

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2015

NEW ISSUE – BOOK-ENTRY ONLY

NO RATING

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. However, Bond Counsel notes that, with respect to corporations, interest (and original issue discount) on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount. See "TAX MATTERS" herein.

\$5,980,000*
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(VICTORIA RANCH)
SPECIAL TAX REFUNDING BONDS, SERIES 2015A

Dated: Delivery Date

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

The City of Imperial Community Facilities District No. 2004-1 (Victoria Ranch) Special Tax Refunding Bonds, Series 2015A (the "Bonds") are being issued by City of Imperial Community Facilities District No. 2004-1 (Victoria Ranch) (the "District"): (i) to refund the District's outstanding 2005 Special Tax Bonds Series A (the "Refunded Bonds"); (ii) to fund a reserve account for the Bonds, and (iii) to pay costs of issuance of the Bonds. See the caption "THE REFUNDING PLAN." The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California), and pursuant to that certain Bond Indenture (the "Indenture"), dated as of July 1, 2015, by and between the District and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The Bonds are special obligations of the District payable from Net Taxes (as defined herein) derived from a certain annual Special Tax (as defined herein) to be levied on taxable land within the District and from certain other funds pledged under the Indenture, all as further described herein. The Special Tax is to be levied according to the rate and method of apportionment approved by the City Council of the City of Imperial (the "City") and the qualified electors within the District. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and Appendix A.

The Bonds are issuable in fully-registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Interest on the Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2016. Principal of and interest on the Bonds 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. See the caption "THE BONDS—General Provisions."

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

The Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from Special Tax prepayments as set forth under the caption "THE BONDS—Redemption of the Bonds."

Investment in the Bonds involves risks that are not appropriate for certain investors. Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the caption "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

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

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the District with respect to the Bonds. Certain legal matters will be passed on for the City and the District by Dennis H. Morita, APC, the City Attorney. Certain legal matters will be passed on for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California, as counsel to the Underwriter. It is anticipated that the Bonds in book-entry form will be available for delivery on or about _____, 2015.

[STIFEL LOGO]

Dated: _____, 2015

* Preliminary; subject to change.
DOCSOC/1706677v4/024405-0014

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

\$5,980,000*
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(VICTORIA RANCH)
SPECIAL TAX REFUNDING BONDS, SERIES 2015A

MATURITY SCHEDULE

BASE CUSIP^{®†} _____

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP^{®†}</i>
	\$	%	%		

\$ _____ % Term Bonds maturing September 1, 20 __, Yield __%, Price __ CUSIP^{®†} Suffix __

* Preliminary; subject to change.

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**CITY OF IMPERIAL
COUNTY OF IMPERIAL
STATE OF CALIFORNIA**

MAYOR AND MEMBERS OF THE CITY COUNCIL

Mark Gran, Mayor
Doug Cox, Deputy Mayor
Geoff Dale, Member
Betty Sampson, Member
James Tucker, Member

STAFF

Marlene D. Best, City Manager
Stacey Cox, City Treasurer
Laura Gutierrez, Finance Director
Debra Jackson, City Clerk

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

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

Financial Advisor

Urban Futures, Inc.
Orange, California

Special Tax Consultant

General Government Management Services (GGMS, Inc.)
Palm Desert, California

Trustee/Escrow Agent

Wells Fargo Bank, National Association
Los Angeles, California

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

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption "THE COMMUNITY FACILITIES DISTRICT."

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as set forth in the Continuing Disclosure Agreement, a form of which is attached hereto as Appendix E, neither the District nor the City plans to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

A wide variety of other information, including financial information concerning the City, is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement.

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

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

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[INSERT REGIONAL MAP]

[INSERT AERIAL MAP]

\$5,980,000*
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(VICTORIA RANCH)
SPECIAL TAX REFUNDING BONDS, SERIES 2015A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the "Official Statement"), is to provide certain information concerning the issuance by City of Imperial Community Facilities District No. 2004-1 (Victoria Ranch) (the "District") of its Special Tax Refunding Bonds, Series 2015A in the aggregate principal amount of \$5,980,000* (the "Bonds"). The proceeds of the Bonds, together with certain existing funds of the District, will be used to defease all of the District's outstanding 2005 Special Tax Bonds Series A, originally issued in the aggregate principal amount of \$11,125,000 and now outstanding in the principal amount of \$6,295,000 (the "Refunded Bonds"). A portion of the proceeds of the Bonds will be used to fund a reserve account for the Bonds and to pay Costs of Issuance of the Bonds. See the captions "THE REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the "Act"), and that certain Bond Indenture dated, as of July 1, 2015 (the "Indenture"), by and between the District and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as defined herein) and all moneys in the Special Tax Fund as described in the Indenture.

The Bonds are being sold pursuant to a purchase contract between Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter") and the District. For more complete information, see the captions "THE BONDS—General Provisions" and "UNDERWRITING."

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined have the meanings set forth in Appendix D.

The District

The District was formed on October 6, 2004. The Bonds are being issued pursuant to the Act and the Indenture. The Act was enacted by the State of California (the "State") Legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such community facilities district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such community facilities district to repay such indebtedness.

Pursuant to the Act, the City Council (the "City Council") of the City of Imperial, California (the "City"), adopted a resolution stating its intention to form the District and to authorize the levy of a special tax

* Preliminary; subject to change.

on the taxable property within the District, and a resolution stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$20,000,000 within the District for the purpose of financing the design, construction, expansion, acquisition, leasing and rehabilitation of certain public facilities within or serving the District. Subsequent to a noticed public hearing on October 6, 2004, the City Council adopted an ordinance (the "Ordinance of Formation"), which established the District, authorized the levy of a special tax within the District and determined the necessity to incur bonded indebtedness in an amount not to exceed \$20,000,000 within the District and called an election within the District on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit.

On October 6, 2004, an election was held within the District in which the landowners eligible to vote approved the proposition authorizing the issuance of bonds in an amount not to exceed \$20,000,000 to finance the design, construction, expansion, acquisition, leasing and rehabilitation of certain public facilities within or serving the District, the levying of the special taxes and the appropriations limit of \$20,000,000. On October 6, 2004, the City Council, acting as the legislative body of the District, adopted an ordinance (the "Original Ordinance") which provided for the levy of the Special Tax in accordance with the rate and method of apportionment. On June 1, 2005, the City Council adopted an Ordinance (together with the Original Ordinance, the "Ordinance") that amended the rate and method of apportionment (as amended, the "Rate and Method"). An Amended Notice of Special Tax Lien was recorded in the office of the Recorder of the County of Imperial (the "County") for the District.

Description of the Development

The District consists of approximately 320 gross acres of taxable property. The District is located on the south side of Aten Road and extends from Cross Road on the west to Dogwood Road on the east in the southeastern portion of the City which is located in the south central part of the County. The County is situated in the Southern California region and is bounded by San Diego County to the west, the country of Mexico to the south, the state of Arizona to the east and Riverside County to the north. The City is located approximately 210 miles southeast of central Los Angeles and approximately 120 miles southeast of downtown San Diego.

The District is approximately 70% built out, with 338 single family homes completed and sold to individual homeowners as of July 1, 2014. At buildout, the District is expected to contain 480 single family developed parcels. The property within the District was developed by Victoria Place, LLC, a California limited liability company (the "Developer"). The Developer commenced construction of the first units in 2005. Construction within the District is expected to be completed by 2018. Of the 338 completed homes, 60 homeowners had prepaid their Special Tax obligation. The District expects to levy Special Taxes only against these developed parcels. See the caption "THE COMMUNITY FACILITIES DISTRICT." Currently, 278 parcels consisting of developed homes are subject to the Special Tax. The District expects to only levy Special Taxes on these 278 parcels, and not on any undeveloped parcels or parcels that may later become developed.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption "THE COMMUNITY FACILITIES DISTRICT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS,

PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Sources of Payment for the Bonds

As used in this Official Statement, the term “Special Tax” is that tax which has been authorized to be levied against certain taxable property within the District for facilities pursuant to the Act and in accordance with the Rate and Method (defined in the Rate and Method under the term “Special Tax for Facilities”). See Appendix A. Under the Indenture, the principal of and interest on the Bonds are payable from Net Taxes and all amounts in the Special Tax Fund (including the Principal Account, Interest Account, the Redemption Account and the Reserve Account) (excluding the Administrative Expense Account) established under the Indenture. The “Net Taxes” are the Special Tax proceeds, including all net proceeds from foreclosure sales for delinquent Special Taxes, penalties and interest received by the District in connection with the delinquency of such Special Taxes and proceeds from any security for payment of Special Taxes taken in lieu of foreclosure remaining after payment of the Administrative Expenses related thereto. The Bonds are secured only by the Net Taxes collected within the District and amounts held in the Special Tax Fund from time to time. Amounts in the Surplus Fund are not pledged to the repayment of the Bonds.

Certain special taxes under the Rate and Method are levied for the payment of services; however, such special taxes are not pledged to the Bonds. All references herein to Special Taxes shall refer to Special Taxes for Facilities, as defined in the Rate and Method.

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

The Net Taxes are the primary security for the repayment of the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in certain funds under the Indenture, including amounts held in the Reserve Account of the Special Tax Fund. The District has covenanted for the benefit of the owners of the Bonds that it will, under certain circumstances described herein, commence, or cause to be commenced, and diligently prosecute to judgment (unless the delinquency is brought current) judicial foreclosure proceedings against assessor’s parcels with delinquent Special Taxes. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Proceeds of Foreclosure Sales.”

The District has covenanted not to issue additional indebtedness secured by the Special Taxes on a parity with the lien of the Bonds, except for bonds issued for the purpose of refunding all or a portion of outstanding Bonds or parity bonds. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—No Parity Bonds Except for Refunding Purposes Only.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes may also be levied on the property within the District. See the caption “SPECIAL RISK FACTORS—Parity Taxes and Special Assessments.”

EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS.

The District has not engaged an independent appraiser to provide an opinion concerning the values of the parcels that comprise the taxable property within the District. The aggregate assessed value of the taxable property within the District as shown on the Fiscal Year 2014-15 Imperial County Assessor's roll (based on a January 1, 2014 lien date) is \$36,719,261. Based on the aggregate principal amount of the Bonds (excluding the Refunded Bonds) and the overlapping indebtedness payable from special taxes and assessments secured by the taxable property within the District (but excluding existing overlapping general obligation debt), the overall value-to-lien within the District is approximately 6.11*-to-1. See "THE COMMUNITY FACILITIES DISTRICT—Estimated Value-to-Lien Ratios."

Description of the Bonds

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

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See Appendix F.

The Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from Special Tax prepayments as described herein. For a more complete descriptions of the Bonds and the basic documentation pursuant to which the Bonds are being sold and delivered, see the caption "THE BONDS" and Appendix D.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. However, Bond Counsel notes that, with respect to corporations, interest (and original issue discount) on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount. See the caption "TAX MATTERS."

Set forth in Appendix B is the form of the opinion of Bond Counsel that is expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain other tax consequences incidental to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see the caption "TAX MATTERS."

* Preliminary; subject to change.

Professionals Involved in the Offering

Wells Fargo Bank, National Association, Los Angeles, California, will act as Trustee under the Indenture and as Escrow Agent under the Escrow Agreement (as defined herein). Stifel, Nicolaus & Company, Incorporated is the Underwriter of the Bonds. All proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed on for the City and the District by Dennis H. Morita, APC, the City Attorney. Certain legal matters will be passed on for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. Other professional services have been performed by General Government Management Services (GGMS, Inc.), Palm Desert, California, as Special Tax Consultant, and Urban Futures, Inc., Orange, California, as Financial Advisor.

For information concerning whether certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see the caption "FINANCIAL INTERESTS."

Continuing Disclosure

The District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system available on the Internet at <http://emma.msrb.org> ("EMMA") certain annual financial information and operating data. The District will further agree to provide notice of certain listed events. These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). See the caption "CONTINUING DISCLOSURE" and Appendix E for a description of the specific nature of the annual reports to be filed by the District and notices of listed events to be provided by the District. Except as set forth under the caption "CONTINUING DISCLOSURE," within the last five years, the District and the City have not failed to timely comply with their respective prior continuing disclosure obligations under Rule 15c2-12(b)(5) in all material respects.

No Parity Bonds Except for Refunding Purposes Only

The District may, at any time after the issuance and delivery of the Bonds under the Indenture, issue Parity Bonds, solely for the purpose of refunding all or a portion of the Bonds, payable from the Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—No Parity Bonds Except for Refunding Purposes Only."

Bondowners' Risks

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the caption "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The purchase of the Bonds involves risks, and the Bonds may not be appropriate investments for some types of investors.

Reserve Account

A Reserve Account for the Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement. The Reserve Requirement will be equal to the least of (i) Maximum Annual Debt Service on the Bonds, (ii) 10% of the stated principal amount of the Bonds, (iii) 125% of average Annual Debt Service on the Bonds, or (iv) the initial Reserve Requirement. Initially, the Reserve Requirement shall be

\$ _____. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Reserve Account."

Other Information

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

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

Copies of the Indenture and other documents and information are available for inspection and (upon request and payment to the District of a charge for copying, mailing and handling) for delivery from the City at 420 South Imperial Avenue, Imperial, California 92251, Attention: Finance Director.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds, together with prior funds on hand.

Sources of Funds⁽¹⁾	
Principal Amount of Bonds	\$
Plus/Less Net Original Issue Discount/Premium	
Less Underwriter's Discount	
Prior Funds ⁽²⁾	
Total Sources	<u><u>\$</u></u>
Uses of Funds⁽¹⁾	
Escrow Fund to Redeem Refunded Bonds	\$
Reserve Account of the Special Tax Fund	
Costs of Issuance Fund ⁽³⁾	
Total Uses	<u><u>\$</u></u>

⁽¹⁾ Rounded to the nearest dollar.
⁽²⁾ Includes moneys held in funds and accounts established in connection with the Refunded Bonds.
⁽³⁾ Includes certain fees of Bond Counsel, Disclosure Counsel, the Special Tax Consultant, the Financial Advisor, the rating agency and the Trustee, printing costs and other miscellaneous costs of issuance.

THE REFUNDING PLAN

General

The Refunded Bonds, which are currently outstanding in the aggregate principal amount of \$5,980,000, were issued by the District pursuant to the Fiscal Agent Agreement dated as of December 1, 2005, by and between the District and Wells Fargo Bank, National Association, as fiscal agent (the "2005 Fiscal Agent"). The District plans to apply a portion of the proceeds of the Bonds, together with certain moneys on deposit with the 2005 Fiscal Agent, to pay the scheduled principal of and interest on the Refunded Bonds on September 1, 2015, and to redeem the Refunded Bonds maturing after September 1, 2015 on September 1, 2015 (the "Redemption Date") at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date (the "Redemption Price").

Under an Escrow Agreement, dated as of July 1, 2015 (the “Escrow Agreement”), by and between the District and Wells Fargo Bank, National Association, as escrow agent (the “Escrow Agent”) and as 2005 Fiscal Agent, the District will deliver a portion of the proceeds of the Bonds to the Escrow Agent for deposit in the escrow fund (the “Escrow Fund”) established under the Escrow Agreement on the date of issuance of the Bonds. In addition, the 2005 Fiscal Agent will transfer certain moneys held in connection with the Refunded Bonds to the Escrow Agent for deposit in the Escrow Fund on the date of issuance of the Bonds. The Escrow Agent will hold such amounts uninvested. From the moneys on deposit in the Escrow Fund, the 2005 Fiscal Agent will pay the scheduled principal of and interest on the Refunded Bonds maturing after September 1, 2015 and the Redemption Price of the Refunded Bonds maturing after September 1, 2015 on the Redemption Date in accordance with the Escrow Agreement. The portion of the proceeds of the Bonds deposited in the Escrow Fund is pledged solely to the payment of the Refunded Bonds and will not be available for the payments of principal of and interest on the Bonds.

THE BONDS

Authority for Issuance

The Bonds in the aggregate principal amount of \$5,980,000* are authorized to be issued by the District under and subject to the terms of the Indenture, the Act and other applicable laws of the State of California.

Purpose of the Bonds

The Bonds are being issued to provide funds: (i) to defease the Refunded Bonds; (ii) to fund a reserve account for the Bonds, and (iii) to pay Costs of Issuance of the Bonds. See the captions “ESTIMATED SOURCES AND USES OF FUNDS,” “THE REFUNDING PLAN” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Reserve Account.”

General Provisions

The Bonds will be issued and delivered in the aggregate principal amount of \$5,980,000* initially in book-entry form and will bear interest at the rates per annum and mature on the dates set forth on the inside front cover page hereof. Individual purchases of the Bonds may be made in principal amounts of \$5,000 and any integral multiple thereof. The Bonds will be dated the Delivery Date and interest will be payable thereon on March 1 and September 1 of each year, commencing March 1, 2016 (each, an “Interest Payment Date”). Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication of such Bond, unless: (i) the date of authentication is an Interest Payment Date, in which event it will bear interest from such date; (ii) the date of authentication is after the 15th day of the month, regardless of whether such day is a Business Day, but prior to the immediately succeeding Interest Payment Date (a “Record Date”), in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the Delivery Date; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on such Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment, or if no interest has been paid or made available for payment on such Bond, interest on such Bond will be payable from the Delivery Date.

The Bonds are issued as fully-registered bonds and will be registered in the name of Cede & Co., as Nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. See Appendix F.

* Preliminary; subject to change.

Debt Service Schedule

The table below sets forth estimated annual debt service payments for the Bonds assuming no redemptions of Bonds prior to maturity except scheduled mandatory sinking fund redemption.

**CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(Victoria Ranch)
DEBT SERVICE SCHEDULE**

<i>Period Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2016	\$	\$	\$
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
Totals	\$	\$	\$

Source: Underwriter.

Redemption of the Bonds

Optional Redemption.* The Bonds maturing on or before September 1, 2025 are not subject to optional redemption. The Bonds maturing on or after September 1, 2026 may be redeemed prior to their stated maturity, at the option of the District from any lawfully available source of funds on any date on or after September 1, 2025, in whole, or in part from such maturities as are selected by the District and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

* Preliminary, subject to change.

Mandatory Sinking Fund Redemption. The Bonds with stated maturities on September 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each September 1 on and after September 1, 20__, in integral multiples of \$5,000 at a redemption price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (September 1)</i>	<i>Principal Amount</i>
20__	\$
20__	
20__	
20__*	

* Final Maturity.

Extraordinary Redemption from Special Tax Prepayments. The Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, on any date, on or after September 1, 20__, and shall be redeemed by the Trustee, from Prepayments (as defined herein) of Special Taxes deposited to the Redemption Account, plus amounts transferred from the Reserve Account, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium. Prepayments and amounts released from the Reserve Account in connection with Prepayments shall be allocated to the redemption of the Bonds as nearly as practicable on a proportionate basis based on the outstanding principal amount of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Rate and Method of Apportionment of Special Tax."

Purchase of Bonds. In lieu of payment at maturity or redemption, moneys in the Special Tax Fund may be used and withdrawn by the Trustee for purchase of Outstanding Bonds. Purchases of Outstanding Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, or, in the case of purchases to be made from funds to be applied to a redemption pursuant to the Indenture, par plus accrued interest, plus premium, if any, in the case of moneys set aside for an optional redemption. Any accrued interest payable upon the purchase of Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Selection of Bonds for Redemption

If less than all of the Outstanding Bonds are to be redeemed, the Trustee will select Bonds pro rata among maturities and by lot within a maturity. The portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000. The Trustee will promptly notify the District in writing of the Bonds, or portions thereof, selected for redemption.

Notice of Redemption

When Bonds are to be called for redemption under the Indenture, and in the case of an optional redemption or special mandatory redemption, if the Trustee has received the required notice from the District, the Trustee will give notice, in the name and at the expense of the District, of the redemption of such Bonds. Such notice of redemption shall: (a) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all the Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (b) state the date fixed for redemption and surrender of the Bonds to be redeemed; (c) state the

redemption price; (d) state the place or places where the Bonds are to be redeemed; (e) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (f) state the date of issue of the Bonds as originally issued; (g) state the rate of interest borne by each Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Trustee. Such notice will further state that on the date fixed for redemption, there will become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable. At least 30 days but no more than 60 days prior to the redemption date, the Trustee will mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond of notice of such redemption is not a condition precedent thereto, and neither the failure to receive such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as provided in the Indenture will be conclusive as against all parties, and the Owner will not be entitled to show that he or she failed to receive notice of such redemption.

With respect to any notice of optional redemption of the Bonds, such notice may state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the principal of, premium if any, and interest on the Bonds to be redeemed and upon other conditions set forth therein and that, if such moneys have not been so received and such other conditions have not been satisfied, said notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. If any condition stated in the redemption notice for an optional redemption has not been satisfied on or prior to the redemption date: (a) the redemption notice will be of no force and effect; (b) the District will not be required to redeem such Bonds; (c) the redemption will not be made; and (d) the Trustee will within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

In addition to the foregoing notices, further notice will be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption will be sent not later than the date that notice of redemption is mailed to the Bondowners pursuant to the Indenture by registered or certified mail or overnight delivery service to the Depository and to any other registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds as determined by the Trustee and to one or more of the national information services that the Trustee determines are in the business of disseminating notice of redemption of obligations such as the Bonds.

Upon the payment of the redemption price of any Bonds being redeemed, each check or other transfer of funds issued for such purpose will to the extent practicable bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Registration of Exchange or Transfer

Upon cessation of the book-entry system, the registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the Corporate Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee and duly executed by the Bondowner or his or her duly authorized attorney. Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Trustee will not collect from the Bondowner any charge for any new Bond issued upon any exchange or transfer, but will require the Bondowner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or

transfer. Whenever any Bond is surrendered for registration of transfer or exchange, the District will execute and the Trustee will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount; provided that the Trustee is not required to register transfers or make exchanges of: (a) Bonds for a period of 15 days next preceding the date of any selection of the Bonds to be redeemed; or (b) any Bonds chosen for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

As described below, the principal of and interest on the Bonds are payable from Net Taxes (Special Taxes remaining after the payment of the Administrative Expenses Cap) and all amounts in the Special Tax Fund (including the Principal Account, the Interest Account and the Reserve Account, but excluding the Administrative Expense Account) established under the Indenture. Under the Indenture, the Administrative Expenses Cap is defined to mean \$25,000 per Bond Year, or such lesser amount as may be designated in written instructions from an Authorized Representative of the District. Amounts in the Surplus Fund are not pledged to the repayment of the Bonds. The "Net Taxes" are the Special Tax proceeds, including all net proceeds from foreclosure sales for delinquent Special Taxes, penalties and interest received by the District in connection with the delinquency of such Special Taxes and proceeds from any security for payment of Special Taxes taken in lieu of foreclosure remaining after payment of the Administrative Expenses relating thereto. The Bonds are secured only by the Net Taxes collected within the District and amounts held in the Special Tax Fund from time to time.

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

Special Taxes

General. In accordance with the provisions of the Act, the City Council established the District on October 6, 2004 for the purpose of financing the design, construction, expansion, acquisition, leasing and rehabilitation of certain public facilities within or serving the District, as provided in the Ordinance of Formation. The Ordinance of Formation authorized the District to submit a proposition to the qualified electors of the District to authorize the issuance of an aggregate principal amount of bonds not to exceed \$20,000,000 and the annual levy and collection of the Special Tax pursuant to the terms and conditions of the Act. The levy of the Special Tax and the initial rate and method of apportionment were approved by the qualified electors within the District on October 6, 2004. On October 6, 2004, the City Council, acting as the legislative body of the District, adopted the Original Ordinance, which provides for the levying of the Special Tax. On June 1, 2005, the City Council adopted an ordinance approving the Rate and Method, a copy of which is set forth in Appendix A.

The City Council, as the legislative body of the District, has covenanted in the Indenture to fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on Outstanding Bonds and Parity Bonds becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Account for the Bonds and Parity Bonds (as described under the caption "—Reserve Account"), an amount equal to the estimated Administrative Expenses and any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes. The City Council, as the legislative body of the District, has further covenanted that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and Parity Bonds are Outstanding, including the initiation of proceedings under the Act to reduce the Maximum Special Tax rates on Developed

Property below the amounts which are necessary to pay Administrative Expenses and to provide Special Taxes in an amount equal to 110% of Maximum Annual Debt Service on the Outstanding Bonds and Parity Bonds. For purposes of the foregoing covenant, the term "Developed Property" has the meaning set forth in the Rate and Method and the term "Maximum Special Tax" means "Maximum Special Tax for Facilities" as defined in the Rate and Method. See Appendix A.

Certain special taxes under the Rate and Method are levied for the payment of services; however, such special taxes are not pledged to the Bonds. All references herein to Special Taxes shall refer to Special Taxes for Facilities, as defined in the Rate and Method.

Notwithstanding the foregoing, the Special Taxes levied in any Fiscal Year of the District ending June 30 (each, a "Fiscal Year") may not exceed the maximum rates authorized pursuant to the Rate and Method for the District. See Appendix A. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption "SPECIAL RISK FACTORS—Insufficiency of Special Taxes."

The Special Taxes will be payable and collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property; provided that the City Council may provide for direct collection of the Special Taxes in certain circumstances.

Section 53321 of the Act states that under no circumstances will the Special Tax levied in any fiscal year against any parcel used for private residential purposes (parcels are considered "used for private residential purposes" on the date that an occupancy permit for private residential use is issued) be increased as a consequence of delinquency or default by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. Therefore, even though the maximum Special Tax rates may allow for Special Tax increases greater than 10%, in the event of high delinquencies in the District, the District could not increase the Special Taxes in the fiscal year following such delinquencies by more than 10% on any parcel of Residential Property (as described in Appendix A and under the caption "—Rate and Method of Apportionment of Special Tax"). See "RISK FACTORS — Special Tax Delinquencies."

Although the Special Taxes constitute liens on taxed parcels within the District, such taxes do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the District or the landowners therein. See the caption "SPECIAL RISK FACTORS—Parity Taxes and Special Assessments." There is no assurance that the property owners in the District will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so. See the caption "SPECIAL RISK FACTORS."

Rate and Method of Apportionment of Special Tax. The District is legally authorized and has covenanted to cause the levy of the Special Taxes in an amount determined according to the Rate and Method, which the City Council and the qualified electors of the District have approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in the District as more particularly described in Appendix A. The District adopted the Rate and Method following public hearings and elections conducted pursuant to the provisions of the Act. The full text of the Rate and Method is set forth in Appendix A.

The Rate and Method classifies property within the District as "Taxable Property" or property which is exempt from the Special Tax. Taxable Property is further classified as "Developed Property," "Final Map Property" or "Undeveloped Property." Developed Property consists of all Assessor's Parcels in the District for which Building Permits (as such term is defined in the Rate and Method) were issued on or before May 1 preceding the Fiscal Year for which Special Taxes are being levied, provided that such Assessor's Parcel is

associated with a Lot (as such term is defined in the Rate and Method). Developed Property is further classified as Residential Property or Non-Residential Property. Currently, all Developed Property within the District consists of Residential Property. See the caption "THE COMMUNITY FACILITIES DISTRICT."

The amount of Special Tax that the District may levy is limited by the Maximum Special Tax rates set forth in the Rate and Method. Under the Rate and Method, the Maximum Special Tax for Facilities for a parcel of Residential Property classified as Developed Property is the greater of: (i) the amount derived from the application of the Assigned Special Tax, which varies by land use type and is described in Table 1 of the Rate and Method; or (ii) the amount derived from the application of the Backup Special Tax for Facilities, as described in Section E of the Rate and Method.

The City Council levies the Special Tax, which levy commenced in Fiscal Year 2005-06, in four steps (to the extent necessary): first, Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Assigned Special Tax for Facilities; second, Proportionately on each Assessor's Parcel of Final Map Property (excluding any Exempt Property) up to 100% of the applicable Assigned Special Tax for Facilities; third, for each Assessor's Parcel of Developed Property whose Maximum Special Tax is equal to the Backup Special Tax for Facilities, increasing Proportionately up to 100% of the Backup Special Tax for Facilities; and fourth, Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the applicable Assigned Special Tax for Facilities.

UNDER NO CIRCUMSTANCES MAY THE SPECIAL TAX ON ANY ASSESSOR'S PARCEL EXCEED THE MAXIMUM RATES AS SET FORTH IN APPENDIX A.

In connection with the issuance of the Bonds, General Government Management Services (GGMS Inc.), the District's Special Tax Consultant, will certify that the Maximum Special Tax that may be levied on assessor's parcels within the District will be at least equal to 110% of maximum annual debt service on the Bonds plus the Administrative Expense relating thereto up to the Administrative Expenses Cap. Actual collections of the Special Tax will depend on the amount of Special Tax delinquencies.

Under the Rate and Method, the owner of a parcel may voluntarily prepay the Special Tax obligation for a parcel in whole or in part. Any voluntary prepayment of Special Taxes on Developed Property (as defined in the Rate and Method) will result in a special mandatory redemption of the Bonds and any Parity Bonds ("Prepayments"). See the caption "THE BONDS—Redemption of the Bonds—Special Mandatory Redemption from Special Tax Prepayments." Any voluntary prepayment of Special Tax on Undeveloped Property will go towards Future Facilities Costs (both terms as defined in the Rate and Method).

Collection of Special Taxes and Flow of Funds. The District has covenanted to and will, on each date on which Special Taxes are apportioned to the District, transfer such Special Taxes to the Trustee for deposit in the Special Tax Fund maintained by the Trustee. The Trustee shall transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

- (1) the Administrative Expense Cap to the Administrative Expense Account of the Special Tax Fund;
- (2) the Interest Account of the Special Tax Fund;
- (3) the Principal Account of the Special Tax Fund;
- (4) the Redemption Account of the Special Tax Fund;
- (5) the Reserve Account of the Special Tax Fund;

(6) the Administrative Expense Account, for amounts not deposited in step (1) above in accordance with the Indenture;

(7) the Rebate Fund; and

(8) the Surplus Fund.

Administrative Expense Account. The Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative of the District; provided, however, that, except as set forth in the following sentence, the total amount transferred in a Bond Year shall not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Cap may be transferred to the Administrative Expense Account to the extent necessary to collect delinquent Special Taxes.

Interest and Principal Accounts. Not later than the last Business Day of February and the last Business Day of August in each year, the Trustee shall make the following transfers from the Special Tax Fund, first to the Interest Account and then to the Principal Account; provided that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency shall be made up by transfers from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date, commencing March 1, 2016, shall be equal to the installment of interest due on the Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2016, shall equal the principal payment due on the Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal or Sinking Fund Payment of such Bonds as the same become due.

Redemption Account. Prepayments deposited to the Redemption Account, along with any amounts that an Authorized Officer of the District directs to be transferred from the Reserve Account to the Redemption Account in connection with any Prepayments, shall be applied on the applicable redemption date for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds to be redeemed with such Prepayments; provided that amounts shall be transferred from the Reserve Account only if immediately following such redemption the amount in the Reserve Account will meet the Reserve Requirement.

Reserve Account. Moneys in the Reserve Account shall be used solely for the purpose of paying the principal and Sinking Fund Payments of and interest on the Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor and for the purpose of making any required transfer to the Rebate Fund upon written direction from the District provided, however, amounts in the Reserve Account may be applied to pay the principal of and interest due on any Bonds in the final Bond Year in which any Bonds are Outstanding. If the amounts in the Interest Account or the Principal Account of the Special Tax Fund are insufficient to pay the principal and Sinking Fund Payments of or interest on any Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the Reserve Account for deposit in the Interest Account or the Principal Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys

necessary for such purposes. Following any transfer to the Principal Account or Interest Account of the Special Tax Fund or to the Rebate Fund as described above, the District shall then take the steps necessary to cause to be deposited to the Reserve Account the amount needed to replenish the Reserve Account to the Reserve Requirement by instructing the Trustee in a Certificate of an Authorized Representative such amount from the Surplus Fund, if moneys are on deposit in the Surplus Fund and available for such purpose, or by including such amount in the next annual Special Tax levy to the extent of the permitted maximum Special Tax rates.

Whenever moneys are withdrawn from the Reserve Account, after making the required transfers to the Administrative Expense Account, the Interest Account, the Principal Account and the Redemption Account, the Trustee shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expense Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1.

Covenant Not to Reduce Special Tax Rates Unless Certain Conditions are Met

The District has covenanted in the Indenture that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax so long as the Bonds are Outstanding, including the initiation of proceedings under the Act to reduce the maximum Special Tax rates on then existing Developed Property below the amounts which are necessary to pay Administrative Expenses and to provide Special Taxes in an amount equal to 110% of annual debt service on the Outstanding Bonds and Parity Bonds.

The District has further covenanted that in the event that any initiative is adopted which purports to reduce maximum Special Tax rates or to limit the power of the District to levy Special Taxes for the purposes set forth above, it will commence and pursue legal action seeking to preserve its ability to comply with its covenants. There are no California court cases interpreting the enforceability of the foregoing covenants in light of Article XIII C of the State Constitution. See the caption "SPECIAL RISK FACTORS—Proposition 218."

Existing Liens

The lots within the District are subject to additional indebtedness as set forth under the heading "THE COMMUNITY FACILITIES DISTRICT—Direct and Overlapping Indebtedness."

The lien for the Special Taxes is co-equal to the lien for the overlapping assessments and special taxes and the lien for general property taxes. See the caption "THE COMMUNITY FACILITIES DISTRICT—Direct and Overlapping Indebtedness."

Except as disclosed in this Official Statement, the District is unaware of any present or contemplated assessment district or community facilities district that includes property within the District. See the caption "THE COMMUNITY FACILITIES DISTRICT." The District has no control, and the City has only limited control, over the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, will be on a parity with the Special Taxes. See the caption "SPECIAL RISK FACTORS—Parity Taxes and Special Assessments."

No Obligation of the City Upon Delinquency

The City is under no obligation to transfer any funds of the City into the Special Tax Fund for payment of the principal of or interest on the Bonds if a delinquency occurs in the payment of any Special Taxes. See the caption “—Proceeds of Foreclosure Sales” for a discussion of the District’s obligation to foreclose Special Tax liens upon delinquencies.

Special Taxes Are Not Within Teeter Plan

The County operates under a statutory program entitled the Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”). Under the Teeter Plan, certain local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the County. Community facilities districts such as the District are not eligible to participate in the Teeter Plan; the Special Taxes are therefore not subject to the Teeter Plan. Accordingly, the District’s receipt of Special Taxes is impacted by delinquencies in payment, as well as by the collection of interest and penalties on past delinquencies. See the caption “THE COMMUNITY FACILITIES DISTRICT—Delinquency History” for historical delinquencies within the District.

Proceeds of Foreclosure Sales

The net proceeds received following a judicial foreclosure sale of land within the District resulting from a property owner’s failure to pay the Special Tax when due are pledged to the payment of principal of and interest on the Bonds. See the caption “—Special Taxes.”

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District has covenanted for the benefit of the owners of the Bonds that it will order, and cause to be commenced as hereinafter provided and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the Superior Court of the County to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following paragraphs.

The District: (1) will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$15,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; (2) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied and the amount on deposit in the Reserve Account is at less than the Reserve Requirement; and (3) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid.

The District will deposit the net proceeds of any foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and to pay any delinquent installments of principal and Sinking Fund Payments or interest due on the Bonds.

Notwithstanding the foregoing, the District shall have the right to accept less than the minimum bid on any delinquent parcel, and is indemnified from legal claim for Owners of the Bonds, if the legislative body of the District determines that the acceptance of less than the minimum bid or another action as described in the Indenture is in the best interest of the District.

If foreclosure is necessary and other funds (including amounts in the Reserve Account of the Special Tax Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the District. See the caption "SPECIAL RISK FACTORS—Bankruptcy and Foreclosure." 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—Land Values." Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Reserve Account

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement for the Bonds. The Indenture provides that the amount in the Reserve Account shall, as of any date in any Bond Year, equal to the least of (i) the Maximum Annual Debt Service on the Bonds, (ii) 10% of the stated principal amount of the Bonds, (iii) 125% of average Annual Debt Service on the Bonds, or (iv) \$ _____, the initial Reserve Requirement, as determined by the District.

Subject to the limits on the maximum annual Special Tax which may be levied within the District, as described in APPENDIX A, the District has covenanted to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement; provided, if a shortfall occurs in the Reserve Account as a consequence of Special Tax delinquencies, the District may only increase Special Taxes within the District to replenish the Reserve Fund in the amount of such delinquencies. However, notwithstanding the foregoing, as discussed under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—General" under no circumstances will the Special Tax levied against any taxable parcel of residential property within the District be increased by more than 10% as a consequence of a delinquency or default by the owner of any other parcel within the District.

The moneys in the Reserve Account will be used for payment of the principal of, and interest and any redemption premium on, the Bonds, and, at the direction of the District, for deposit in the Rebate Fund. See "—Special Taxes—Reserve Account."

No Parity Bonds Except for Refunding Purposes Only

The District may, at any time after the issuance and delivery of the Bonds under the Indenture, issue additional bonds ("Parity Bonds") payable from the Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds; provided that Parity Bonds may be issued only to refund outstanding Bonds or Parity Bonds.

Priority of Bonds and Pledge of Net Taxes

The District has pledged and assigned to the Trustee all Net Taxes for the payment of principal of, premium, if any, and interest on the Bonds. Pursuant to the Act and the Indenture, the Bonds will be and are equally secured by a pledge of and lien upon the Net Taxes, and certain other amounts on deposit in the Special Tax Fund. So long as any of such Bonds are Outstanding and unpaid, the Net Taxes and the interest

thereon may be used only as provided in the Indenture unless the Bondowners authorize other uses of such Net Taxes pursuant to the provisions of the Indenture. Nothing in the Indenture or in any Supplemental Indenture precludes the redemption prior to maturity of any Bonds subject to call and redemption or the payment of the Bonds from proceeds of refunding bonds issued under the Act or under any other law of the State.

THE COMMUNITY FACILITIES DISTRICT

General Description of the District

The District is a community facilities district organized by the City Council under the Act to provide for the financing of public improvements to meet the need of new development within the District. At the time of formation of the District, the qualified electors within the boundaries of the District authorized the District to incur bonded indebtedness to finance the public improvements to meet the needs of new development within the District, approved the Rate and Method, the levy of a Special Tax to pay principal and interest on bonds and annual administrative expenses of the District and to make any replenishments to the Reserve Account consistent with the Rate and Method and the Act. Pursuant to the Act, by virtue of their election to the City Council, the five members of the City Council now act as the legislative body for the District. District administrative services are provided by the City staff.

The District is located in the southeastern portion of the City, in the south central part of the County. More specifically the District is located on the south side of Aten Road and extends from Cross Road on the west to Dogwood Road on the east. The County is situated in the Southern California region and is bounded by San Diego County to the west, the country of Mexico to the south, the state of Arizona to the east and Riverside County to the north. The City is located approximately 210 miles southeast of central Los Angeles and approximately 120 miles southeast of downtown San Diego. See APPENDIX C—"GENERAL INFORMATION CONCERNING THE CITY OF IMPERIAL."

The District consists of a planned residential community totaling approximately 320 gross acres. At buildout, the District is expected to contain 480 single family residential homes. As of July 1, 2014, 338 single family residential homes had been sold to individual homeowners. Of these 338 single family residential homes, 60 parcels have prepaid their Special Taxes, leaving 278 subject to the Special Tax levy. The District expects to only levy Special Taxes on these 278 parcels, and not on any undeveloped parcels or parcels that may later become developed.

Direct and Overlapping Indebtedness

The ability of an owner of land within the District to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon the property. These taxes consist of the direct and overlapping debt set forth in Table 1 below. As of May 1, 2015, the sum of the direct and overlapping tax and assessment debt applicable to the property within the District, including the Refunded Bonds, was \$6,693,069. In addition, other public agencies whose boundaries overlap those of the District could, without the consent of the District, and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the property within the District in order to finance public improvements to be located inside of or outside of such area. The lien created on the property within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Taxes. See the caption "SPECIAL RISK FACTORS—Parity Taxes and Special Assessments."

Set forth below is a direct and overlapping debt report prepared by California Municipal Statistics, Inc. as of May 1, 2015. The table reflects an assessed value of the property within the District of \$42,831,875 for Fiscal Year 2014-15. Allocations of overlapping debt to property within the District are based on the assessed value of the area covered by the overlapping indebtedness. The debt report sets forth those entities which have issued debt and does not include entities which only levy or assess fees, charges, 1% *ad valorem* taxes or other special taxes. Certain of the overlapping debt obligations are described in further detail under

the caption “—Ad Valorem Overrides.” The debt report is included for general information purposes only and does not include debt issued by public entities after May 1, 2015, if any. Although the District has reviewed the debt report, it makes no representations as to its completeness or accuracy.

**TABLE 1
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(VICTORIA RANCH)
DIRECT AND OVERLAPPING DEBT**

2014-15 Local Secured Assessed Valuation: \$42,831,875

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/15</u>
Imperial Community College District General Obligation Bonds	0.396%	\$ 298,853
Central Union High School District General Obligation Bonds	1.362	124,932
El Centro School District General Obligation Bonds	2.585	206,555
El Centro School District Maintenance Assessment District (Estimate)	2.982	27,729
City of Imperial Community Facilities District No. 2004-1	100.000	<u>6,035,000</u> (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$6,693,069
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Imperial County Certificates of Participation	0.387%	\$ 36,591
Imperial County Pension Obligation Bonds	0.387	174,363
Imperial Community College District General Fund Obligations	0.396	3,346
El Centro School District Certificates of Participation	2.585	<u>38,775</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$253,075
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		 \$2,665,247
 COMBINED TOTAL DEBT		 \$9,611,391 (2)

(1) Excludes Mello-Roos Act bonds to be sold.

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

Ratios to 2014-15 Assessed Valuation:

Direct Debt (\$6,035,000)	14.09%
Total Direct and Overlapping Tax and Assessment Debt.....	15.63%
Combined Total Debt	22.44%

Sources: California Municipal Statistics, Inc.

Table 2 below sets forth the Fiscal Year 2014-15 effective tax rate for each of a low, medium and high assessed value parcel within the District. The estimated tax rates and amounts presented below are based on currently available information and actual amounts may vary and increase or decrease in future years. The below estimated Fiscal Year 2014-15 effective tax rate is an average for a typical home within each of three assessed value ranges within the District and does not represent the actual tax rate for any parcel or parcels. Effective tax rates in the District range from 2.06% to 3.33%

**TABLE 2
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(VICTORIA RANCH)
ESTIMATED FISCAL YEAR 2014-15 EFFECTIVE TAX RATE**

	<i>Assessed Value</i>		
	<i>Low</i>	<i>Median</i>	<i>High</i>
Average Assessed Value (January 1, 2014)	\$ 105,060	\$ 145,858	\$ 251,402
Estimated Taxes Per Unit			
<i>Ad Valorem</i>			
1.00000% General Purpose	\$1,050.60	\$ 1,458.58	\$2,514.02
0.03050 El Centro Elem BD 03	32.03	44.49	6.68
0.03510 El Centro Elem BD 92	36.88	51.20	88.24
0.04830 CUHS 1993 Bond & Int	50.74	70.45	121.43
<u>0.03250</u> Imp Com college BD 2004	<u>34.14</u>	<u>47.40</u>	<u>81.71</u>
1.14640%	\$1,204.40	\$1,672.12	\$2,882.07
Fixed Charges			
ELC ELEM MAINT ASMT	\$ 19.00	\$ 19.00	\$ 19.00
ELC ELEM CFD2005-1	510.00	510.00	510.00
CITY IMP CFD 2004-1 VICTORIA	<u>1,759.00</u>	<u>1,759.00</u>	<u>1,759.00</u>
MOSQUITO ABATE SER FEE	\$ 7.74	\$ 7.74	\$ 7.74
Total Taxes and Assessments	\$3,500.14	\$3,967.86	\$5,177.81
Estimated Effective Tax Rate	3.33%	2.72%	2.06%

Source: General Government Management Services (GGMS Inc.)

Summary of Special Tax Levy

A summary of the District's Fiscal Year 2014-15 Special Tax levy based on the development status of the District as of July 1, 2014 is set forth in Table 3 below.

**TABLE 3
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(VICTORIA RANCH)
FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

	<i>Classification (Development Status)</i>	<i>Number of Dwellings</i>	<i>Fully Prepaid</i>	<i>Taxable Parcels</i>	<i>2014-15 Maximum Rate</i>	<i>Total Maximum Special Tax</i>
1	Developed	338	60	278	\$ 1,610	\$ 447,580
2	Lots	142	0	142	1,610	228,620
3	Undeveloped (acre)	7.01	0	7.01	13,000	91,116
4	Non-Taxable (acre)	0	0	0	0	0
	Total		60			\$ 767,316

Source: General Government Management Services (GGMS Inc.)

Historical Assessed Values

The following table sets forth the assessed valuation of parcels subject to the Special Tax within the District for the current and four prior Fiscal Years.

**TABLE 4
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(VICTORIA RANCH)
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Valuation Date</i>	<i>Taxable Assessed Value ⁽¹⁾</i>	<i>Number of Taxable Parcels</i>	<i>Number of Developed Parcels</i>	<i>Number of Undeveloped Parcels</i>	<i>Total Parcels</i>
2010/11	1/1/2010	\$41,159,917	251	260	220	480
2011/12	1/1/2011	39,493,654	251	260	220	480
2012/13	1/1/2013	35,850,564	251	260	220	480
2013/14	1/1/2013	36,706,974	270	280	200	480
2014/15	1/1/2014	36,719,261	278	338	142	480

⁽¹⁾ Excludes the value of all prepaid parcels, full and partial.

Source: General Government Management Services (GGMS Inc.) as of April 14, 2015.

Estimated Value-to-Lien Ratios

The following table sets forth the estimated assessed value-to-lien ratios for parcels within the District subject to the Special Tax by various ranges based on the Fiscal Year 2014-15 assessed valuation and the direct and overlapping debt information included in Table 1. As summarized below, the estimated assessed value-to-lien ratio for all parcels within the District is approximately 6.11* to 1 (6.14* to 1 for debt of the District alone), but the ratios over individual parcels vary widely. The value of the individual parcels is

* Preliminary; subject to change.

significant because, in the event of a delinquency in payment, the District's only remedy is to foreclose on the delinquent parcel. A parcel with a lower value-to-lien ratio may be less likely to sell at foreclosure or provide sale proceeds adequate to pay all delinquent Special Tax installments. The value-to-lien ratios shown in the below table are based on assessed values rather than market values. Prospective purchasers of the Bonds should not assume that the property within the District could be sold for the assessed values listed in the below table. See the caption "SPECIAL RISK FACTORS—Land Values."

Assessed values do not necessarily represent market values. Article XIII A of the State Constitution (Proposition 13) defines "full cash value" to mean "the County assessor's valuation of real property as shown on the 1975/76 roll under 'full cash value,' or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. Moreover, as a result of declines in the market value of properties in recent years, assessed valuations of many properties in the County have declined in the recent years. As a result of the foregoing, there can be no assurance that the assessed valuations of the properties within the District accurately reflect their respective market values, and the future fair market values of those properties may be lower than their current assessed valuations. See the caption "SPECIAL RISK FACTORS—Land Values."

No assurance can be given that, should a delinquent parcel be foreclosed and sold for the amount of the delinquency, any bid will be received for such parcel, or if a bid is received that such bid will be sufficient to pay such delinquent Special Taxes.

TABLE 5
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(VICTORIA RANCH)
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES

Assessed Value	Parcels	% of Total Parcels	Fiscal Year 2014/2015		Fiscal Year 2014/2015 Assessed Value	Share of Non-District Outstanding Debt ⁽¹⁾	Share of District Outstanding Debt ^{(2)*}	Share of Total Outstanding Debt ^{(3)*}	% Share of Total Outstanding Debt	Value-to-Lien Ratio *
			Actual Special Tax Levy	Total Actual Special Tax Levy						
\$200,000 and more	11	4%	\$ 19,371	4%	\$ 2,519,015	\$ 1,097	\$ 236,619	\$ 237,716	4.0%	10.60:1
\$150,000 to \$200,000	80	29	140,880	29	13,172,477	7,980	1,720,863	1,728,843	28.8	7.62:1
\$100,000 to \$150,000	158	57	278,238	57	20,599,482	15,760	3,398,705	3,414,465	56.8	6.03:1
\$50,000 to \$100,000	0	0	-	0	-	--	--	--	0.0	N/A
\$0 to \$50,000	29	10	51,069	10	428,287	2,893	623,813	626,706	10.4	0.68:1
Total	278		\$ 489,558		\$ 36,719,261	\$27,729	\$5,980,000	\$6,007,729	100.0	6.11:1

* Preliminary, subject to change.

(1) Represents the share of land secured debt excluding the Bonds.

(2) Represents the share of the Bonds.

(3) Represents the share of all land secured debt including the Bonds.

Source: General Government Management Services (GGMS Inc.) as of April 14, 2015.

Delinquency History

The following table is a summary of Special Tax levies for both services and facilities within the District, collections and delinquency rates in the District for Fiscal Years 2010-11 through the first installment of Fiscal Year 2014-15. Because the special tax for services cannot be prepaid, the amounts stated below do not match Table 5.

**TABLE 6
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2004-1
(VICTORIA RANCH)
DELINQUENCY HISTORY**

Fiscal Year	Parcels Levied	Amount Levied ⁽¹⁾	Delinquencies as of June 30 of Levied Fiscal Year			Delinquencies as of April 14, 2015		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
2010/11	480	\$597,009	4	\$6,125	1.0%	0	\$ -	0.0%
2011/12	480	560,230	3	4,378	0.8	1	1,751	0.3
2012/13	480	565,365	1	1,754	0.3	0	-	0.0
2013/14	479	565,503	2	2,636	0.5	0	-	0.0
2014/15	338	496,183	N/A	N/A	N/A	10	9,019	1.8

Source: General Government Management Services (GGMS Inc.) as of April 14, 2015.

Special Tax Coverage

Based on the development status of the District as of July 1, 2014, the maximum Special Taxes that could be levied on developed residential property and undeveloped parcels would provide a debt service coverage of 163*% on the Bonds. However, while Special Taxes on undeveloped properties can be increased to the Maximum Special Tax, as undeveloped parcels become developed residential properties, as is anticipated, Special Taxes on such properties can never be increased as a consequence of delinquency or default by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Taxes." The District does expects to levy Special Taxes only on the 338 currently developed parcels (excluding those parcels that have prepaid the Special Tax in full).

THE CITY OF IMPERIAL

The following information relating to the City is included only for the purpose of supplying general information regarding the City. Neither the faith and credit nor taxing power of the City have been pledged to the payment of the Bonds and the Bonds will not be payable from any of City's revenues or assets.

Further information relating to the City is set forth in Appendix C.

General Information

The City is located in the extreme southern portion of California in the Imperial Valley. The City is approximately 25 miles north of the Mexican border and 125 miles east of San Diego, California. The City was founded in 1902 and incorporated in 1904, and operates as a general law city. The City had a 2015 estimated population of 17,446.

^{*} Preliminary; subject to change.

Government and Administration

The City operates under a council-manager form of government, with the mayor and council members elected at-large for four-year terms. The City Manager, appointed by the City Council, serves as the City's chief executive officer and is responsible for overseeing the daily operations of City departments. The City Manager serves as an advisor to the City Council on policy matters impacting the community and the City's organization, supports the informational and policymaking needs of the City Council, implements City Council decisions and prepares, manages, and implements the annual budgets for the City, as well as the City's Capital Improvement Program.

Marlene D. Best is the City Manager. Marlene D. Best is the City Manager of the City. As City Manager, Ms. Best is the chief administrative officer of the City and is responsible for all operations of the City and assuring that City services are performed in accordance with City policy and ordinances. Ms. Best was appointed to her current position in July 2006

Other key personnel responsible for management of the City include the Finance Director.

Laura Gutierrez is the Finance Director for the City. Laura Gutierrez is the Finance Director of the City. Ms. Gutierrez was appointed to her current position in June 2009. Ms. Gutierrez has held management positions with the City for 14 years and has worked for the City since August 1998. Ms. Gutierrez is responsible for managing the City's finances, implementing the goals, policies and objectives of the City, as preparing the annual budget.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks and, therefore, the Bonds are not suitable investments for many investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. Furthermore, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See the captions "—Land Values" and "—Limited Secondary Market" below.

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 District, the supply of or demand for competitive properties in such area and the market value of residential property or commercial buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased delinquencies due to rising mortgage costs and other factors.

No assurance can be given that the individual property owners 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” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

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

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 District following delinquency. The City’s and District’s legal obligations with respect to any delinquent Special Taxes are limited to: (1) payments from the Reserve Account to the extent of funds on deposit therein; and (2) the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes are delinquent. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Proceeds of Foreclosure Sales.” The Bonds cannot be accelerated in the event of any default.

The obligation to pay Special Taxes does not constitute a personal obligation of the current or subsequent owners of the respective parcels which are subject to such liens. Enforcement of Special Tax payment obligations by the District is limited to judicial foreclosure in the Superior Court. There is no assurance that any current or subsequent owner of a parcel subject to a Special Tax lien will be able to pay the amounts due or that such owner will choose to pay such amounts even though financially able to do so.

Insufficiency of Special Taxes

The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the District. The annual levy of the Special Tax is subject to the maximum tax rates authorized. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds. Other funds which might be available include funds derived from the payment of penalties on delinquent Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Taxable Property and the amount of the levy of the Special Tax against such parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of such parcels and the proportionate share of debt service on the Bonds, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a Taxable Property is based upon the revenue needs and application of the Rate and Method in accordance with the Ordinance of Formation and the Act. Application of the Rate and Method will, in turn, be dependent upon certain development factors with respect to each Taxable Property by comparison with similar development factors with respect to the other Taxable Property within the District. Thus, in addition to annual variations of the revenue needs from the Special Tax, the following are some of the factors which might cause the levy of the Special Tax on any particular Taxable Property to vary from the Special Tax that might otherwise be expected:

(1) Failure of the owners of Taxable Property to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property.

(2) Reduction in the amount of Taxable Property, for such reasons as acquisition of Taxable Property by a government and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property. The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to the problems associated with collecting taxes from public agencies, if a substantial portion of land within the District 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. See the caption “—FDIC/Federal Government Interests in Properties.”

Except as set forth above under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Special Taxes,” the Indenture provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Proceeds of Foreclosure Sales” and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the District of the proceeds of sale if the Reserve Account is depleted. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Proceeds of Foreclosure Sales.”

In addition, under no circumstances will the Special Taxes levied against any parcel of Residential Property be increased by more than 10% per Fiscal Year as a consequence of delinquency or default by the owner of any other parcel within the District. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—General.”

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The District is not located within an identified earthquake study zone. The nearest active earthquake faults to the District are the Superstition Hill Fault and the Imperial Fault, both located less than five miles from the District. Moreover, the District does not require a flood plain review and is not located within a flood zone.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Hazardous Substances

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

The value of the property within the District, as set forth in the various tables herein, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

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

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

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

Parity Taxes and Special Assessments

Property within the District is subject to taxes and assessments imposed by public agencies that also have jurisdiction over the land within the District. In addition, significant authorized but unissued overlapping debt exists which, if issued, will burden Taxable Property in the District. See the captions "THE COMMUNITY FACILITIES DISTRICT—Direct and Overlapping Indebtedness" and "THE COMMUNITY FACILITIES DISTRICT—Ad Valorem Overrides."

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation (the "FDIC"). See the caption "—FDIC/Federal Government Interests in Properties."

Neither the District nor the City, however, have control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Accordingly, the debt on the property within the District could increase without any corresponding increase in the value of the property therein. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for the property within the District described herein or the willingness or ability of property owners within the District to pay the Special Taxes when due. 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 “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “THE COMMUNITY FACILITIES DISTRICT—Direct and Overlapping Indebtedness.”

Land Values

The value of land within the District 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 District’s only remedy is to commence foreclosure proceedings on such property. Prospective purchasers of the Bonds should not assume that the property within the District 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. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Proceeds of Foreclosure Sales.” Reductions in property values within the District 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 District 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 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. In recent years, many counties in the State, including the County, have reassessed certain properties acquired in recent years at the peak of the real estate market. The District is aware that the County Assessor made reductions in Fiscal Year 2008-09 and 2009-10 assessed values within the District and the City generally. See Table 4 under the caption “THE COMMUNITY FACILITIES DISTRICT—Historical Assessed Values” for the assessed values within the District in recent Fiscal Years. The District cannot predict whether the County will further reduce assessed values within the District in future years. If the County did decide to broadly reassess recent home transactions in the County, it is possible that in future years the assessed values shown in this Official Statement could be adjusted downward from the values reflected on the Fiscal Year 2014-15 Assessor’s Roll, as shown in Table 4. No assurance can be given that Fiscal Year 2014-15 assessed values reflect market values or that a parcel could actually be sold for its assessed value.

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

Shapiro Decision

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the “Court”), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego. The CCFD is a

financing district established under the City of San Diego's charter (the "Charter") and was intended to function much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

At the election to authorize such special tax, the Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was an election limited to owners and lessees of properties on which the special tax would be levied, and not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election did not comply with applicable requirements of Article XIII A, Section 4 thereof and Article XIII C, Section 2 of the State Constitution, or with applicable provisions of the City of San Diego's Charter, because the electors in such an election were not the registered voters residing within the district.

In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (*viz.*, all of the registered voters in the City of San Diego). In the case of the District, there were no registered voters within the District at the time of the elections to authorize the special tax levy for the District. In *City of San Diego*, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court's holding does not apply to the special tax election in the District. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act or the levy of special taxes authorized pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters approved the special tax and the issuance of bonds for the District in compliance with all applicable requirements of the Act at the time of formation of the District in 2004. Therefore, under the provisions of Sections 53341 and 53359 of the Act, the statute of limitations period to challenge the validity of the special tax for the District has expired.

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 when the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel, was informed of the maximum tax rate and the risk of such a levy and the ability of such owner to pay the Special Tax as well as other expenses and obligations. The City has caused a Notice of Special Tax Lien to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation when purchasing a property within the District or lending money with respect to such property.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel or unit that is 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.

Concentration of Ownership

No property owner in the District is presently responsible for more than 7%% of the Special Taxes levied within the District, and no property owner owns more than 20 parcels within the District. See the caption "THE COMMUNITY FACILITIES DISTRICT." There may be subsequent transfers of ownership of the property within the District. Failure of the owners of property to pay the annual Special Taxes when due could result in a default in payments of the principal of and interest on the Bonds. Such risk may be greater or its consequence more severe when ownership is concentrated and may be expected to decrease when ownership is diversified.

Potential Early Redemption of Bonds from Prepayments

Property owners within the District are permitted to prepay their Special Taxes at any time. Such prepayments on Developed Property result in a redemption of Bonds on the first March 1 or September 1 which is more than 30 days following the receipt of the prepayment. See the caption "THE BONDS—Redemption of the Bonds—Special Mandatory Redemption from Special Tax Prepayments."

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, are customarily billed to the properties within the District on the *ad valorem* property tax bills sent to owners of such properties. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Proceeds of Foreclosure Sales" for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See the caption "—FDIC/Federal Government Interests in Properties" for a discussion of the policy of FDIC regarding the payment of special taxes and assessments and limitations on the District's ability to foreclose on the lien of the Special Taxes in certain circumstances.

FDIC/Federal Government Interests in Properties

General. The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the 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 District 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 District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to

pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* 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 District becoming owned by the federal government, federal government entities or federal government sponsored entities, see the caption "—Insufficiency of Special Taxes."

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes, 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 District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent 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 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 Act special taxes.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District 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 Account and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the

ability of the District to foreclose the lien of delinquent unpaid Special Taxes pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940) or by the laws of the State relating to judicial foreclosure. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Proceeds of Foreclosure Sales." 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 in the District and if the court found that any of such landowners 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 willingness of a property owner to pay the Special Taxes. If enough parcels were subject to 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 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 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 that the ability to pay such taxes or assessments is materially affected by reason of such service.

Funds Invested in the County Investment Pool

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county. Following payment of the Special Taxes to the District, such funds may be invested in the name of the City or the District for a period of time in the County investment pool. In the event of a petition of or the adjustment of County debts under Chapter 9 of the United States Bankruptcy Code, a court might hold that the Bondowners do not have a valid and/or prior lien on the Special Taxes or debt service payments where such amounts are deposited in the County investment pool and may not provide the Bondowners with a priority interest in such amounts. In that circumstance, unless the Bondowners could "trace" the funds that have been deposited in the County investment pool, the Bondowners would be unsecured (rather than secured) creditors of the County. There can be no assurance that the Bondowners could successfully so trace the Special Taxes or debt service payments.

No Acceleration Provision

The Act, the Bonds and the Indenture do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture or in the event that interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture and further subject to the prior lien of owners of Bonds, an owner is given the right for the equal benefit and protection of all owners of a series similarly situated to pursue certain remedies described in Appendix D. See the caption “—Limitations on Remedies.”

Limited Secondary Market

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

Proposition 218

An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996, general election. The Initiative added Articles XIIC and XIID to the State Constitution. According to the “Title and Summary” of the Initiative prepared by the State Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Significant provisions of the Initiative have not yet been interpreted by the courts, although a number of lawsuits have been filed requesting the courts to interpret various aspects of the Initiative. The Initiative could potentially impact the Special Taxes otherwise available to the District to pay the principal of and interest on the Bonds as described below.

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

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

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

It may be possible, however, for voters of the District or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District has covenanted that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels of Developed Property within the District to less than an amount projected to equal to 110% of annual debt service each year on the Outstanding Bonds plus the Administrative Expenses relating thereto up to the Administrative Expenses Cap. In connection with the foregoing covenant, the District has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District also has covenanted that, in the event that an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

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

Ballot Initiatives and Legislative Measures

The Initiative was adopted pursuant to a measure that qualified for the ballot pursuant to the State’s Constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by State voters or legislation enacted by the State Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or appropriations.

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS,” the interest on the Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds as a result of acts or omissions of the District or the City in violation of certain provisions of the Internal Revenue Code of 1986, as amended (the “Code”) and the covenants of the Indenture. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the District has covenanted in the Indenture 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 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 redemption provisions of the Indenture. See the caption “THE BONDS—Selection of Bonds for Redemption.”

Pending 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. The introduction or enactment of any such 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.

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 municipal obligations).

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 on the Bonds or to preserve the tax-exempt status of the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of 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, limitation or modification of the rights of the Owners.

Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, may become subject to the United States 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” and “—FDIC/Federal Government Interests in Properties.”

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement, dated as of July 1, 2015 (the “Disclosure Agreement”), by and between the District and Urban Futures, Inc., as disclosure dissemination agent, the District has agreed to provide, or cause to be provided, to EMMA, on an annual basis certain financial information and operating data concerning the District. The District has further agreed to provide notice to EMMA of certain listed events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission. See Appendix E for a description of the specific nature of the annual reports to be filed by the District and notices of listed events to be provided by the District.

The District and the City have not in the past five years failed to comply with any previous continuing disclosure undertaking in any material respect.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements

described in this Official Statement, 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 calculating the federal alternative minimum tax imposed on individuals and corporations. However, Bond Counsel notes that, with respect to corporations, interest (and original issue discount) on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bond of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") 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 IRS. 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 municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

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. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Bonds. No

assurance can be given that subsequent to the issuance of the Bonds such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the Bonds.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

The proposed form of Bond Counsel's opinion with respect to the Bonds is attached as Appendix B.

LEGAL OPINION

The legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, approving the validity of the Bonds in substantially the form set forth as Appendix B will be made available to purchasers at the time of original delivery. Certain legal matters will be passed upon for the City and the District by Dennis H. Morita, APC, the City Attorney, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California.

ABSENCE OF LITIGATION

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

NO RATING

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

UNDERWRITING

The Bonds are being purchased by the Underwriter at a price of \$_____ (being the aggregate principal amount thereof, plus/less net original issue discount/premium of \$_____, and less Underwriter's discount of \$_____). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions

set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel, Norton Rose Fulbright US LLP, as counsel to the Underwriter, the Trustee and the Escrow Agent are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds.

NEW LEGISLATION

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

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representatives of fact.

The execution and delivery of this Official Statement by the City Manager of the City has been duly authorized by the City Council of the City, acting in its capacity as the legislative body of the District.

CITY OF IMPERIAL COMMUNITY FACILITIES
DISTRICT NO. 2004-1 (Victoria Ranch)

By: _____
City Manager of the City of Imperial, which is acting in
its capacity as the legislative body of City of Imperial
Community Facilities District No. 2004-1 (Victoria
Ranch)

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX CITY OF IMPERIAL COMMUNITY FACILITIES DISTRICT NO. 2004-1 (Victoria Ranch)

The following sets forth the Amended and Restated Rate and Method of Apportionment for the levy and collection of Special Taxes of the City of Imperial ("City") Community Facilities District No. 2004-1, (Victoria Ranch) ("CFD 2004-1"). The Special Tax shall be levied on and collected in CFD 2004-1 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property in CFD 2004-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

"Act" means the Mello-Roos Communities 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 any ordinary and necessary expense incurred by the City on behalf of CFD 2004-1 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any City employee whose duties are directly related to the administration of CFD 2004-1, and costs otherwise incurred in order to carry out the authorized purposes of CFD 2004-1.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD 2004-1.

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

"Assessor's Parcel Number" means that number assigned to an Assessor's Parcel by the County for purposes of identification.

"Assigned Special Tax for Facilities" means the Special Tax of that name described in Section D below.

"Backup Special Tax for Facilities" means the Special Tax of that name described in Section E below.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Taxes for Facilities have been pledged.

“Building Permit” means a permit for the construction for a residential dwelling or non-residential structure. For purposes of this definition, “Building Permit” shall not include permits for construction or installation of, retaining walls, utility improvements, or other such improvements not intended for human habitation.

“Building Square Footage” or **“BSF”** means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor’s Parcel.

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

“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. 2004-1” means Community Facilities District No. 2004-1 (Victoria Ranch) established by the City under the Act.

“City” means the City of Imperial.

“City Council” means the City Council of City of Imperial, acting as the Legislative Body of CFD 2004-1, or its designee.

“Consumer Price Index” means the index published monthly by the U.S. Department of Labor Statistics for all urban consumers in the Los Angeles–Riverside–Orange County area.

“County” means the County of Imperial.

“Developed Property” means all Assessors’ Parcels for which Building Permits were issued on or before May 1 of the prior Fiscal Year, and that each such Assessor’s Parcel is associated with a Lot, as reasonably determined by the City.

“Exempt Property” means all Assessors’ Parcels designated as being exempt from Special Taxes in Section J.

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

“Final Map Property” means all Assessors’ Parcels for which a Final Map was issued on or before May 1 of the prior Fiscal Year.

“Fiscal Year” means the period commencing on July 1 of any year and ending the following June 30.

“Lot” means an individual legal lot created by a Final Map for which a Building Permit could be issued.

“Maximum Special Tax” means the Maximum Special Tax for Facilities and Maximum Special Tax for Services.

“Maximum Special Tax for Facilities” means the maximum Special Tax, determined in accordance with Section C that can be levied by CFD 2004-1 in any Fiscal Year on any Assessor’s Parcel.

“Maximum Special Tax for Services” means the maximum Special Tax, determined in accordance with Section C that can be levied by CFD 2004-1 in any Fiscal Year on any Assessor’s Parcel.

“Multiple Family Residential Property” means a single dwelling unit within a building or buildings comprised of attached residential units, all of which are made available for rental or ownership by the general public.

“Non Residential Property” means all Assessor’s Parcels of Developed Property for which a Building Permit was issued for any type of non-residential use.

“Operating Fund” means a fund that shall be maintained for CFD 2004-1 for any Fiscal Year to pay for the actual costs of maintenance, repair, and replacement of the Service Area, and the Administrative Expenses.

“Operating Fund Balance” means the amount of funds in the Operating Fund at the end of the preceding Fiscal Year.

“Partial Prepayment Amount” means the amount required to prepay a portion of the Special Tax for Facilities obligation for an Assessor’s Parcel, as described in Section H.

“Prepayment Amount” means the amount required to prepay the Special Tax for Facilities obligation in full for an Assessor’s Parcel, as described in Section G.

“Proportionately” means that the ratio of the actual Special Tax levy to the applicable Special Tax is equal for all applicable Assessors’ Parcels.

“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.

“Service Area” means the police and fire services, landscape parkways, neighborhood park, easements and green belts within the boundaries of CFD No. 2004-1 and the City, and CFD No. 2004-1’s fair share of storm drain and flood control facilities.

“Single Family Residential Property” means a single dwelling unit on an Assessors’ Parcel.

“Special Tax” means Special Tax for Facilities and Special Tax for Services.

“Special Tax for Facilities” means any of the special taxes authorized to be levied by CFD 2004-1 pursuant to the Act to fund the Special Tax Requirement for Facilities.

“Special Tax for Services” means any of the special taxes authorized to be levied by CFD 2004-1 pursuant to the Act to fund the Special Tax Requirement for Services.

“Special Tax Requirement for Facilities” means for CFD 2004-1 that amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses of CFD 2004-1, (iii) the costs associated with the release of funds from an escrow account, and (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) the collection or accumulation of funds for the acquisition or construction of facilities authorized by CFD 2004-1 provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on Final Map Property, less (vi) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, or trust agreement.

“Special Tax Requirement for Services” means the amount determined in any Fiscal Year for CFD No. 2004-1 equal to (i) the budgeted costs of the maintenance, repair and replacement of the Service Area which have been accepted and maintained or are reasonably expected to be accepted and maintained during the current Fiscal Year, (ii) Administrative Expenses, and (iii) anticipated delinquent Special Taxes for Services based on the delinquency rate in CFD No. 2004-1 for the previous Fiscal Year, less (iv) the Operating Fund Balance.

“Taxable Property” means all Assessors’ Parcels within CFD 2004-1 which are not Exempt Property.

“Undeveloped Property” means all Assessors’ Parcels of Taxable Property which are not Developed Property or Final Map Property.

“Unit” means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

SECTION B CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, each Assessor’s Parcel within CFD 2004-1 shall be classified as Taxable Property or Exempt Property. In addition, each Fiscal Year, each Assessor’s Parcel of Taxable Property shall be further classified as Developed Property or Final Map Property. Lastly, each Fiscal Year, each Assessor’s Parcel of Developed Property shall further be classified as Residential Property or Non Residential Property.

SECTION C MAXIMUM SPECIAL TAXES

1. Developed Property

a. The Maximum Special Tax for Facilities for each Assessor’s Parcel of Residential Property that is classified as Developed Property in any Fiscal Year shall be the amount determined by the greater of (i) the application of the Assigned Special Tax for Facilities or (ii) the application of the Backup Special Tax for Facilities.

The Maximum Special Tax for Facilities for each Assessor’s Parcel of Non-Residential Property that is classified as Developed Property in any Fiscal Year shall be the Assigned Special Tax for Facilities in Table 1.

b. The Maximum Special Tax for Services for each Assessor’s Parcel of Residential Property that is classified as Developed Property in any Fiscal Year shall be \$120 per unit. The Maximum Special Tax for Services for each Assessor’s Parcel of Non-Residential Property that is classified as Developed Property in any Fiscal Year shall be \$480 per Acre. On each July 1, commencing July 1, 2006, the Maximum Special Tax for Services for the prior Fiscal Year shall be adjusted by an amount equal to the percentage change in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year.

2. Final Map Property

a. The Maximum Special Tax for Facilities for each Assessor’s Parcel classified as Final Map Property shall be the Assigned Special Tax for Facilities in Table 1.

b. The Maximum Special Tax for Services for each Assessor’s Parcel of Final Map

Property for Fiscal Year 2005-2006 shall be \$480 per acre. On each July 1, commencing July 1, 2006, the Maximum Special Tax for Services for the prior Fiscal Year shall be adjusted by an amount equal to the percentage change in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year.

**SECTION D
ASSIGNED SPECIAL TAXES FOR FACILITIES**

Each Fiscal Year, each Assessor's Parcel shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to an Assessor's Parcel for any Fiscal Year shall be determined pursuant to Table 1 below.

**TABLE 1
ASSIGNED SPECIAL TAX RATES FOR FACILITIES**

Land Use Type	Rate
Single Family Residential Property	\$1,610 per Dwelling Unit
Multiple Family Residential Property	\$405 per Dwelling Unit
Non Residential Property	\$3,000 per Acre
Final Map Property	\$1,610 per Lot
Undeveloped Property	\$13,000 per Acre

**SECTION E
BACKUP SPECIAL TAX FOR FACILITIES**

Each Fiscal Year, each Assessor's Parcel of Developed Property classified as Residential Property or Non Residential Property shall be subject to a Backup Special Tax for Facilities. In each Fiscal Year, the Backup Special Tax for Facilities rate for Developed Property classified as Residential Property within a Final Map shall be the rate per Lot calculated according to the following formula:

$$B = \frac{R \times A}{L}$$

The terms above have the following meanings:

- B = Backup Special Tax for Facilities per Lot in each Fiscal Year
- R = Maximum Special Tax for Facilities rate per Acre for Final Map Property for the applicable Fiscal Year
- A = Acreage of Developed Property classified or to be classified as Residential Property in such Final Map.
- L = Lots in the Final Map which are classified or to be classified as Residential Property.

In each Fiscal Year, each Assessor's Parcel of Developed Property classified as Non Residential Property shall be subject to a Backup Special Tax for Facilities of the Maximum Special Tax for Facilities rate per Acre for Final Map Property for the applicable Fiscal Year.

Notwithstanding the foregoing, if all or any portion of the Final Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Special Tax for each Assessor's Parcel of Developed Property classified or to be classified as Residential Property or Non Residential Property in such Final Map area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Special Tax for Facilities anticipated to apply to the changed or modified Final Map area prior to the change or modification.

2. The result of paragraph 1 above shall be divided by the Acreage of Developed Property classified or to be classified as Residential Property or Non Residential Property which is ultimately expected to exist in such changed or modified Final Map area, as reasonably determined by the City.

3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property classified as Residential Property or Non Residential Property in such changed or modified Final Map area for all remaining Fiscal Years in which the Special Tax may be levied.

**SECTION F
METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR
FACILITIES AND THE SPECIAL TAX FOR SERVICES**

1. For each Fiscal Year, the City Council shall levy a Special Tax for Facilities on all Taxable Property within CFD 2004-1 until the amount of Special Tax for Facilities equals the Special Tax Requirement for Facilities in accordance with the following steps:

- Step One: The Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax for Facilities rates in Table 1 as needed to satisfy the Special Tax Requirement for Facilities.
- Step Two: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Final Map Property, excluding any Exempt Property, at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.
- Step Three: If the sum of the amounts collected in steps one and two is insufficient to satisfy the Special Tax Requirement, then the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to 100% of the Backup Special Tax as needed to satisfy the Special Tax Requirement.
- Step Four: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the three steps have been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.

2. For each Fiscal Year, the City Council shall levy a Special Tax for Services on all Taxable Property within CFD 2004-1 until the amount of Special Tax for Services equals the Special Tax Requirement for Services in accordance with the following steps:

- Step One: The Maximum Special Tax for Services shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax for Services as needed to satisfy the Special Tax Requirement for Services.

Step Two: If additional moneys are needed to satisfy the Special Tax Requirement for Services after the first step has been completed, the Maximum Special Tax for Services shall be levied Proportionately on each Assessor's Parcel of a Final Map, at up to 100% of the Maximum Special Tax for Services applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Services.

Under no circumstances will the Special Tax levied against any Parcel used as a private residence be increased as a consequence of delinquency or default by the owner of any other Parcel or Parcels within the District by more than ten (10) percent of the special tax that would be levied in that Fiscal Year, if there were no delinquencies, pursuant to California Government Code Section 53321(d), as in effect on the date of formation of the District.

SECTION G PREPAYMENT OF SPECIAL TAX FOR FACILITIES

The following definitions apply to this Section G:

"CFD Public Facilities" means \$20,000,000 expressed in 2004 dollars, which shall increase by the Construction Inflation Index on January 1, 2005, and on each January 1 thereafter, or such lower number as (i) shall be determined by the City as sufficient to provide the public facilities under the authorized bonding program for CFD 2004-1, or (ii) shall be determined by the City 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.

"Construction Fund" means an account specifically identified in the Indenture or functionally equivalent to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under CFD 2004-1.

"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 City 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 or escrow accounts or funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

"Outstanding Bonds" means all previously issued bonds issued and secured by the levy of Special Taxes for Facilities 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 Special Taxes for Facilities.

The Special Tax for Facilities obligation of an Assessor's Parcel of Developed Property, an Assessor's Parcel of Final Map Property for which a Building Permit has been issued or an Assessor's Parcel of Final Map Property that is classified as Final Map Property pursuant to Section E. may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor's Parcel intending to prepay the Special Tax for Facilities obligation shall provide the City with written notice of intent to prepay, and within 5 days of receipt of such notice, the City

shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD 2004-1 in calculating the proper amount of a prepayment. Within 15 days of receipt of such non-refundable deposit, the City shall notify such owner of the prepayment amount of such Assessor's Parcel.

The Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance
plus	Administrative Fee
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax for Facilities and the Backup Special Tax for Facilities applicable to the Assessor's Parcel. For Assessor's Parcels of Final Map Property, excluding any Final Map Property pursuant to Section J., compute the Assigned Special Tax for Facilities and the Backup Special Tax for Facilities applicable to the Assessor's Parcel as though it was already designated as Developed Property based upon the Building Permit issued or to be issued for that Assessor's Parcel. For Assessor's Parcels of Final Map Property, classified as Final Map Property pursuant to Section J., compute the Assigned Special Tax for Facilities.

2. For each Assessor's Parcel of Developed Property or Final Map Property to be prepaid, (a) divide the Assigned Special Tax for Facilities computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Special Tax for Facilities applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the City, and (b) divide the Backup Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Special Tax for Facilities applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the City.

3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by Outstanding Bonds. The product shall be the "Bond Redemption Amount".

4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."

5. Compute the Future Facilities Cost.

6. Multiply the larger quotient computed pursuant to paragraph 2 (a) or 2 (b) by the amount determined pursuant to paragraph 5. to determine the Future Facilities Cost to be prepaid (the "Future Facilities Amount").

7. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 11) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the Outstanding Bonds.

8. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the Outstanding Bonds.

9. Subtract the amount computed pursuant to paragraph 8 from the amount computed pursuant to paragraph 7. This difference is the "Defeasance."

10. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."

11. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, 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(s) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.

12. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Special Tax for Facilities obligation that is prepaid pursuant to this Section G, the City Council shall indicate in the records of CFD 2004-1 that there has been a prepayment of the Special Tax for Facilities obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax for Facilities obligation and the release of the Special Tax for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Special Tax for Facilities shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION H
PARTIAL AND MANDATORY PREPAYMENT
OF SPECIAL TAX FOR FACILITIES

The Special Tax for Facilities obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Final Map Property for which a Building Permit has been issued and will be classified as Developed Property in the next Fiscal Year, as calculated in this Section H. below, may be partially prepaid, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax for Facilities obligation would be prepaid.

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = PG \times F$$

The terms above have the following meanings:

- PP = the Partial Prepayment Amount.
- P_G = the Prepayment Amount calculated according to Section G.
- F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Special Tax for Facilities obligation.

With respect to any Assessor's Parcel that is partially prepaid, the City Council shall indicate in the records of CFD 2004-1 that there has been a partial prepayment of the Special Tax for Facilities obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax for Facilities obligation, to indicate the partial prepayment of the Special Tax for Facilities obligation and the partial release of the Special Tax for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax for Facilities shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Taxes that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

MANDATORY PARTIAL PREPAYMENT: Prior to the close of escrow for the first transfer of title of any Developed Parcel, the Maximum Special Tax shall be subject to mandatory partial prepayment in a amount necessary to bring the Total Property Tax Burden for the then-current Fiscal Year to an amount less than or equal to 2% of the sale price of the Parcel. The amount required shall be due and payable upon transfer of title. No prepayment shall be required if the Total Property Tax Burden is not in excess of the 2% limit. The Builder shall notify the CFD Administrator in writing of the mandatory partial repayment requirement at least 30 days prior to close of escrow. The CFD Administrator shall calculate and determine the prepayment amount using the methodology for a partial prepayment herein, except that the partial prepayment shall be in the exact percentage required for a Total Property Tax Burden not in excess of the 2% limit.

SECTION I TERMINATION OF SPECIAL TAX

For each Fiscal Year that any Bonds are outstanding the Special Tax for Facilities shall be levied on all Assessors' Parcels subject to the Special Tax for Facilities. If any delinquent Special Tax for Facilities remain uncollected prior to or after all Bonds are retired, the Special Tax for Facilities may be levied to the extent necessary to reimburse CFD 2004-1 for uncollected Special Tax for Facilities associated with the levy of such Special Tax for Facilities, but not later than the 2043-2044 Fiscal Year. The Special Tax for Services shall be levied as long as it is needed to meet the Special Tax Requirement for Services, as determined at the sole discretion of the City Council.

SECTION J EXEMPTIONS

The City shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) all Parcels which are currently owned and were owned prior to April 20, 2005 by Legakes, James G. & Kayren Dee. Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 144.20 Acres unless such Parcels are currently owned and were owned prior to April 20, 2005 by Legakes, James G. & Kayren Dee. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 144.20 Acres will continue to be subject to Special Taxes accordingly.

SECTION K APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the City Council not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD 2004-1 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

The City Council may interpret this Rate and Method of Apportionment of Special Taxes for purposes of clarifying any ambiguity and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals. Any decision of the City Council shall be binding as to all persons.

**SECTION L
MANNER OF COLLECTION**

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD 2004-1 may collect Special Tax for Facilities at a different time or in a different manner if necessary to meet its financial obligations.

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

July __, 2015

City of Imperial Community Facilities District No. 2004-1 (Victoria Ranch)
c/o City of Imperial
420 South Imperial Avenue
Imperial, California 92251

Re: \$ _____ *City of Imperial Community Facilities District No. 2004-1 (Victoria Ranch)*
 Special Tax Refunding Bonds, Series 2015A

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of Imperial (the "City") taken in connection with the formation of City of Imperial Community Facilities District No. 2004-1 (Victoria Ranch) (the "District") and the authorization and issuance of the District's Special Tax Refunding Bonds, Series 2015A in the aggregate principal amount of \$ _____ (the "Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), Resolution No. _____ (the "Resolution of Issuance"), adopted by the City Council (the "City Council") of the City on _____, and a Bond Indenture dated as of July 1, 2015 (the "Indenture"), by and between the District and Wells Fargo Bank, National Association, as trustee. All capitalized terms not defined herein shall have the meanings set forth in the Indenture.

The Bonds are dated the date of delivery and mature on the dates and in the amounts set forth in the Indenture. The Bonds bear interest payable semiannually on March 1 and September 1 of each year, commencing March 1, 2016, at the rates per annum set forth in the Indenture. The Bonds are registered Bonds in the form set forth in the Indenture redeemable in the amounts, at the times and in the manner provided for in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Bonds have been duly and validly authorized by the District and are legal, valid and binding limited obligations of the District, enforceable in accordance with their terms and the terms of the Indenture, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other laws affecting creditors' rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State of California. The Bonds are limited obligations of the District but are not a debt of the City, the State of California or any other political subdivision

thereof within the meaning of any constitutional or statutory limitation, and, except for the Special Taxes, neither the faith and credit nor the taxing power of the City, the State of California, or any of its political subdivisions is pledged for the payment thereof.

2. The Indenture has been duly executed and delivered by the City Council on behalf of the District. The Indenture creates a valid pledge of and the Bonds are secured by the Net Taxes and the amounts on deposit in certain funds and accounts established under the Indenture, as and to the extent provided in the Indenture. The Indenture is enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other similar laws affecting creditors' rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State of California; provided, however, that we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment of Administrative Expenses or as to any indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and 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 (and original issue discount) will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

4. Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond. Original issue discount that accrues for the Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations (as described in paragraph 3. above) and is exempt from State of California personal income tax.

6. The amount by which a Bond owner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond owner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinion expressed in paragraphs 3. and 5. above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is subject to the condition that the District complies 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 (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements. Except as set forth in paragraphs 3. through 6. above, we express no opinion as to any tax consequences related to the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate executed by the District and other documents related to the Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on any Bond if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Our opinion 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 and express no opinion as to the enforceability of the choice of law provisions contained in the Indenture.

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

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement with respect to the Bonds terminates upon their issuance, and we disclaim any obligation to update the matters set forth herein.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement or other offering material.

Respectfully submitted,

APPENDIX C

GENERAL INFORMATION CONCERNING THE CITY OF IMPERIAL

The following information is presented as general background data. The Bonds are payable solely from the Net Taxes as described in the Official Statement. The taxing power of the City, the State or any political subdivision thereof is not pledged to the payment of the Bonds.

General Information

The City was founded in 1902, and was incorporated on July 12, 1904. The Council-Manager form of government was adopted by the City in 1990. From 1904 to 1990, the management of the City was the Council/Commissioner form of government, where each council member supervised specific City departments or City projects. In 1990 the City began experiencing a growth increase and several interested land developers had prepared plans for new development within the City. In November 1990, the City converted to its present form of government and hired its first City Manager in order to properly supervise the City's growth.

Located in the extreme southern portion of California in the Imperial Valley, the City is approximately 125 miles east of the City of San Diego, California. The City has a dry, sunny climate and is 64 feet below sea level. The City abuts, on its southern boundary, the City of El Centro. The average rainfall is 2.92 inches for the Imperial Valley area.

Population

The following table offers population figures for the City, the County and the State for 2011 through 2015.

<i>Area</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
City of Imperial	15,044	15,412	16,066	16,762	17,446
County of Imperial	175,712	178,015	179,606	180,998	183,429
State of California	37,427,946	37,680,593	38,030,609	38,357,121	38,714,725

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2011-2015 with 2010 Census Benchmark. Sacramento, California, May 2015

Industry and Employment

The table below lists employment by industry group for El Centro Metropolitan Statistical Area for the years 2010 through 2014.

El Centro MSA (Imperial County) Annual Average Employment

<i>TITLE</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Civilian Labor Force	78,000	78,800	79,200	78,800	80,200
Civilian Employment	55,300	55,900	57,500	59,200	61,200
Civilian Unemployment	22,700	22,900	21,700	19,600	19,000
Civilian Unemployment Rate	29.1%	29.1%	27.4%	24.9%	23.6%
Total, All Industries	56,700	57,900	59,400	61,500	64,500
Total Farm	9,100	10,400	10,300	10,100	10,700
Total Nonfarm	47,600	47,500	49,100	51,400	53,700
Total Private	29,200	29,400	31,200	33,700	35,900
Goods Producing	3,800	3,900	4,200	4,500	4,100
Natural Resources, Mining and Construction	1,200	1,400	1,500	2,000	2,400
Manufacturing	2,600	2,600	2,600	2,500	1,700
Service Providing	43,800	43,600	44,900	46,900	49,700
Trade, Transportation and Utilities	10,400	10,500	11,300	12,100	13,400
Wholesale Trade	1,700	1,700	1,700	1,800	1,800
Retail Trade	6,900	7,000	7,700	8,400	9,500
Information	400	400	400	300	300
Financial Activities	1,300	1,300	1,300	1,400	1,400
Professional and Business Services	2,400	2,600	2,800	2,800	2,800
Educational and Health Services	6,800	6,600	6,800	7,900	9,100
Leisure and Hospitality	3,300	3,400	3,600	3,900	4,100
Other Services	700	800	800	800	800
Government	18,400	18,100	17,900	17,700	17,900

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 herein.

Source: State of California, Employment Development Department, *Industry Employment & Labor Force by Annual Average, March 2014 Benchmark*.

The following table summarizes the labor force, employment and unemployment figures between 2010 and 2014 for the City, the County, the State and the nation as a whole.

**CITY OF IMPERIAL, COUNTY OF IMPERIAL,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment**

	<i>Civilian Labor Force</i>	<i>Employed⁽¹⁾</i>	<i>Unemployed⁽²⁾</i>	<i>Unemployment Rate⁽³⁾</i>
2010				
City of Imperial	7,800	5,800	1,900	25.0%
County of Imperial	78,000	55,300	22,700	29.1
California	18,330,500	16,063,500	2,267,000	12.4
United States ⁽⁴⁾	153,889,000	139,064,000	14,825,000	9.6
2011				
City of Imperial	7,800	5,900	2,000	25.0%
County of Imperial	78,800	55,900	22,900	29.1
California	18,404,500	16,237,300	2,167,200	11.8
United States ⁽⁴⁾	153,617,000	139,869,000	13,747,000	8.9
2012				
City of Imperial	7,900	6,000	1,900	23.5%
County of Imperial	79,200	57,500	21,700	27.4
California	18,519,000	16,589,700	1,929,300	10.4
United States ⁽⁴⁾	154,975,000	142,469,000	12,506,000	8.1
2013				
City of Imperial	7,900	6,200	1,700	21.2%
County of Imperial	78,800	59,200	19,600	24.9
California	18,596,800	16,933,300	1,663,500	8.9
United States ⁽⁴⁾	155,389,000	143,929,000	11,460,000	7.4
2014				
City of Imperial	8,100	6,400	1,600	20.1%
County of Imperial	80,200	61,200	19,000	23.6
California	18,811,400	17,397,100	1,414,300	7.5
United States ⁽⁴⁾	155,922,000	146,305,000	9,617,000	6.2

(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.

Income

The following tables show the personal income and per capita personal income for the County, State of California and United States from 2008 through 2014.

PERSONAL INCOME
County of Imperial, State of California, and United States
2008-2014
(Dollars in Thousands)

<i>Year</i>	<i>County of Imperial</i>	<i>California</i>	<i>United States</i>
2008	4,726,495	1,596,229,973	12,429,234,000
2009	4,827,192	1,537,094,676	12,080,223,000
2010	4,968,233	1,578,553,439	12,417,659,000
2011	5,425,059	1,685,635,498	13,189,935,000
2012	5,494,887	1,805,193,769	13,873,161,000
2013	5,690,414	1,856,614,186	14,151,427,000
2014	(1)	1,944,369,223	14,708,582,165

(1) County data not yet available.

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

PER CAPITA PERSONAL INCOME⁽¹⁾
County of Imperial, State of California, and United States
2008-2014

<i>Year</i>	<i>County of Imperial</i>	<i>California</i>	<i>United States</i>
2008	28,148	43,608	40,873
2009	28,064	41,587	39,379
2010	28,431	42,282	40,144
2011	30,843	44,749	42,332
2012	31,085	47,505	44,200
2013	32,225	48,434	44,765
2014	(2)	50,109	46,129

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

(2) County data not yet available.

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

Commercial Activity

A summary of historic taxable sales within the City and County from 2009 through 2013 is shown in the following tables.

CITY OF IMPERIAL Number of Permits and Valuation of Taxable Transactions

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2009	78	69,161	157	108,539
2010	89	79,286	162	123,543
2011	95	98,309	162	155,562
2012	109	112,883	177	167,919
2013	107	115,031	178	175,780

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

COUNTY OF IMPERIAL Number of Permits and Valuation of Taxable Transactions

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2009	2,373	1,216,423	3,432	1,773,930
2010	2,371	1,317,759	3,432	1,970,332
2011	2,339	1,414,803	3,390	2,181,800
2012	2,258	1,482,810	3,288	2,356,313
2013	2,222	1,561,647	3,239	3,661,582

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

Construction Trends

Provided below are the building permits and valuations for the City and the County for calendar years 2010 through 2014.

CITY OF IMPERIAL Total Building Permit Valuations (valuations in thousands)

	2010	2011	2012	2013	2014
<u>Permit Valuation</u>					
New Single-family	\$15,704.4	\$22,461.7	\$35,160.2	\$55,223.0	\$21,329.8
New Multi-family	-	-	-	-	-
Residential Alterations/ Additions	171.5	301.1	230.0	206.8	464.1
Total Residential	\$15,875.9	\$22,762.8	\$35,390.2	\$55,429.8	\$21,793.9
New Commercial	\$-	\$1,294.3	\$11,496.8	\$-	\$-
New Industrial	-	-	740.4	-	-
New Other	779.3	525.2	521.8	800.3	591.4
Commercial Alterations/ Additions	680.8	3,383.1	911.8	911.5	710.9
Total Nonresidential	\$1,460.1	\$5,202.6	\$13,670.8	\$1,711.8	\$1,302.3
<u>New Dwelling Units</u>					
Single Family	84	118	178	255	97
Multiple Family	0	0	0	0	0
Total	84	118	178	255	97

Source: Construction Industry Research Board, Building Permit Summary.

IMPERIAL COUNTY Total Building Permit Valuations (valuations in thousands)

	2010	2011	2012	2013	2014
<u>Permit Valuation</u>					
New Single-family	\$17,860.1	\$25,488.0	\$40,512.5	\$67,396.6	\$33,809.1
New Multi-family	-	13,009.6	8,101.5	-	9,582.3
Residential Alterations/ Additions	5,812.5	4,854.4	600.9	4,389.1	4,211.5
Total Residential	\$23,672.6	\$43,352.0	\$49,214.9	\$71,785.7	\$47,602.9
New Commercial	\$13,462.0	\$13,751.2	\$6,326.3	\$21,646.1	\$6,106.7
New Industrial	-	2,400.0	468,597.8	17,735.4	10,009.0
New Other	7,505.2	13,563.7	58,701.4	519,887.7	4,697.3
Commercial Alterations/ Additions	12,889.3	23,640.7	18,415.5	22,475.6	12,257.6
Total Nonresidential	\$33,856.5	\$53,355.6	\$552,041.0	\$581,744.8	\$33,070.6
<u>New Dwelling Units</u>					
Single Family	102	143	215	334	179
Multiple Family	0	128	124	0	59
Total	102	271	339	334	238

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

DEFINITIONS

Definitions. Unless the context otherwise requires, the following terms have the following meanings:

[TO COME]

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE DISTRICT

[TO COME]

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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 District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the 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 District 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 District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE 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.