it were a party to the Indenture

Payment Procedure Under the Policy.

(a) In the event that principal and/or interest due on the Insured Bonds shall be paid by BAM pursuant to the Policy, the Insured Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Authority to the Owners of the Insured Bonds shall continue to exist and shall run to the benefit of BAM, and BAM shall be subrogated to the rights of such Owners including, without limitation, any rights that such Owners may have in respect of securities law violations arising from the offer and sale of the Insured Bonds.

(b) In the event that on the second (2nd) Business Day prior to any payment date on the Insured Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Bonds due on such payment date, the Trustee shall immediately notify BAM or its designee on the same Business Day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify BAM or its designee.

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

(d) The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Bonds as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Bonds, the Trustee shall (A) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holders of the Insured Bonds in any legal proceeding related to the payment and assignment to BAM of the claims for interest on the Insured Bonds, (B) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the Policy payment from BAM with respect to the claims for interest so assigned, and (C) disburse the same to such respective holders; and

(ii) If there is a deficiency in amounts required to pay principal of the Insured Bonds, the Trustee shall (A) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holder of the Insured Bonds in any legal proceeding related to the payment of such principal and an assignment to BAM of the Insured Bonds surrendered to BAM, (B) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the Policy payment therefore from BAM, and (C) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Insured Bonds paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Bond to BAM, registered in the name directed by BAM, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Bond shall have no effect on the amount of principal or interest payable by BAM on any Insured Bond or the subrogation or assignment rights of BAM.

(e) Payments with respect to claims for interest on and principal of Insured Bonds disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the Authority with respect to such Insured Bonds, and BAM shall become the owner of such unpaid Insured Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

(f) Irrespective of whether any such assignment is executed and delivered, the Authority and Trustee agree for the benefit of BAM that:

(i) They recognize that to the extent BAM makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Insured Bonds, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Authority, with interest thereon, as provided and solely from the sources stated in the transaction documents and the Insured Bonds; and

(ii) They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the Indenture and the Insured Bonds, but only from the sources and in the manner provided for therein for the payment of principal of and interest on the Insured Bonds to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

Fiscal Agent Agreements

Definitions.

For purposes of this summary, and except as specified below, the capitalized terms set forth in the Fiscal Agent Agreements are defined therein as follows:

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

“Administrative Expense Fund” means the fund by that name established by the Fiscal Agent Agreement.

“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 District in carrying out its duties hereunder (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 Act, the Continuing Disclosure Agreement and the Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Bondowners and the Original Purchaser); the costs of the City and the District or their designees related to an appeal of the Special Tax; the Proportionate Share of the Authority Administrative Expenses allocable to the Bonds, fees and , the Proportionate Share of the salaries of City staff directly related to the carrying out by the City, for and on behalf of the District, of the obligations hereunder or under the Authority Indenture and a proportionate amount of City general administrative overhead related thereto allocable to the Bonds; and all other costs and expenses of the City, the District, and the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder, and in the case of the City, in any way related to the administration of the District and all actual costs and expenses incurred in connection with the administration of the Bonds.

“Administrative Expense Requirement” means an annual amount equal to \$75,000.00, or such lesser amount as may be designated by written instruction from an Authorized Officer of the District to be allocated as the first priority of Special Taxes received each Fiscal Year for the payment of Administrative Expenses allocated to the Bonds.

“Agreement” means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions of the Agreement.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

“Auditor” means the auditor/tax collector of the County of San Diego.

“Authority” means the Chula Vista Municipal Financing Authority and any successor thereto.

“Authority Bonds” means any bonds outstanding under the Authority Indenture, which are secured by payments to be made on the Bonds.

“Authority Indenture” means that certain Indenture of Trust, dated as of August 1, 2013, by and between the Authority and the Authority Trustee, pursuant to which the Authority Bonds are issued.

“Authority Trustee” means U.S. Bank National Association, or any successor thereto appointed under the Authority Indenture.

“Authorized Officer” means the City Manager, Director of Finance, Assistant Director of Finance, or City Clerk of the City, or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in the Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means (i) Best Best & Krieger LLP; or (ii) any attorney or firm of attorneys acceptable to the District and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund by that name established by the Fiscal Agent Agreement.

“Bond Year” means the one-year period beginning on September 2 in each year and ending on September 1 in the following year except that the first Bond Year shall begin on the Closing Date and end on September 1, 2013.

“Bonds” means, as applicable:

- a. the City of Chula Vista Community Facilities District No. 06-I (Eastlake - Woods, Vistas and Land Swap) Improvement Area A Special Tax Refunding Bonds, Series 2013, authorized by, and at any time Outstanding pursuant to the applicable Fiscal Agent Agreement;
- b. the City of Chula Vista Community Facilities District No. 06-I (Eastlake - Woods, Vistas and Land Swap) Improvement Area B Special Tax Refunding Bonds, Series 2013, authorized by, and at any time Outstanding pursuant to the applicable Fiscal Agent Agreement;
- c. the City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) Special Tax Refunding Bonds, Series 2013, authorized by, and at any time Outstanding pursuant to the applicable Fiscal Agent Agreement;
- d. the City of Chula Vista Community Facilities District No. 08-I (Otay Ranch Village Six) Special Tax Refunding Bonds, Series 2013, authorized by, and at any time Outstanding pursuant to the applicable Fiscal Agent Agreement; or
- e. the City of Chula Vista Community Facilities District No. 2001-2 (McMillin – Otay Ranch – Village Six) Special Tax Refunding Bonds, Series 2013, authorized by, and at any time Outstanding pursuant to the applicable Fiscal Agent Agreement

“Business Day” means a day which is not a Saturday, Sunday, or legal holiday on which banking institutions in the State of California, or in any state in which the Principal Office of the Fiscal Agent is located, or the New York Stock Exchange are closed. If any payment hereunder is due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such previous day.

“CDIAC” means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

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

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Agreement) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

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

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Defeasance Obligations” means those obligations described in paragraph A. of the definition of Permitted Investments and which are non-callable.

“District” means, as applicable:

- a. the City of Chula Vista Community Facilities District No. 06-I (Eastlake - Woods, Vistas and Land Swap) (“CFD No. 06-I”), formed pursuant to the applicable Resolution of Formation;
- b. the City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) (“CFD No. 07-I”), formed pursuant to the applicable Resolution of Formation;
- c. the City of Chula Vista Community Facilities District No. 08-I (Otay Ranch Village Six) (“CFD No. 08-I”), formed pursuant to the applicable Resolution of Formation; or
- d. the City of Chula Vista Community Facilities District No. 2001-2 (McMillin – Otay Ranch – Village Six) (“CFD No. 2001-2”), formed pursuant to the applicable Resolution of Formation.

“DTC” means The Depository Trust Company.

“Escrow Bank” means U.S. Bank National Association, acting as escrow bank under the Escrow Agreement.

“Escrow Agreement” means, as to each Series of the Prior Special Tax Bonds, the applicable Escrow Deposit and Trust Agreement dated as of August 1, 2013 by and between the applicable District and the Escrow Bank relating to defeasance of such Prior Special Tax Bonds.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code; (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code; (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt; or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Fiscal Agent” means the Fiscal Agent appointed by the applicable District and acting as an independent fiscal agent with the duties and powers provided in the Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the applicable Fiscal Agent Agreement.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Governing Body” means the City Council of the City, acting as the legislative body of the District.

“Improvement Area” means, as applicable, Improvement Area A or Improvement Area B of CFD No. 06-I.

“Independent Accountant” means any nationally recognized firm of certified public accountants or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the City, and who, or each of whom:

- (a) is in fact independent and not under domination of the Authority, the City or the District;
- (b) does not have any substantial interest, direct or indirect, with the Authority, the City or the District; and
- (c) is not connected with the Authority, the City or the District as an officer or employee of the Authority, the City or the District, but who may be regularly retained to make reports to the Authority, the City or the District.

“Independent Financial Consultant” means any financial consultant or firm of such financial consultants appointed by the Authority and who, or each of whom:

- (a) is judged by the City to have experience with respect to the financing of public capital improvement projects;
- (b) is in fact independent and not under the domination of the Authority, the City, or the District;
- (c) does not have any substantial interest, direct or indirect, with the Authority, the City, or the District; and
- (d) is not connected with the Authority, the City, or the District as an officer or employee of the Authority, the City, or the District, but who may be regularly retained to make reports to the Authority, the City, or the District.

“Interest Payment Dates” means March 1 and September 1 of each year, commencing March 1, 2014.

“Investment Earnings” means all interest earned and any gains and losses on the investment of moneys in any fund or account created by the Agreement.

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

“Officer’s Certificate” means a written certificate of the District or the City signed by an Authorized Officer of the City.

“Ordinance” means, as to each District, an ordinance of the City levying the Special Taxes.

“Original Purchaser” means the Authority.

“Outstanding,” means (subject to the provisions of the Agreement), when used as of any particular time with reference to Bonds, all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued, and delivered by the District pursuant to the Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Permitted Investments” has the meaning given such term in the summary of the Authority Indenture.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Prepayments” means Special Tax Revenues identified to the Fiscal Agent by an Authorized Officer as representing a prepayment of the Special Tax pursuant to the RMA.

“Principal Office” means the principal corporate trust office of the Fiscal Agent as may be designated from time to time by the Fiscal Agent in writing to the District initially set forth in the Agreement.

“Prior Bond Indenture” means the Bond Indenture, dated as of December 1, 2002, by and between the District and the Prior Fiscal Agent.

“Prior Fiscal Agent” means U.S. Bank National Association.

“Prior Special Tax Bonds” means, as applicable:

- a. the outstanding City of Chula Vista Community Facilities District No. 06-I (Eastlake - Woods, Vistas and Land Swap) 2002 Improvement Area A Special Tax Bonds;
- b. the outstanding City of Chula Vista Community Facilities District No. 06-I (Eastlake - Woods, Vistas and Land Swap) 2002 Improvement Area A Special Tax Bonds;
- c. the outstanding City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) 2004 Special Tax Bonds;
- d. the outstanding City of Chula Vista Community Facilities District No. 08-I (Otay Ranch Village Six) 2003 Special Tax Bonds; or
- e. the outstanding City of Chula Vista Community Facilities District No. 2001-2 (McMillin - Otay Ranch - Village Six) 2003 Special Tax Bonds.

“Proportionate Share” shall have the meaning given such term in the Authority Indenture.

“Record Date” means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date, whether or not such day is a Business Day.

“Resolution of Formation” means, as applicable:

- a. as to CFD No. 06-I, Resolution No. 2002-361, adopted by the Governing Body on September 10, 2002, as now in effect or as it may hereafter be amended from time to time;
- b. as to CFD No. 07-I, Resolution No. 2003-346, adopted by the Governing Body on November 11, 2003, as now in effect or as it may hereafter be amended from time to time;

c. as to CFD No. 08-I, Resolution No. 2003-14, adopted by the Governing Body on January 14, 2003, as now in effect or as it may hereafter be amended from time to time; or

d. as to CFD No. 2001-2, Resolution No. 2002-312, adopted by the Governing Body on August 13, 2002, as now in effect or as it may hereafter be amended from time to time.

“Resolution of Issuance” means Resolution No. 2013-138, adopted by the Governing Body, acting as the legislative body of the District, on July 9, 2013.

“RMA” means, as applicable:

a. as to Improvement Area A of CFD No. 06-I, the Rate and Method of Apportionment of the Special Tax for Improvement Area A approved by the qualified electors within Improvement Area A at a special election held on September 17, 2002;

b. as to Improvement Area B of CFD No. 06-I, the Rate and Method of Apportionment of the Special Tax for Improvement Area B approved by the qualified electors within Improvement Area B at a special election held on September 17, 2002;

c. as to CFD No. 07-I, the Rate and Method of Apportionment of the Special Tax approved by the qualified electors within the District at a special election held on November 12, 2003;

d. as to CFD No. 08-I, the Rate and Method of Apportionment of the Special Tax approved by the qualified electors within the District at a special election held on July 30, 2003; and

e. as to CFD No. 2001-2, the Rate and Method of Apportionment of the Special Tax for approved by the qualified electors within the District at a special election held on August 13, 2002.

“Special Tax Fund” means the fund by that name established pursuant to the Fiscal Agent Agreement.

“Special Tax Refunding Bonds” shall have the meaning given such term in the Authority Indenture.

“Special Tax Refunding Bonds Prepayment Reserve Fund Credit” shall have the meaning given such term in the Authority Indenture.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the 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.

“Special Taxes” means, as applicable, the special taxes levied within Improvement Area A or Improvement Area B of CFD No. 06-I, CFD No. 07-I, CFD No. 08-I or CFD No. 2001-2 pursuant to the Act and the applicable RMA, Ordinance and Agreement.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Governing Body under the Act and which agreement is amendatory of or supplemental to the Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“Treasurer” means the person who is acting in the capacity as treasurer or finance director to the City or the designee of either such officer.

Pledge of Net Special Tax Revenues; Limited Obligation; Liability of the District.

Limited Obligation. The District’s obligations hereunder are limited obligations of the District and are payable solely from and secured solely by the Net Special Tax Revenues and the amounts in the Special Tax Fund and the Bond Fund.

Liability of District. The District shall not incur any responsibility in respect of the Bonds or the Agreement other than in connection with the duties or obligations explicitly in the Agreement or in the Bonds assigned to or imposed upon it. The District shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The District shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants, or agreements of the Fiscal Agent in the Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the District, including the Treasurer, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the District and conforming to the requirements of the Agreement. The District, including the Treasurer, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of the Agreement shall require the District to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Net Special Tax Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The District may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The District may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The District shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under the Agreement the District shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be specifically prescribed in the Agreement) may, in the absence of willful misconduct on the part of the District, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, and such certificate shall be full warrant to the District for any action taken or suffered under the provisions of the Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the District may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent provided in the 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 Agreement, in the Special Tax Fund. The Net Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated by the Fiscal Agent Agreement to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement.

Funds and Accounts.

Bond Fund.

Establishment of Special Tax Fund. There Fiscal Agent Agreement establishes the Special Tax Fund as a separate fund to be held by the Fiscal Agent to the credit of which the District or the City, on behalf of the District, shall deposit, immediately upon receipt, all Special Tax Revenue received by the District or the City, on behalf of the District, except Special Tax Revenues representing Prepayments which shall be deposited in the Prepayment Account. Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the District and the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements of Special Tax Revenues. The Special Tax Revenues deposited in the Special Tax Fund shall be held and, other than Special Tax Revenues representing Prepayments, subsequently transferred to the following funds and accounts not later than the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

1. to the Administrative Expense Fund an amount equal to the Administrative Expense Requirement estimated to be due and payable during the Fiscal Year;
2. not later than ten (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 Bonds, 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 paragraph a.) such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date;

3. no later than ten (10) Business Days prior to each Interest Payment Date, to the Authority Trustee for deposit in the Reserve Fund that amount, in addition to the amount transferred to the Bond Fund pursuant to paragraph 2.a. above, necessary to replenish any draw on the Reserve Fund (as defined in the Authority Indenture) resulting from the delinquency in the payment of scheduled debt service on the Bonds;

4. on September 2 of each year after making the deposits and transfers required under paragraphs 1 and 2 above and the transfer, if any, authorized under paragraph 3 above, upon receipt on or before the preceding June 30 of written instructions from an Authorized Officer, to the Authority 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 Authority Bonds;

5. on September 2 of each year after making the deposits and transfers required under paragraphs 1 through 4 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 prior Fiscal Year and not included in any prior transfer made pursuant to paragraph 1 above; and

6. after September 2 of each year, after making the deposits and transfers made pursuant to paragraphs 1 through 5 above, moneys then on deposit in the Special Tax Fund shall remain therein and shall be subsequently deposited or transferred pursuant to the provisions of paragraphs 1 through 5 above.

Transfer of Prepayments. Amounts constituting Prepayments shall be transferred by the Treasurer to the Fiscal Agent, and placed by the Fiscal Agent in a segregated account within the Bond Fund designated as "Prepayment Account" and used to redeem Bonds pursuant to the Agreement. Any such transfer of Prepayments shall 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 Authority Trustee to transfer such credit to the Fiscal Agent for deposit in the Prepayment Account.

Investment. Moneys in the Special Tax Fund shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

Bond Fund.

Establishment of Bond Fund. The Fiscal Agent Agreement established the Bond Fund as a separate fund to be held by the Fiscal Agent and, within the Bond Fund, the Prepayment Account to the credit of which deposits shall be made as required by the Fiscal Agent Agreement, and any other amounts required to be deposited therein by the Agreement or the Act. In addition to the foregoing deposits, the Fiscal Agent shall also deposit (a) the Special Tax Refunding Bonds Prepayment Reserve Fund Credit in the Prepayment Account of the Bond Fund upon receipt from the Authority Trustee and (b) amounts received from the District together with written instructions to utilize such amounts to optionally call the Bonds or a portion of the Bonds pursuant to the Fiscal Agent Agreement. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due under the Fiscal Agent Agreement; provided, however, that available amounts in the Bond Fund shall first be used to pay to the Owners of the Bonds any past due installments of interest, principal (including mandatory sinking payments) of and premium, if any, on the Bonds, in that order. Amounts transferred to the Bond Fund from the Special Tax Fund pursuant to the Fiscal Agent Agreement shall immediately

be paid to the Owners of the Bonds in respect of past due payments on the Bonds, and amounts transferred to the Prepayment Account pursuant to the Fiscal Agent Agreement shall be used to redeem Bonds pursuant thereto.

If after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the first sentence of the preceding paragraph, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal and any mandatory sinking payments due on the Bonds. Any installment of principal (including mandatory sinking payments), premium, if any, or interest on the Bonds which is not paid when due shall accrue interest at the rate of interest on the Bonds until paid, and shall be paid whenever funds in the Bond Fund are sufficient therefor.

If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, the Fiscal Agent shall notify the District and the Treasurer in writing of such failure, and the Treasurer shall notify the California Debt and Investment Advisory Commission of such failure within 10 days of the failure to make such payment, as required by Section 53359(c)(1) of the Act.

Investment. Moneys in the Bond Fund shall be invested and deposited in accordance with Fiscal Agent Agreement. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund shall be retained in the Bond Fund.

Administrative Expense Fund.

Establishment of Administrative Expense Fund. The Fiscal Agent Agreement establishes the Administrative Expense Fund, as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, the District and the Authority, and shall be disbursed as provided below.

Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense and the nature of such expense. Amounts on deposit in the Administrative Expense Fund at the end of any Fiscal Year shall be retained in such fund as an operating reserve and shall be disbursed as provided for in this paragraph.

c. **Investment.** Moneys in the Administrative Expense Fund shall be invested and deposited in accordance with the Fiscal Agent Agreement. Investment earnings on moneys in the Administrative Expense Fund shall be retained by the Fiscal Agent in the Administrative Expense Fund and used for the payment of Administrative Expenses.

Investments.

Moneys in any fund or account created or established by the Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause B(5) of the definition thereof to the extent practicable which by their terms mature prior to the date on which such moneys are required to be paid out hereunder, or are held uninvested. The Treasurer shall make note of any investment of funds hereunder in excess of the yield on the Bonds, so that appropriate actions can be taken to assure compliance with the Agreement.

In the event of any transfer by the Authority Trustee from the Revenue Fund to the Residual Account thereof pursuant to the Authority Indenture, all moneys on deposit in the Special Tax Fund and the Bond Fund shall be held in cash or invested in Permitted Investments constituting cash equivalents until the payment of the principal of and interest on the Bonds on the September 1 Interest Payment Date following such transfer.

Moneys in any fund or account created or established by the Agreement and held by the Treasurer shall be invested by the Treasurer in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Agreement any moneys are required to be transferred by the District to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Fiscal Agent or an affiliate or the Treasurer may act as principal or agent in the acquisition or disposition of any investment and shall be entitled to its customary fee therefor. Neither the Fiscal Agent nor the Treasurer shall incur any liability for losses arising from any investments made pursuant to the Agreement. For purposes of determining the amount on deposit in any fund or account held hereunder, all Permitted Investments or investments credited to such fund or account shall be valued as provided for in the Agreement.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Agreement or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Code.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Treasurer hereunder, provided that the Fiscal Agent or the Treasurer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Agreement.

The Fiscal Agent or the Treasurer, as applicable, shall sell at the highest price reasonably obtainable, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

Other Covenants of the District.

Warranty. The District shall preserve and protect the security pledged hereunder to the Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds issued hereunder are Outstanding and unpaid, the District makes the covenants set forth below with the Bondowners under the provisions of the Act and this Fiscal Agent Agreement (to be performed by the District or the City, acting for and on behalf of the District, or its proper officers, agents and employees), which are covenants necessary and desirable to secure the Bonds and tend to make the Bonds more marketable; provided, however, that such covenants do not require the District to expend any funds or moneys other than the Net Special Tax Revenues.

Punctual Payment. The District shall punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Agreement and all Supplemental Agreements and of the Bonds.

Limited Obligation. The Bonds are limited obligations of the District and are payable solely from and secured solely by the Net Special Tax Revenues and the amounts in the Bond Fund and the Special Tax Fund created hereunder.

Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials, or supplies which, if unpaid, might become a lien or charge upon the Special Tax Revenues or which might otherwise impair the security of the Bonds then Outstanding; provided that nothing contained in the Agreement shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the District shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of the Agreement, except

subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

Against Encumbrances. The District will not encumber, pledge or place any charge or lien upon any of the Net Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien created in the Agreement for the benefit of the Bonds, except as permitted by the Agreement.

Books and Records. The District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund and the Special Tax Fund and relating to the Special Tax Revenues.

Protection of Security and Rights of Owners. The District will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District.

Collection of Special Tax Revenues. The District shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or about July 10 of each year, the Treasurer shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The Treasurer shall effect the levy of the Special Taxes each Fiscal Year on the parcels within the Improvement Area in accordance with the Ordinance, such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the Improvement Area for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, the Treasurer shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next secured tax roll unless directed by the District to directly bill such Special Taxes. The Special Taxes so levied shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property, unless otherwise provided by the District.

In the event that the Treasurer determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners of the parcels within the Improvement Area, the Treasurer shall, not less than forty-five (45) days prior to each Interest Payment Date, send bills to the owners of such real property located within the Improvement Area subject to the levy of the Special Taxes for Special Taxes in an aggregate amount necessary to meet the financial obligations of the District with respect to the Improvement Area due on the next Interest Payment Date, said bills to specify that the amounts so levied shall be due and payable not less than thirty (30) days prior to such Interest Payment Date and shall be delinquent if not paid when due.

In any event, the Treasurer shall fix and levy the amount of Special Taxes within the Improvement Area required for the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the ensuing year, an amount necessary to replenish the Reserve Fund pursuant to the Fiscal Agent Agreement and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the RMA and the Ordinance. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Treasurer is authorized to employ consultants to assist in computing the levy of the Special Taxes hereunder and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Treasurer (including a charge for City or District staff time) in conducting its duties hereunder shall be an Special Tax Refunding Bond Administrative Expense hereunder.

Further Assurances. The District shall adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Agreement.

Tax Covenants. The District shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused any of the Authority Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code or to be “private activity bonds” within the meaning of Section 141 of the Tax Code.

The District agrees to furnish all information to, and cooperate fully with, the Authority, the Authority Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of the Authority Indenture. In the event that the Authority shall notify the District that the Authority has determined, pursuant to the Authority Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Authority Trustee has on deposit an amount of available moneys to make such payment, the District shall promptly direct the Fiscal Agent pay to the Authority Trustee from available Net Special Tax Revenues the Proportionate Share of the amounts determined by the Authority to be due and payable to the United States of America.

Covenant to Foreclose. The District will review the public records of the County of San Diego, California, in connection with the collection of the 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 Authority Reserve Fund is less than the Reserve Requirement.

The City Attorney is authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel and costs and expenses of the City Attorney (including a charge for City or District staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Notwithstanding any provision of the Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes:

A. The City, or the Fiscal Agent, is expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be placed in the Bond Fund or otherwise be set aside in the amount of such credit bid, in the amount specified in Section 53356.5 of the Act or such lesser amount as determined under B. below or otherwise under Section 53356.6 of the Act.

B. The City may permit property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the Act, if it determines that such sale is in the interest of the Bond Owners. The Bond Owners, by their acceptance of the Bonds, consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and release the City, its officers and its agents from any liability in connection therewith.

C. The City is expressly authorized to use amounts in the Administrative Expense Fund to pay costs of foreclosure of delinquent Special Taxes.

D. The City may forgive all or any portion of the Special Taxes levied or to be levied on any parcel in the Improvement Area, so long as the City determines that such forgiveness is not expected to adversely affect its obligation to pay principal of and interest on the Bonds.

Annual Reports to CDIAC. Not later than October 30 of each year, commencing October 30, 2014, and until the October 30 following the final maturity of the Bonds, the Treasurer shall supply the information required by Section 53359.5(b) or (c) of the Act to CDIAC (on such forms as CDIAC may specify) and the District.

Modification of Maximum Authorized Special Tax. The District, to the maximum extent that the law permits it to do so, covenants that no modification of the minimum or maximum authorized Special Tax shall be approved by the District nor shall the District take any other action which would (i) prohibit the District from levying the Special Tax within the Improvement Area 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 Bonds then Outstanding; (ii) discontinue or cause the discontinuance of such levy; or (iii) permit the prepayment of the Special Tax except as permitted pursuant to the RMA.

Covenant to Defend. The District covenants, in the event that any initiative is adopted by the qualified electors in the Improvement Area which purports to reduce the minimum or the maximum Special Tax below the levels specified in the Fiscal Agent Agreement or to limit the power of the District to levy the Special Taxes within the Improvement Area for the purposes set forth in the Fiscal Agent Agreement, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

Events of Default and Remedies of Bondowners.

Events of Default. The following events shall be Events of Default:

A. Failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise.

B. Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

C. Failure by the District to observe and perform any of the other covenants, agreements, or conditions on its part in the Agreement or in the Bonds contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the District by the Fiscal Agent or the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an Event of Default if corrective action is instituted by the District within such 60-day period and the District shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

D. Commencement by the District of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Remedies of Bond Owners. Subject to the provisions of the Fiscal Agent Agreement, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners similarly situated:

A. by mandamus, suit, action or proceeding, to compel the District and/or the City and its officers, agents or employees, acting for and on behalf of the District, to perform each and every term, provision and covenant contained in the Agreement and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it by the Act;

B. by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights; or

C. upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the District and/or the City and its officers and employees, acting for and on behalf of the District, to account as if it and they were the trustees of an express trust.

Application of Special Taxes and Other Funds After Default. If an Event of Default shall occur and be continuing, all Special Taxes, including any penalties, costs, fees and other charges accruing under the Act, and any other funds then held or thereafter received by the Fiscal Agent under any of the provisions of the Agreement shall be applied by the Fiscal Agent as follows and in the following order:

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

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

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

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

C. Any remaining funds shall be transferred by the Fiscal Agent to the Bond Fund.

Absolute Obligation of the District. Nothing the Agreement or in the Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Agreement, but only out of the Net Special Tax Revenues and other moneys pledged in the Agreement therefor and received by the District or the Fiscal Agent, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Owners, then in every such case the District, and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the City, and the Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Agreement upon or reserved to the Fiscal Agent or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Agreement to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Actions by Fiscal Agent as Attorney-in-Fact. Any suit, action, or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Fiscal Agent for the equal benefit and protection of all Owners, and the Fiscal Agent is appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such suit, action, or proceeding and to do and perform any and all acts and things for and on behalf of the Owners as a class or classes, as may be necessary or advisable in the opinion of the Fiscal Agent as such attorney-in-fact.

Modification or Amendment of the Fiscal Agent Agreement.

Amendments Permitted. The Agreement and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of the Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond; or (ii) permit the creation by the District of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Agreement), or reduce the percentage of Bonds required for the amendment of the Agreement. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Agreement and the rights and obligations of the District and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District in the Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power reserved in the Agreement to or conferred upon the District;

(ii) to make modifications not adversely affecting any Outstanding Bonds of the District in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting, or supplementing any defective provision contained in the Agreement, or in regard to questions arising under the Agreement, as the District and the Fiscal Agent may deem necessary or desirable and not inconsistent with the Agreement, and which shall not adversely affect the rights of the Owners of the Bonds; and/or

(iv) to make such additions, deletions, or modifications as may be necessary or desirable to assure the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Owners' Meetings. The District may at any time call a meeting of the Owners. In such event the District is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof, and to fix and adopt rules and regulations for the conduct of said meeting.

Procedure for Amendment with Written Consent of Owners. The District and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of the Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement, to take effect when and as provided therein. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as provided in the Fiscal Agent Agreement.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Agreement and a notice shall have been mailed as provided in the Agreement. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the District shall mail a notice to the Owners in the manner provided for in the Agreement for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in the Agreement (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by the Agreement to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in the Agreement upon the District and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Disqualified Bonds. Bonds owned or held for the account of the City or the District, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in the Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in the Agreement.

Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to the Agreement, the Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under the Agreement of the District and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such

modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of the Agreement for any and all purposes.

Defeasance.

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Agreement, then the Owner of such Bond shall cease to be entitled to the pledge of Net Special Tax Revenues, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond under the Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds pursuant to the Agreement, the Fiscal Agent shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the District's general fund all money or securities held by it pursuant to the Agreement which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds.

Any Outstanding Bond shall be deemed to have been paid within the meaning expressed above if such Bond is paid in any one or more of the following ways:

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

(ii) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable; or

(iii) by depositing with the Fiscal Agent or another escrow bank appointed by the District, in trust, direct, non-callable Defeasance Obligations, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds shall not have been surrendered for payment, all obligations of the District under the Agreement with respect to such Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon. Notice of such election shall be filed with the Fiscal Agent not less than ten (10) days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Fiscal Agent. In connection with a defeasance under (ii) or (iii) above, there shall be provided to the District a verification report from an Independent Accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds to be defeased in accordance with the Agreement, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with the Agreement.

Upon a defeasance, the Fiscal Agent, upon request of the District, shall release the rights of the Owners of such Bonds which have been defeased under the Agreement and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance hereunder of all Outstanding Bonds, after payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the District any funds held by the Fiscal Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds when due. The Fiscal Agent shall, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Notwithstanding the foregoing, so long as the Bonds are owned by the Authority, the entire indebtedness on the Bonds Outstanding shall be discharged simultaneously with and upon the discharge of the Authority Bonds pursuant to the Authority Indenture resulting from the irrevocable deposit with the Authority Trustee pursuant to the Authority Indenture of money or Defeasance Obligations (as defined in the Authority Indenture) to pay or redeem all of the Authority Bonds then Outstanding (as defined in the Authority Indenture). The Fiscal Agent shall, upon receipt of written instructions from an Authorized Officer, transfer the moneys on deposit in the funds and accounts established hereunder to fund the foregoing deposit with the Authority Trustee.

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 2013 in the aggregate principal amount of \$72,100,000 (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 July 9, 2013 (the "Resolution of Issuance"), and an Indenture of Trust, dated as of August 1, 2013 (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 and the Community Facilities Districts 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 August 1, 2013, is executed and delivered by the CHULA VISTA MUNICIPAL FINANCING AUTHORITY (the “Issuer”), and NBS, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance of \$72,100,000 aggregate principal amount of the Chula Vista Municipal Financing Authority Special Tax Revenue Refunding Bonds, Series 2013 (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust (the “Indenture”) dated as of August 1, 2013 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 Underwriters 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 NBS, 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. 06-I of the City of Chula Vista, Community Facilities District No. 07-I of the City of Chula Vista, Community Facilities District No. 08-I of the City of Chula Vista, and Community Facilities District No. 2001-2 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. 06-I (Eastlake – Woods, Vistas and Land Swap) Improvement Area A Special Tax Refunding

Bonds, Series 2013; City of Chula Vista Community Facilities District No. 06-I (Eastlake – Woods, Vistas and Land Swap) Improvement Area B Special Tax Refunding Bonds, Series 2013; City of Chula Vista Community Facilities District No. 07-I (Otay Ranch Village Eleven) Special Tax Refunding Bonds, Series 2013; City of Chula Vista Community Facilities District No. 08-I (Otay Ranch Village Six) Special Tax Refunding Bonds, Series 2013; and City of Chula Vista Community Facilities District No. 2001-2 (McMillin – Otay Ranch – Village Six) Special Tax Refunding Bonds, Series 2013.

“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 July 30, 2013.

“Participating Underwriters” shall mean De La Rosa & Co. and 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, 2014, 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 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 Series A Reserve Requirement and the Series B 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, 39-B, 41, 42, 43 and 46-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) 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 (v) 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 NBS. 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: NBS
32605 Temecula Pkwy
Temecula, CA 92592

Participating Underwriters: Stifel, Nicolaus & Company, Incorporated
One Ferry Building, Suite 275
San Francisco, CA 94111

De La Rosa & Co.
10866 Wilshire Boulevard, Suite 1650
Los Angeles, California 90024

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 Underwriters 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

NBS, as Dissemination Agent

By: _____
Its: Authorized Officer

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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 Underwriters believe to be reliable, but none of the Authority, the Community Facilities Districts, the City or the Underwriters 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.

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

RATE AND METHOD OF APPORTIONMENT FOR CITY OF CHULA VISTA COMMUNITY FACILITIES DISTRICT NO. 06-I IMPROVEMENT AREA A (Eastlake – Woods, Vistas and Land Swap)

Property within the City of Chula Vista Community Facilities District No. 06-I, Improvement Area A (“Improvement Area A”) and collected each Fiscal Year commencing in Fiscal Year 2003-2004 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 Taxable Property in Improvement Area A, unless exempted by law or by the provisions hereof, A Special Tax as hereinafter defined shall be levied on each Assessor’s Parcel of Taxable 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 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 Expenses**” means the actual or reasonably estimated costs directly related to the administration of Improvement Area A including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City, or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD-06-I, or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD-06-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-06-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-06-I, for any other administrative purposes of Improvement Area A, 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 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 not required to fund the Special Tax Requirement for any preceding Fiscal Year, and Special Tax prepayments collected to pay interest on Bonds, and other sources of funds available as a credit to the Special Tax Requirement as specified in such Indenture.

“Backup Special Tax” means the Special Tax 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 or incurred by CFD-06-I for Improvement Area A 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-06-I” means City of Chula Vista Community Facilities District No. 06-I.

“City” means the City of Chula Vista.

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

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

“Council” means the City Council of the City, acting as the legislative body of CFD-06-I.

“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 property not subject to the Special Assigned Tax due to its classification as either Public Property, Property Owner Association Property, Community Purpose Facility Property, public or utility easements.

“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.

“Hotel Property” means any Assessor’s Parcel(s) of Commercial Property within the boundaries of CFD 06-I entitled or otherwise designated by the City to be used as a Hotel site.

“Hotel” means a building or group of buildings comprising six or more individual sleeping or living units without kitchens, except as otherwise provided herein, for the accommodation of transient guests.

“Improvement Area A” means Improvement Area A of CFD No. 06-I known as the Woods, Vistas and Land Swap.

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

“Land Use Class” means any of the classes listed in Tables 1 and 2 of Section C.

“Lot” 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.

“Master Developer” means the owner of the predominant amount of Undeveloped Property in Improvement Area A.

“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.

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

“Property Owner Association Property” means any property within the boundaries of Improvement Area A owned by or dedicated to a property owner association, including any master or sub-association.

“Proportionately” means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Annual Special Tax or the Backup Special Tax is equal for all Assessors’ Parcels of Developed Property within Improvement Area A. For Undeveloped Property “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Annual Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property within Improvement Area A.

“Public Property” means any property within the boundaries of Improvement Area A that is owned by or dedicated to the federal government, the State of California, the County, the City or any other public agency.

“Residential Property” means all Assessors’ 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.

“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 Improvement Area A to: (i) pay annual debt service on all Outstanding Bonds (as defined in Section A) 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 payments on Outstanding 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; and (v) pay directly for acquisition and/or construction of public improvements which are authorized to be financed by CFD-06-I provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on the Undeveloped Property and for Improvement Area A ; 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 Improvement Area A 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.

“**Zone 1**” means a specific geographic location known as the Vistas development area as depicted in Exhibit A attached herein.

“**Zone 2**” means a specific geographic location known as the Woods development area as depicted in Exhibit A attached herein.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessors’ Parcels of Taxable Property within Improvement Area A shall be classified as Developed Property or Undeveloped Property and shall be subject to the levy of annual Special Taxes determined pursuant to Sections C and D below. Developed Property shall be assigned to Zone 1 or Zone 2 and shall be further classified as Residential Property, Commercial Property or Hotel Property.

C. MAXIMUM ANNUAL SPECIAL TAX RATE

1. Developed Property

The Maximum Annual Special Tax for each Assessor’s Parcel of Residential Property, Commercial Property or Hotel Property shall be the greater of (1) the Assigned Special Tax described in Tables 1 and 2 below or (2) the Backup Special Tax computed pursuant to b. below.

a. Assigned Special Tax

The Assigned Special Tax for each Assessor’s Parcel of Developed Property is shown in Tables 1 and 2.

**Table 1
Zone 1 (Vistas)
Assigned Annual Special Tax for Developed Property**

<u>Land Use Class</u>	<u>Description</u>	<u>Assigned Annual Special Tax</u>
1	Residential Property	\$0.58 per square foot of Residential Floor Area
2	Commercial Property	\$6,000 per Acre
3	Hotel Property	\$6,000 per Acre

Table 2
Zone 2 (Woods)
Assigned Annual Special Tax for Developed Property

<u>Land Use Class</u>	<u>Description</u>	<u>Assigned Annual Special Tax</u>
1	Residential Property	\$0.67 per square foot of Residential Floor Area
2	Commercial Property	\$6,000 per Acre

b. Backup Special Tax

When a Final Subdivision Map is recorded within Zone 1 and 2 of Improvement Area A the Backup Special Tax for Assessor’s Parcels of classified as Residential Property, Commercial Property or Hotel 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:

Zone 1 (Vistas)

$$B = \frac{\$11,037 \times A}{L}$$

Zone 2 (Woods)

$$B = \frac{\$8,332 \times A}{L}$$

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 Subdivision Map.
- L = Lots in the Final Subdivision Map which are classified or to be classified as Residential Property.

For each Assessor’s Parcel of Commercial Property or Hotel Property or for each Assessor’s Parcel of Undeveloped Property to be classified as Commercial Property or Hotel Property within the Final Subdivision Map area, the Backup Special Tax shall be determined by multiplying \$11,037 for Zone 1 and \$8,332 for Zone 2 by the total Acreage of each Assessor’s parcels of the Commercial or Hotel Property and Undeveloped Property to be classified as Commercial Property or Hotel Property within the Final Subdivision Map area.

Notwithstanding the foregoing, if Assessor’s Parcels of Residential Property, Commercial Property, Hotel 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. Undeveloped Property

The Maximum Annual Special Tax for each Assessor's Parcel classified as Undeveloped Property shall be \$11,037 per acre for Zone 1 and \$8,332 per acre for Zone 2.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2003-04 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 Zones 1 or 2 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 a rate 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 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.

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 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 Assessor Parcel(s) as Exempt Property: (i) Public Property, (ii) Property Owner Association Property, (iii) Community Purpose Facility Property, 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 within Zone 1 (Vistas) to less than 180.03 Acres and within Zone 2 (Woods) to less than 166.23 acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than for Zone 1 (Vistas) 180.03 acres and Zone 2 (Woods) 166.23 acres 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 property which would be classified as Public Property upon its transfer or dedication to a public agency but which cannot be classified as Exempt Property as described in paragraph 1 of Section E 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 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.

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-06-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-06-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 either \$34.5 million in 2002 dollars, which shall increase by the Construction Inflation Index on July 1, 2003, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities under the authorized bonding program for CFD No. 06-I Improvement Area A, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities minus public facility costs available to be funded through existing construction fund, or funded by the Outstanding Bonds as defined below, minus

public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment, and minus public facilities costs paid directly with Special Taxes.

“Outstanding Bonds” means all previously issued Bonds which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior 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 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, 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 shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	<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 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 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 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 A excluding any Assessors 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 the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the *“Bond Redemption Amount”*).

4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium 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 Improvement Areas A have not been issued, compute the Future Facilities Costs.

6. Multiply the quotient computed pursuant to paragraph 2 by the amount if any, 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. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Administrative Fees and Expenses (including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption) from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to paragraphs 7 and 9 and subtract the amount computed pursuant to paragraph 10 (the “*Defeasance Amount*”).

12. Determine the administrative fees and expenses of CFD-06-I, applicable prepayment totals, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the cost of recording any notices to evidence the prepayment and the redemption (the “*Administrative Fees and Expenses*”).

13. The reserve fund credit (the “*Reserve Fund Credit*”) shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve 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 paragraph 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 paragraphs 3, 4, 6, 11, and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the “*Prepayment Amount*”).

16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 11, 13, and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 12 shall be

retained by CFD-06. The amount computed pursuant to paragraph 5 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 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 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 Improvement Area A both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

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

2. Prepayment in Part

The Maximum Annual Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section 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 Administrative Expenses and Fees determined pursuant to Step 12.

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Annual Special Tax.

A = the Administrative Expenses and Fees determined pursuant to Step 12.

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-06-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 2003-2004 to the extent necessary to fully satisfy the Special Tax Requirement and shall be levied for a period no longer than the 2042-2043 Fiscal Year.

**AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX
CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 06-I
IMPROVEMENT AREA B
(Eastlake – Woods, Vistas and Land Swap)**

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. 06-I, Improvement Area B ("Improvement Area B") and collected each Fiscal Year commencing in Fiscal Year 2003-2004 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 Taxable 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 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 Expenses" means the actual or reasonably estimated costs directly related to the administration of Improvement Area B 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-06-I or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD-06-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-06-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-06-I for any other administrative purposes of Improvement Area B, 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 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 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-06-I for Improvement Area B 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 06-I**” means City of Chula Vista, Community Facilities District No. 06-I.

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

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

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

“**Council**” means the City Council of the City, acting as the legislative body of CFD-06-I.

“**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 property not subject to the Special Tax due to its classification as either Public Property, Property Owner Association Property Community Purpose Facility Property.

“**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.

“**Improvement Area B**” means Improvement Area B of CFD No. 06-I known as the “Land Swap”.

“**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 Subdivision 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, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

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

“**Property Owner Association Property**” means any property within the boundaries of Improvement Area B owned by or dedicated to a property owner association, including any master or sub-association.

“**Proportionately**” means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax or the Backup Special Tax is equal for all Assessors’ 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 Improvement Area B that is owned by or dedicated to the federal government, the State of California, the County, the City or any other public agency.

“**Residential Property**” means all Assessors’ 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.

“**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 Improvement Area B to: (i) pay annual debt service on all Outstanding Bonds (as defined in Section A) 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 payments on Outstanding 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; and (v) pay directly for acquisition and/or construction of public improvements which are authorized to be financed by CFD-06-I provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on the Undeveloped Property for Improvement Area B; 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-06-I, Improvement Area B 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.

“Zone 3” means a specific geographic area as depicted in Exhibit A attached hereto.

“Zone 4” means a specific geographic area as depicted in Exhibit A attached hereto.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor’s Parcels of Taxable Property within , Improvement Area B shall be (a) categorized as being located in either Zone 3 or Zone 4, (b) classified as Developed Property or Undeveloped 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 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 shall be the greater of (1) the Assigned Special Tax described in Table 1 below or (2) the Backup Special Tax computed pursuant to b. below.

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 3 AND ZONE 4**

<i>Land Use Class</i>	<i>Description</i>	<i>Assigned Special Tax</i>
1	Residential Property	\$0.74 per square foot of Residential Floor Area
2	Commercial Property	\$6,000 per Acre

b. Backup Special Tax

When a Final Subdivision Map is recorded within Zone 3 or Zone 4, 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 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:

$$B = \frac{\text{Zone 3} \\ \$20,563 \times A}{L}$$

$$B = \frac{\text{Zone 4} \\ \$6,667 \times A}{L}$$

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 Subdivision Map.
- L = Lots in the Final Subdivision Map which are classified or to be classified as Residential Property.

For each Assessor's Parcel of Commercial Property or for each Assessor's Parcel of Undeveloped Property to be classified as Commercial Property within the Final Subdivision Map area, the Backup Special Tax shall be determined by multiplying \$20,563 for Zone 3 and \$6,667 for Zone 4 by the total Acreage of each Assessor's Parcels of the Commercial Property and Undeveloped Property to be classified as Commercial Property within the Final Subdivision Map area.

Notwithstanding the foregoing, if Assessor's Parcels of Residential Property, Commercial Property or Undeveloped Property for which the Backup Special Tax has been determined are subsequently changed or modified by recordation of a new or amended Final 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. Undeveloped Property

The Maximum Annual Special Tax for each Assessor's Parcel classified, as Undeveloped Property shall be \$20,563 per Acre for Zone 3 and \$6,667 per Acre for Zone 4.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2003-04 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 3 and Zone 4 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 within Zone 3 and Zone 4, excluding any Assessor's Parcels classified as

Undeveloped Property pursuant to Section E, at a rate 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 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.

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 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 Assessor Parcel(s) as exempt property: (i) Public Property, (ii) Property Owner Association Property, (iii) Community Purpose Facility Property, 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 36.50 Acres in Zone 3 and 52.00 Acres in Zone 4. Assessor's Parcels which cannot be classified as exempt property because such classification would reduce the Acreage of all Taxable Property to less than 36.50 Acres in Zone 3 and 52.00 Acres in Zone 4 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 property which would be classified as Public Property upon its transfer or dedication to a public agency but which cannot be classified as exempt property as described in paragraph 1 of Section F shall be prepaid in full by the seller pursuant to Section I.1, prior to the transfer/dedication of such property to such public agency. Until the Maximum Annual 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.

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-06-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-06-I, 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 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-06-I Improvement Area B.

“CFD Public Facilities Costs” means either \$12.3 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 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, 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 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 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 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 Assessors 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 the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium 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 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 CFD-06-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 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 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 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-06-I. The amount computed pursuant to paragraph 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 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 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 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_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-06-I, 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 2003-2004 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. 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 CFD-07-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 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:

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

Zone B

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

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 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(s) on the next possible Bond call date, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
5. If all the 2004 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. 08-I
(Otay Ranch Village Six)**

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. 08-I (Otay Ranch Village Six) collected each Fiscal Year commencing in Fiscal Year 2003-2004 in an amount determined by the City Council through the application of the appropriate Special Tax for "Developed Property", "Undeveloped Property", and "Provisional Undeveloped Property" as described below. All of the Taxable Property in CFD-08-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:

" '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 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-08-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-08-I, or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD-08-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-08-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-08-I, for any other administrative purposes of CFD-08-I, including, but not limited to attorney's fees and other costs related to commencing and pursuing to completion any foreclosure on an Assessor's Parcel with 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 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 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 or incurred by CFD-08-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 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-08-I” means City of Chula Vista Community Facilities District No. 08-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 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-08-I.

“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 in which the Special Tax is being levied.

“Exempt Property” means property not subject to the Special Tax due to its classification as either Public Property, Property Owner Association Property, Community Purpose Facility Property, public or utility easements in accordance with 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.

“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) was issued for a non-residential use, excluding Community Purpose Facility Property.

“Open Space” means property within the boundaries of CFD 08-I which (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, prior to June 1st of the preceding Fiscal Year, 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-08-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 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 Assessors’ Parcels of Developed Property within CFD-08-I. For Undeveloped Property or 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 Undeveloped Property and equal for all Assessor’s Parcels of Provisional Undeveloped Property within CFD-08-I.

“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-08-1 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 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 initial building permit(s) issued for such structure.

“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-08-I 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 payments; (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-08-I provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on the Undeveloped Property; (vi) less a credit for Available Funds.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD-08-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.

“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 Assessor’s Parcels of Taxable Property within CFD-08-I shall be (a) categorized as being located in either Zone A or Zone B, (b) classified as Developed Property, Undeveloped Property or Provisional Undeveloped Property and (c) subject to the levy of annual Special Taxes determined pursuant to Sections C and D. Furthermore, all Developed Property shall then be classified as Residential Property 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 which follows or (2) the Backup Special Tax computed pursuant to 1b which follows.

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	\$800 per unit plus \$.35 per square foot of Residential Floor Area
2	Non-Residential Property	\$6,000 per Acre

b. **Backup Special Tax**

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

For each Assessor's Parcel of **Residential Property** or 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:

Zone A

$$B = \frac{\$16,858 \times A}{L}$$

Zone B

$$B = \frac{\$26,445 \times A}{L}$$

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 Subdivision Map.
- L = Lots in the Final Subdivision Map which are classified or to be classified as Residential Property.

For each Assessor's Parcel of **Non-Residential Property** or Undeveloped Property to be classified as Non-Residential Property upon the development thereof within the Final Subdivision Map area, the Backup Special Tax shall be determined by multiplying \$16,858 for Zone A and \$26,445 for Zone B by the total Acreage of all Non-Residential Property and

Undeveloped Property to be classified as Non-Residential Property upon the development thereof within the Final Subdivision Map area.

Notwithstanding the foregoing if an Assessor's Parcel 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 Parcel shall be recalculated to equal the amount of Backup Special Tax that would have been generated if such change did not take place.

2. Undeveloped Property and Provisional Undeveloped Property

The Maximum Annual Special Tax for each Assessor's Parcel of Undeveloped Property or Provisional Undeveloped Property shall be \$16,858 per Acre for Zone A and \$26,445 per Acre for Zone B.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2003-04 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 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 Parcel, 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.

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 shall be increased Proportionately from the Assigned Special Tax up to the Maximum Annual Special Tax for each such Developed Property.

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 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 40.98 Acres in Zone A and 42.43 Acres in Zone B. Property which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 40.98 Acres in Zone A and 42.43 Acres in Zone B will be classified as Provisional Undeveloped Property and shall be taxed pursuant to the fourth step of Section D. 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 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 paragraph 1 of Section E 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-08-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-08-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-08-I.

“CFD Public Facilities Costs” means either \$20 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 Amended 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 Provisional Undeveloped Property. The Maximum Annual Special Tax obligation applicable to such Assessor’s Parcel may be fully prepaid and the obligation of such 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
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 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 Provisional Undeveloped Property to be prepaid, compute the Maximum Annual Special Tax for such 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-08-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-08-I have not been issued, 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-08-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 10 shall be retained by CFD-08-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-08-I, 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 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_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-08-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 2003-2004 to the extent necessary to fully satisfy the Special Tax Requirement and shall be levied for a period no longer than the 2039-2040 Fiscal Year.

**RATE AND METHOD OF APPORTIONMENT FOR
CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(McMillin Otay Ranch Village Six)**

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. 2001-2 ("CFD No. 2001-2") and collected each Fiscal Year commencing in Fiscal Year 2002-2003 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 Taxable Property in CFD No. 2001-2, 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 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 Expenses" means the actual or reasonably estimated costs directly related to the administration of CFD No. 2001-2 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. 2001-2 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2001-2 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. 2001-2 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. 2001-2 for any other administrative purposes of CFD No. 2001-2, 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 Assessor's Parcel number.

"Assigned Special Tax" means the Special Tax for each Land Use Category of Developed Property as determined in accordance with the provision of Section C.1.a. below.

"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 not required to fund the Special Tax Requirement for any preceding Fiscal Year, 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 determined in accordance with the provisions of Section C.1.b below.

“Bonds” means any bonds or other debt (as defined in the Act), whether in one or more series, issued by CFD No. 2001-2 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. 2001-2” means City of Chula Vista, Community Facilities District No. 2001-2 (McMillin Otay Ranch Village Six).

“City” means the City of Chula Vista.

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

“Council” means the City Council of the City, acting as the legislative body of CFD No. 2001-2.

“County” means the County of San Diego.

“Developed Property” means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

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

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

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

“Land Use Class” means any of the classes listed in Tables 1 and 2 of Section C.

“Lot(s)” means an individual legal lot created by a Final Subdivision Map for which a building permit for residential construction has been or could be issued.

“Master Developer” means the owner of the predominant amount of Undeveloped Property in CFD No. 2001-2.

“Maximum Annual Special Tax” means the maximum annual Special Tax, determined in accordance with the provisions of Section C below, 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 has been issued for purposes of constructing one or more non-residential structures, excluding Community Purpose Facility Property.

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

“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 No. 2001-2 owned by or dedicated to a property owner association, including any master or sub-association.

“Proportionately” means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Annual Special Tax or Backup Special Tax is equal for all Assessor’s Parcels of Developed Property within CFD No. 2001-2. For Undeveloped Property “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Annual Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property within CFD No. 2001-2.

“Public Property” means any property within the boundaries of CFD No. 2001-2 that is owned by or dedicated to the federal government, the State of California, the County, the City or any other public agency.

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

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by 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 required in any Fiscal Year for CFD No. 2001-2 to: (i) pay debt service on all Outstanding Bonds (as defined in Section A) 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 payments on Outstanding 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) pay directly for acquisition and/or construction of public improvements which are authorized to be financed by CFD No. 2001-2 provided that inclusion of such amount does not cause an increase in the levy of Special Taxes on Undeveloped Property; and (vi) less a credit for Available Funds.

“State” means the State of California.

“**Taxable Property**” means all of the Assessor’s Parcels within the boundaries of CFD No. 2001-2 which are not exempt from the Special Tax pursuant to law or Section E below.

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

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

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor Parcels within CFD No. 2001-2 shall be classified as Taxable Property or Exempt Property. All Taxable Property shall then 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, all Developed Property shall then be classified as Residential Property 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 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 classified as Developed Property shall be the amount shown in Table 1 below:

TABLE 1

Assigned Special Tax for Developed Property

<i>Land Use Class</i>	<i>Description</i>	<i>Maximum Annual Special Tax</i>
1	Residential Property	\$440 per unit plus \$.34 per square foot of Residential Floor Area
2	Non-Residential Property	\$11,365 per Acre

b. Backup Special Tax

When a Final Subdivision Map is recorded within CFD No. 2001-2, 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 Developed Property classified as Residential Property or for each Assessor’s Parcel of Undeveloped Property to be classified as Residential Property within the Final Subdivision Map area, the Backup Special Tax shall be the rate per Lot calculated according to the following formula:

$$B = \frac{\$11,365 \times A}{L}$$

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 Subdivision Map.
- L = Lots in the Final Subdivision Map 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 \$11,365 by the total Acreage of both the Non-Residential Property and Undeveloped Property to be classified as Non-Residential Property within the Final Subdivision Map area.

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 (by an applicable final map, parcel map, condominium plan, record of survey, or other recorded document creating the parcels) 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 or modification did not take place.

2. Undeveloped Property

The Maximum Annual Special Tax for each Assessor's Parcel classified, as Undeveloped Property shall be the amount shown in Table 2 below:

TABLE 2

Maximum Annual Special Tax for Undeveloped Property

<i>Land Use Class</i>	<i>Description</i>	<i>Maximum Annual Special Tax</i>
3	Undeveloped Property	\$11,365 per Acre

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2002-2003 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at 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 paragraphs 2 and 3 in Section E, at up to 100% of the Maximum Annual Special Tax for Undeveloped Property.

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax to be levied on each Assessor's Parcel whose Maximum Annual Special Tax is derived by the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Annual Special Tax for each such Assessor's Parcel.

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel classified as Undeveloped Property pursuant to paragraphs 2 and 3 in Section E at up to 100% of the Maximum Annual Special Tax for Undeveloped Property.

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

E. EXEMPTIONS

1. The CFD Administrator shall classify up to 53 Acres within Assessor Parcel number 643-052-05 and any future subdivisions therein as property exempt from the Special Taxes provided that all or a portion of the property is planned for or is being developed or used for Community Purpose Facility Property and school land uses approved by the City pursuant to the Tentative Map approved for McMillin Otay Ranch, Village Six on February 26, 2002. It is possible that land use entitlements (such as parcel map, final map or any other such division of land) may be approved prior to January 1st of any Fiscal Year for all or any portion of such area(s) which would authorize the development or use of such area(s) for purposes not exempt from the levy of the Special Tax pursuant to this Section E. The adjusted area(s) shall then be classified as Taxable Property in the next Fiscal Year as Developed Property or Undeveloped property in Step 2 of Section D, as applicable.
2. The CFD Administrator shall also classify the following Assessor Parcel(s) as exempt property: (i) Public Property, (ii) Property Owner Association Property, (iii) all Assessor's Parcels defined as Community Purpose Facility Property which are in addition to the property described in paragraph 1 above, 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 75.48 Acres. Notwithstanding the preceding sentence, the CFD Administrator shall not classify an Assessor's Parcel described in this paragraph as exempt property if such classification would reduce the sum of all Taxable Property to less than 75.48 Acres. Assessor's Parcels which cannot be classified as exempt property because such classification would reduce the Acreage of all Taxable Property to less than 75.48 Acres 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.
3. 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 cannot be classified as exempt property as described in paragraph 2 of Section E 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 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.

F. REVIEW/APPEAL COMMITTEE

Any landowner or resident who pays the Special Tax and 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. 2001-2, 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. 2001-2 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:

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

1. Prepayment in Full

The Maximum Annual Special Tax obligation may only be prepaid and permanently satisfied by an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, or Public Property. The Maximum Annual Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Annual Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this figure.

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

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

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

Paragraph No.:

1. For Assessor's Parcels of Developed Property, compute the Maximum Annual Special Tax for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property 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 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 revenue excluding any Assessor's Parcels which have been prepaid.
3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium on the next possible Bond call date, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
5. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
6. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
7. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
8. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount (less the Administrative Fees and Expenses) from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
9. Add the amounts computed pursuant to paragraphs 5 and 7 and subtract the amount computed pursuant to paragraph 8 (the "*Defeasance Amount*").
10. Verify the administrative fees and expenses of CFD No. 2001-2, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the

costs of recording any notices to evidence the prepayment and the redemption (the “*Administrative Fees and Expenses*”).

11. The reserve fund credit (the “*Reserve Fund Credit*”) shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
12. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 2 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the “*Capitalized Interest Credit*”).
13. The Maximum Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 9, and 10, less the amounts computed pursuant to paragraphs 11 and 12 (the “*Prepayment Amount*”).
14. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 9, 11, and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 10 shall be retained by CFD No. 2001-2.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

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

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Annual Special Taxes that may be levied on Taxable Property within CFD No. 2001-2 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:

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

These terms have the following meaning:

- PP = the partial prepayment
- PE = the Prepayment Amount calculated according to Section H.1, minus Administrative Expenses and Fees pursuant to Step 10.
- F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Annual Special Tax.
- A = the Administrative Expenses and Fees pursuant to Step 10.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Annual Special Tax shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Annual Special Tax, (ii) the percentage by which the Maximum Annual Special Tax shall be prepaid, and (iii) company or agency that will be acting as the escrow agent, if applicable. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Maximum Annual Special Tax for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Paragraph 14 of Section H.1, and (ii) indicate in the records of CFD No. 2001-2 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 2003-2004 to the extent necessary to fully satisfy the Special Tax Requirement and shall be levied for a period no longer than the 2037-2038 Fiscal Year.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

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