

DATE SUBMITTED: June 28, 2016
SUBMITTED BY:
DATE ACTION REQUIRED: July 6, 2016

COUNCIL ACTION (x)
PUBLIC HEARING REQUIRED ()
RESOLUTION (x)
ORDINANCE 1ST Reading ()
ORDINANCE 2ND Reading ()

IMPERIAL CITY COUNCIL

AGENDA ITEM

SUBJECT: Economic Refinancing of the City of Imperial Community Facilities District No 2006-2 (Savanna Ranch) Improvement Area No. 1 Special Tax Bonds and the adoption of the following Resolution:

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IMPERIAL ACTING AS THE LEGISLATIVE BODY OF CITY OF IMPERIAL COMMUNITY FACILITIES DISTRICT NO. 2006-2 (SAVANNA RANCH) AUTHORIZING THE ISSUANCE OF ITS SPECIAL TAX REFUNDING BONDS (IMPROVEMENT AREA NO.1) SERIES 2016A IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED FIVE MILLION FIVE HUNDRED DOLLARS (\$5,500,000) AND APPROVING A BOND PURCHASE AGREEMENT, AN INDENTURE, AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND A PRELIMINARY OFFICIAL STATEMENT AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH.

DEPARTMENT INVOLVED: City Manager and Finance.

BACKGROUND/SUMMARY: The City Council will recall that during 2006 it issued the 2006-2 Savanna Ranch Special Tax Bonds for its City of Imperial Community Facilities Department, No. 2006-1 Special Tax Bonds for its City of Imperial Community Facilities District No. 2006-2. The Bonds were authorized pursuant the Mello-Roos Community Facilities Act of 1982. Over the last few years, the City Council has actively pursued the refunding (refinancing) of all of its existing Community Facilities District Bond issues with the goal of lowering the annual special tax paid for by District homeowners. The City has two remaining Districts that have not been refinanced due to past interest rate market conditions. These two Districts are Savanna Ranch and Monterrey Park. Current interest rates are now allowing the City to move ahead with the refunding (refinancing) of both of the remaining Districts.

FISCAL IMPACT: As stated above, current market conditions are now favorable and will permit the economic refunding of the City of Imperial Community Facilities District 2006-2 Improvement Area No. 2006-2 Improvement Area No. 1 Bonds. At current market rates, property owners of Savannah Ranch could expect a total savings of approximately \$1,000,000 over the remaining life of the District interest extending the terms of the existing Bond. It is anticipated that each property overall will save approximately \$2976.00 or approximately \$142.00 per home owner on an annual basis

F.O. INITIALS _____

STAFF RECOMMENDATION: Adopt the above referred Resolution that will authorize the issuance of the 2016-2 Refunding Bonds.

MANAGER'S RECOMMENDATION:

MANAGER'S INITIALS _____

MOTION:

SECONDED: APPROVED () REJECTED ()
AYES: DISAPPROVED () DEFERRED ()
NAYES:
ABSENT: REFERRED TO:

PRELIMINARY OFFICIAL STATEMENT DATED JULY , 2016

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.

\$4,580,000*

**CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(SAVANNA RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REFUNDING BONDS, SERIES 2016A**

Dated: Delivery Date

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

The City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) Special Tax Refunding Bonds, Series 2016A (the “Bonds”) are being issued by City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) (the “District”): (i) to refund the District’s outstanding Improvement Area No. 1 2006 Special Tax Bonds (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, 2016, 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 Improvement Area No. 1 of the District (“Improvement Area No. 1”) 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 Improvement Area No. 1. 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, 2017. 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 July , 2016.

[STIFEL LOGO]

Dated: July , 2016.

Preliminary, subject to change.

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

\$ _____ *

**CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(SAVANNA RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX REFUNDING BONDS, SERIES 2016A**

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®† _____

* Preliminary, subject to change.

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

MAYOR AND MEMBERS OF THE CITY COUNCIL

Doug Cox, Mayor
James Tucker, Mayor Pro-Tem
Mark Gran, Member
Geoff Dale, Member
Betty Sampson, Member

STAFF

George Galvan, Interim 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

Koppel & Gruber Public Finance
San Marcos, 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 CFD BOUNDARY MAP]

\$4,580,000*
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(SAVANNA RANCH)
SPECIAL TAX REFUNDING BONDS, SERIES 2016A

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. 2006-2 (Savanna Ranch) (the “District”) of its Special Tax Refunding Bonds, Series 2016A in the aggregate principal amount of \$4,580,000* (the “Bonds”). A portion of the proceeds of the Bonds, together with certain existing funds of the District, will be used to defease all of the District’s outstanding Improvement Area No. 1 2006 Special Tax Bonds, originally issued in the aggregate principal amount of \$5,000,000 and now outstanding in the principal amount of \$4,655,000 (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, 2016 (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 (exclusive of amounts in the Administrative Expense Account) 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, and Improvement Area No. 1 therein (“Improvement Area No. 1”), was formed on April 5, 2006. 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, on February 1, 2006, 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 the improvement areas

* Preliminary, subject to change.

therein and to authorize the levy of a special tax on the taxable property within Improvement Area No. 1, and a resolution stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$6,000,000 within Improvement Area No. 1 for the purpose of financing the design, construction, expansion, acquisition, leasing and rehabilitation of certain public facilities within or serving Improvement Area No. 1. Subsequent to a noticed public hearing on April 5, 2006, the City Council adopted an ordinance (the “Ordinance of Formation”), which established the District, authorized the levy of a special tax within Improvement Area No. 1, and determined the necessity to incur bonded indebtedness in an amount not to exceed \$6,000,000 within Improvement Area No. 1 and called an election within Improvement Area No. 1 on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit.

On April 5, 2006, an election was held within Improvement Area No. 1 in which the landowners eligible to vote approved the proposition authorizing the issuance of bonds in an amount not to exceed \$6,000,000 to finance the design, construction, expansion, acquisition, leasing and rehabilitation of certain public facilities within or serving Improvement Area No. 1, the levying of the special taxes and the appropriations limit of \$6,000,000. On April 5, 2006, the City Council, acting as the legislative body of the District, adopted an ordinance (the “Ordinance”) which provides for the levy of the Special Tax in accordance with the rate and method of apportionment (the “Rate and Method”). A 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

Improvement Area No. 1 consists of approximately 86 gross acres. Improvement Area No. 1 is located along the south side of Worthington Road, west of Nance Road, along the north side of Brewer Road, and east of Austin Road, in the western portion of the City of Imperial, 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.

As of June 2016, Improvement Area No. 1 consisted of 336 detached single family homes (279 detached and 57 attached condominium units), all of which had been conveyed to individual homeowners. At buildout, Improvement Area No. 1 is expected to contain 371 developed parcels. The property within Improvement Area No. 1 was developed by Pulte Home Corporation, a Michigan Corporation (“Pulte”), and Continental Residential, Inc., a California corporation, a subsidiary of D.R. Horton, Inc., a Delaware corporation. Construction commenced on the first units in 2006. None of the homeowners have prepaid their Special Tax obligation. See the caption “THE COMMUNITY FACILITIES DISTRICT.” Historically, the District has levied the Special Tax on all 371 parcels consisting of those classified as “Developed Property” under the Rate and Method (taxable parcels for which a building permit has been obtained by May 1 of the prior Fiscal Year) and those classified as Undeveloped Property (as defined in the Rate and Method). One investor, Martin D. Coyne, owns ~~3740~~ of the 371 parcels within Improvement Area No. 1, including all of the remaining 35 parcels which are classified as Undeveloped Property. See “THE COMMUNITY FACILITIES DISTRICT—General Description of the District” and “SPECIAL RISK FACTORS—Concentration of Ownership.”

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 Improvement Area No. 1 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 from Improvement Area No. 1, 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 Improvement Area No. 1 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. Special taxes levied in any other Improvement Area of the District are not pledged to or available for the repayment of the Bonds.

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

Improvement Area No. 1. 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 Improvement Area No. 1. The aggregate assessed value of the taxable property within Improvement Area No. 1 as shown on the Fiscal Year 2015-16 Imperial County Assessor’s roll is \$72,231,668. 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 Improvement Area No. 1 (but excluding existing overlapping general obligation debt), the overall value-to-lien within Improvement Area No. 1 is approximately 15.77* -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

* Preliminary, subject to change.

consequences incidental to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see the caption “TAX MATTERS.”

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 Koppel & Gruber Public Finance, San Marcos, 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 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 \$4,655,000, were issued by the District pursuant to the Fiscal Agent Agreement dated as of December 1, 2006, by and between the District and Wells Fargo Bank, National Association, as fiscal agent (the “2006 Fiscal Agent”).

Under an Escrow Agreement, dated as of _____**July** 1, 2016 (the “Escrow Agreement”), by and between the District and Wells Fargo Bank, National Association, as escrow agent (the “Escrow Agent”) and as 2006 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 2006 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 invest such moneys in federal securities. From amounts on deposit in the Escrow Fund, the 2006 Fiscal Agent will pay the scheduled principal of and interest on the Refunded Bonds on September 1, 2016 and will redeem the Refunded Bonds maturing after September 1, 2016 on September 1, 2016 at a redemption price equal to 100% of the principal amount of the Refunded Bonds being redeemed 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 \$4,580,000* 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 \$4,580,000* 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, 2017 (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. 2006-2
(SAVANNA RANCH) IMPROVEMENT AREA NO. 1
DEBT SERVICE SCHEDULE**

<i>Period Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2017	\$	\$	\$
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
Totals	\$ _____	\$ _____	\$ _____

Source: Underwriter.

Redemption of the Bonds

Optional Redemption.* The Bonds maturing on or before September 1, _____ are not subject to optional redemption. The Bonds maturing on or after September 1, _____ 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, _____, 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 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.

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) 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 Improvement Area No. 1 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 and the improvement areas therein on April 5, 2006 for the purpose of financing the design, construction, expansion, acquisition, leasing and rehabilitation of certain public facilities within or serving Improvement Area No. 1, as provided in the Ordinance of Formation. The Ordinance of Formation authorized the District to submit a proposition to the qualified electors of Improvement Area No. 1 to authorize the issuance of an aggregate principal amount of bonds not to exceed \$6,000,000 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 Rate and Method were approved by the qualified electors within Improvement Area No. 1 on April 5, 2006. On April 5, 2006, the City Council, acting as the legislative body of the District, adopted the Ordinance, which provides for the levying of the Special Tax. The Rate and Method approved by the City Council and the qualified electors 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 Improvement Area No. 1 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 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” has the meaning of the term “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. Special taxes levied in any other Improvement Area of the District are not pledged to or available for the repayment of the Bonds.

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 Improvement Area No. 1, 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 Improvement Area No. 1, such taxes do not constitute a personal indebtedness of the owners of property within Improvement Area No. 1. Moreover, other liens for taxes and assessments already exist on the property located within Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 have approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in Improvement Area No. 1 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 Improvement Area No. 1 as “Taxable Property” or “Exempt Property.” Taxable Property is further classified as “Developed Property” or “Undeveloped Property.” Developed Property consists of all Assessor’s Parcels in Improvement Area No. 1 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 the Final Map (as such term is defined in the Rate and Method) for such Assessor's Parcels was created on or before January 1 of the prior Fiscal Year and that each 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 Improvement Area No. 1 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 building square footage 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 2006-07, 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 Undeveloped Property (excluding certain Undeveloped Property pursuant to Section J of the Rate and Method) 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 Provisional Undeveloped Property (as defined in the Rate and Method) 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, Koppel & Gruber Public Finance, the District's Special Tax Consultant, will certify that the Maximum Special Tax that may be levied on assessor's parcels within Improvement Area No. 1 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 will result in a special mandatory redemption of the Bonds and any Parity Bonds. See the caption "THE BONDS—Redemption of the Bonds—Extraordinary Redemption from Special Tax Prepayments."

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, 2017, 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, 2017, 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 Improvement Area No. 1 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 Improvement Area No. 1. 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 Improvement Area No. 1.

Proceeds of Foreclosure Sales

The net proceeds received following a judicial foreclosure sale of land within Improvement Area No. 1 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 \$5,000 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 Improvement Area No. 1, 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 Improvement Area No. 1 to replenish the Reserve Fund in the amount of such delinquencies. However, notwithstanding the foregoing, as discussed under “—Special Taxes—General” under no circumstances will the Special Tax levied against any taxable parcel of residential property within Improvement Area No. 1 be increased by more than 10% as a consequence of a delinquency or default by the owner of any other parcel within Improvement Area No. 1.

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 needs of new development within the District. At the time of formation of the District, the qualified electors within the boundaries of Improvement Area No. 1 authorized the District to incur bonded indebtedness to finance the construction of certain eligible Facilities under the Act to meet the needs of new development within Improvement Area No. 1, approved the Special Tax Formula, the levy of a Special Tax to pay the principal and interest on the Bonds and annual administrative expenses of the District and to make any replenishments to the Reserve Account consistent with the Special Tax Formula and the Act. Pursuant to the Act, by virtue of their election to the City Council the five members of the City Council act as the legislative body for the District. District administrative services are provided by the City staff.

Improvement Area No. 1 is located in the City of Imperial in Imperial County, California, along the south side of Worthington Road, west of Nance Road, along the north side of Brewer Road, and east of Austin Road, in the western portion of the City of Imperial. 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."

Improvement Area No. 1 consists of a planned residential community totaling approximately 86 gross acres. As of June 2016, 336 single family residential homes had been sold to individual homeowners. At buildout, Improvement Area No. 1 is expected to contain 371 developed parcels. The District has historically levied Special Taxes on both Developed Property and taxable Undeveloped Property within Improvement Area No. 1 and it expects to continue doing so going forward. **1. However, because of debt service savings resulting from the issuance of the Bonds and the corresponding refunding of the Refunded Bonds, Special Taxes for Fiscal Year 2016-17 and thereafter are expected to be levied only against Developed Property.**

Martin D. Coyne, a local investor, owns ~~374~~⁴⁰ of the 371 parcels within Improvement Area No. 1, of which 35 are classified as Undeveloped Property. Mr. Coyne acquired the Undeveloped Property from Pulte, one of the original developers within Improvement Area No. 1. Based on current conditions, Mr. Coyne expects to develop such Undeveloped Property within the next 18 months, though the District can provide no assurance that such development will occur. Mr. Coyne has not failed to pay prior to delinquency any Special Taxes within Improvement Area No. 1. See "SPECIAL RISK FACTORS—Concentration of Ownership."

Direct and Overlapping Indebtedness

The ability of an owner of land within Improvement Area No. 1 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 June 1, 2016, the sum of the direct and overlapping tax and assessment debt applicable to the property within Improvement Area No. 1, including the Refunded Bonds and general obligation bonds, was \$5,824,630. In addition, other public agencies whose boundaries overlap those of Improvement Area No. 1 could, without the consent of the District, and in certain cases without the consent of the owners of the land within Improvement Area No. 1, impose additional taxes or assessment liens on the property within Improvement Area No. 1 in order to finance public improvements to be located inside of or outside of such area. The lien created on the property within Improvement Area No. 1 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 June 1, 2016. Allocations of overlapping debt to property within Improvement Area No. 1 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 June 1, 2016, if any. Although Improvement Area No. 1 has reviewed the debt report, it makes no representations as to its completeness or accuracy.

**TABLE 1
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(SAVANNA RANCH) IMPROVEMENT AREA NO. 1
DIRECT AND OVERLAPPING DEBT**

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/16</u>
Imperial Community College District General Obligation Bonds	0.751%	\$ 551,123
Imperial Unified School District General Obligation Bonds	4.453	618,507
City of Imperial Community Facilities District No. 2006-2, I.A. No. 1	100.000	<u>4,655,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$5,824,630
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Imperial County Certificates of Participation	0.734%	\$ 64,269
Imperial County Pension Obligation Bonds	0.734	305,977
Imperial Community College District General Fund Obligations	0.751	<u>4,316</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$374,562
 COMBINED TOTAL DEBT		 \$6,199,192 ⁽²⁾

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$4,655,000)	5.37%
Total Direct and Overlapping Tax and Assessment Debt.	6.72%
Combined Total Debt.....	7.15%

⁽¹⁾ Excludes the Bonds.

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

Sources: California Municipal Statistics, Inc.

Table 2 below sets forth the Fiscal Year 2015-16 effective tax rate for a unit of average assessed value in each of the eight land use categories within Improvement Area No. 1. The estimated tax rates and amounts presented below are based on currently available information and assume the issuance of the Bonds to refund the Refunded Bonds. Actual amounts may vary and increase or decrease in future years. The below estimated Fiscal Year 2016-17 effective tax rate is an average for each of the eight land use categories within Improvement Area No. 1 and does not represent the actual tax rate for any parcel or parcels. Effective tax rates in Improvement Area No. 1 are projected to range from 1.46% to 2.45%.

**TABLE 2
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(SAVANNA RANCH) IMPROVEMENT AREA NO. 1
ESTIMATED FISCAL YEAR 2015-16 EFFECTIVE TAX RATE – DEVELOPED PROPERTY**

Category Square Footage Range	<i>Land Use Category</i>								
	1 Less than 1,676	2 1,676 - 1,925	3 1,926 - 2,175	4 2,176 - 2,425	5 2,339	6 2,339	7 2,339	8 2,339	
Assessed Values									
Average Assessed Value ⁽¹⁾	129,467	219,362	214,128	232,824	246,198	263,879	272,628	306,192	
Homeowner's Exemption	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	
Estimated Net Property Value ⁽²⁾	\$ 122,467	\$ 212,362	\$ 207,128	\$ 225,824	\$ 239,198	\$ 256,879	\$ 265,628	\$ 299,192	
Ad Valorem Property Taxes⁽³⁾	Tax Rate	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Basic Levy	1.00000%	\$ 1,224.67	\$ 2,123.62	\$ 2,071.28	\$ 2,258.24	\$ 2,391.98	\$ 2,568.79	\$ 2,656.28	\$ 2,991.92
Imperial Community College GO Bonds	0.04220	51.68	89.62	87.41	95.30	100.94	108.40	112.10	126.26
Imperial Unified School District GO Bond 2004	0.04000	48.99	84.94	82.85	90.33	95.68	102.75	106.25	119.68
Imperial Unified School District GO Bond 1995	0.03110	38.09	66.04	64.42	70.23	74.39	79.89	82.61	93.05
Subtotal Ad Valorem Property Taxes	1.11330%	\$ 1,363.43	\$ 2,364.22	\$ 2,305.96	\$ 2,514.10	\$ 2,662.99	\$ 2,859.83	\$ 2,957.24	\$ 3,330.91
Assessments, Charges and Special Taxes		Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
City of Imperial CFD 2006-2 (Savanna Ranch) IA1 Facility		\$ 572.00	\$ 626.00	\$ 866.00	\$ 941.00	\$ 1,005.00	\$ 1,079.00	\$ 1,172.00	\$ 1,235.00
City of Imperial CFD 2006-2 (Savanna Ranch IA1) Services		151.00	151.00	151.00	151.00	151.00	151.00	151.00	151.00
Mosquito Abatement Services Fee		7.74	7.74	7.74	7.74	7.74	7.74	7.74	7.74
Subtotal Assessments, Charges and Special Taxes		\$ 730.74	\$ 784.74	\$ 1,024.74	\$ 1,099.74	\$ 1,163.74	\$ 1,237.74	\$ 1,330.74	\$ 1,393.74
Total Estimated Property Taxes		\$ 2,094.17	\$ 3,148.96	\$ 3,330.70	\$ 3,613.84	\$ 3,826.73	\$ 4,097.57	\$ 4,287.98	\$ 4,724.65
Estimated Effective Tax Rate		1.71%	1.48%	1.61%	1.60%	1.60%	1.60%	1.61%	1.58%

⁽¹⁾ Average Assessed Value reflects the average assessed value for all parcels within the category.

⁽²⁾ Net Assessed Value reflects estimated total assessed value for a parcel net of homeowner's exemption. Not all residences qualify for homeowner's exemption.

⁽³⁾ Based on Fiscal Year 2015-16 rates as shown on tax bills and the overlapping debt statement. *Ad valorem* rates are subject to change in future years.

Source: Koppel & Gruber Public Finance.

Summary of Special Tax Levy

A summary of the District’s Fiscal Year 2015-16 and projected Fiscal Year 2016-17 Special Tax levy based on the development status of Improvement Area No. 1 as of June 2016, is set forth in Table 3 below.

**TABLE 3
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(SAVANNA RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX LEVY⁽¹⁾**

<i>Land Use Class</i>	<i>Building Square Footage</i>	<i>No. of Units/Acres</i>	<i>Fiscal Year 2015-16 Assigned Special Tax Facilities⁽¹⁾</i>	<i>Fiscal Year 2015-16 Assigned Special Tax Facilities Revenues</i>	<i>Projected Fiscal Year 2016-17 Assigned Special Tax Facilities^{(3)*}</i>	<i>Projected Fiscal Year 2016-17 Assigned Special Tax Facilities Revenues^{(3)*}</i>
1	Less than 1,675 Sq. Ft.	86	\$ 572.00	\$ 49,192.00	\$ 583.89	\$ 50,214.54
2	1,675 - 1,925 Sq. Ft.	32	626.00	20,032.00	638.75	20,440.00
3	1,926 - 2,175 Sq. Ft.	52	866.00	45,032.00	883.77	45,956.04
4	2,176 - 2,425 Sq. Ft.	62	941.00	58,342.00	960.56	59,554.72
5	2,426 - 2,675 Sq. Ft.	22	1,005.00	22,110.00	1,025.17	22,553.74
6	2,676 - 2,925 Sq. Ft.	25	1,079.00	26,975.00	1,100.75	27,518.75
7	2,926 - 3,175 Sq. Ft.	31	1,172.00	36,332.00	1,195.83	37,070.73
8	Greater than 3,175 Sq. Ft.	<u>26</u>	<u>1,235.00</u>	<u>32,110.00</u>	<u>1,260.44</u>	<u>32,771.44</u>
Total Developed		336		\$ 290,125.00		\$ 296,079.96
Undeveloped ⁽²⁾		7.86	\$ 8,484.00	\$ 31,353.00	\$ 8,653.64	\$ 0.00
Total Developed and Undeveloped			NA	\$ 321,478.00	NA	\$ 296,079.96

* Preliminary, subject to change.

(1) The Fiscal Year 2015-16 Assigned Special Tax Rates were rounded to even dollar amounts.

(2) Undeveloped property was levied at approximately 47% of the Assigned Special Tax (\$8,484.00) in Fiscal Year 2015-16. The amounts shown for Fiscal Year 2016-17 is the maximum amount with CPI applied.

(3) The projected Fiscal Year 2016-17 Assigned Special Tax levy was calculated by levying developed properties at their maximum assigned rate which covers the Bonds debt service in Fiscal Year 2016-17 plus Administration Expenses of \$25,000.

Source: Koppel & Gruber Public Finance.

Historical Assessed Values

The following table sets forth the assessed valuation of parcels subject to the Special Tax within Improvement Area No. 1 for the current and four prior Fiscal Years.

**TABLE 4
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(SAVANNA RANCH) IMPROVEMENT AREA NO. 1
HISTORICAL ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Valuation Date</i>	<i>Assessed Value (Land + Structure)</i>	<i>Number of Taxable Developed Parcels</i>	<i>Number of Taxable Undeveloped Parcels</i>	<i>Total Taxable Parcels</i>
2011-12	1/1/2011 ⁽¹⁾	\$41,771,635	284	87	371
2012-13	1/1/2012 ⁽¹⁾⁽²⁾	76,184,865	314	57	371
2013-14	1/1/2013 ⁽¹⁾	40,369,620	336	57	371
2014-15	1/1/2014 ⁽¹⁾	43,625,196	336	35	371
2015-16	1/1/2015 ⁽³⁾	72,231,668	336	35	371

⁽¹⁾ The Assessed Values were derived from the equalized tax roll as reported in Continuing Disclosure Reports filed by Urban Futures, Inc. and information filed with CDIAC.

⁽²⁾ Includes Assessed Values for Improvement Area No. 1 and Villas Serana Community Facilities District.

⁽³⁾ Based on the Fiscal Year 2015-16 Secured Tax Roll as calculated by Koppel & Gruber Public Finance.

Source: Koppel & Gruber Public Finance.

Estimated Value-to-Lien Ratios

The following table sets forth the estimated assessed value-to-lien ratios for developed and undeveloped parcels within Improvement Area No. 1 subject to the Special Tax by various ranges based on the Fiscal Year 2015-16 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 taxable parcels in Fiscal Year 2015-16 within Improvement Area No. 1 is approximately ~~45.75~~15.77*-to-1 for assessment and special tax secured debt, but the ratios over individual parcels vary widely. The value of the individual parcels is 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 Improvement Area No. 1 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

* Preliminary, subject to change.

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 Improvement Area No. 1 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. 2006-2
(SAVANNA RANCH) IMPROVEMENT AREA NO. 1
VALUE-TO-LIEN RATIOS
ALLOCATED BY PROJECTED FISCAL YEAR 2016-17 SPECIAL TAX LEVY**

<i>Value-to-Lien Category</i>	<i>Total Units</i>	<i>Projected Fiscal Year 2016-17 Special Tax Levy ^{*(1)}</i>	<i>Percent of Projected Fiscal Year 2016-17 Special Tax Levy *</i>	<i>Principal Amount of Bonds ^{*(2)}</i>	<i>Other Land Secured Debt</i>	<i>Fiscal Year 2015-16 Assessed Value</i>	<i>Value-to-Burden Ratio ^{*(4)}</i>
15:1 and Above	217	\$ 195,840	66.14%	\$ 3,029,392	\$ 0	\$52,324,228	17.27:1
10:1 to 14.99:1	94	85,644	28.93	1,324,804	0	17,873,637	13.49:1
7:1 to 9.99:1	24	14,014	4.73	216,772	0	1,888,690	8.71:1
5:1 to 6.99:	1	584	0.20	9,032	0	62,704	6.94:1
Less than 5:1	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>N/A</u>
Total Developed Properties	336	\$ 296,082	100.00%	\$ 4,580,000	\$ 0	\$72,149,259	15.75:1
Undeveloped Properties ⁽³⁾	<u>35</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0</u>	<u>82,400</u>	<u>N/A</u>
Grand Total	371	\$ 296,082	100.00%	\$ 4,580,000	\$ 0	\$72,231,668	15.77:1

* Preliminary, subject to change.

(1) The projected Fiscal Year 2016-17 Assigned Special Tax levy was calculated by levying developed properties at their assigned Special Tax Rate which covers the Bonds debt service in Fiscal Year 2016-17 plus Administrative Expenses of \$25,000.

(2) The Bonds are the only land secured debt encumbering the property.

(3) Undeveloped Property is not expected to be levied in Fiscal Year 2016-17 therefore they have no value-to-lien assigned to them.

(4) Actual Value-to-Lien Ratio per unit may vary.

Source: Koppel & Gruber Public Finance.

Delinquency History

The following table is a summary of Special Tax levies collections and delinquency rates in Improvement Area No. 1 for Fiscal Years 2010-11 through Fiscal Year 2015-16. Of the 371 parcels shown being levied against in Table 5, 336 were classified as Developed Property.

**TABLE 6
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(SAVANNA RANCH) IMPROVEMENT AREA NO. 1
SPECIAL TAX LEVIES AND DELINQUENCIES**

Fiscal Year	Amount Levied (Facilities Only)	Total Number of Parcels Subject to Levy	As of Fiscal Year End				As of May 16, 2016		
			Amount Collected	Amount Delinquent	Number of Delinquent Parcels	Percent Delinquent	Remaining Amount Delinquent	Remaining Parcels Delinquent	Remaining Percent Delinquent
2010-11	\$268,624 ⁽¹⁾	371	\$265,399	\$3,225	6	1.20% ⁽²⁾	\$ 0	0	0.00%
2011-12	265,803 ⁽¹⁾	371	264,399	1,404	1	0.53 ⁽²⁾	0	0	0.00
2012-13	266,422 ⁽¹⁾	371	265,544	878	2	0.33 ⁽²⁾	0	0	0.00
2013-14	266,453 ⁽¹⁾	371	265,151	1,302	3	0.49 ⁽²⁾	0	0	0.00
2014-15	311,921 ⁽¹⁾	371	309,193	2,728	8	0.87 ⁽²⁾	3,934	7	1.26
2015-16	321,478 ⁽¹⁾	371	N/A	N/A	N/A	N/A ⁽³⁾	5,344	10	1.66

⁽¹⁾ Based on Prior CFD Administrator's information net of the Services Special Tax Amount.

⁽²⁾ Based on Information Provided in the Annual Continuing Disclosure Reports then adjusted to remove the services special tax amount applied to a developed property.

⁽³⁾ Based on County Redemption Data which includes the total Facilities and Services Special Tax Levy then adjusted to remove the services special tax amount applied to a developed property.

Source: County Auditor-Controller; compiled by Koppel & Gruber Public Finance.

Special Tax Coverage

Based on the development status of Improvement Area No. 1 as of July 1, 2015, the maximum Special Taxes (net of Administrative Expenses up to the Administrative Expenses Cap) that could be levied on Developed Property and taxable Undeveloped Property, assuming the maximum Special Taxes are increased by 2% annually as permitted by the Rate and Method, would provide a minimum debt service coverage plus estimated Administrative Expenses of \$25,000 of approximately ~~{114}~~**121.58**% on the Bonds. For Fiscal Year 2015-16, Special Taxes from Developed Property accounted for approximately ~~{79.3}~~**90.25**% of the Special Tax levy. **The District has historically levied the Special Tax against both Developed and Undeveloped parcels. However, because of debt service savings resulting from the issuance of the Bonds and the corresponding refunding of the Refunded Bonds, Special Taxes for Fiscal Year 2016-17 and thereafter are expected to be levied only against Developed Property. On a going forward basis, Special Taxes from Developed Property are expected to provide at least 110% of debt service on the Bonds in each Bond Year.**

There is one property owner, Martin D. Coyne, who owns ~~two~~**five** parcels of Developed Property and all of the remaining 35 parcels of Undeveloped Property. See "—General Description of the District." See "SPECIAL RISK FACTORS—Concentration of Ownership." ~~Based on the maximum Special Tax rates, Special Taxes on Developed Property only would provide approximately [93]% of debt service coverage plus estimated Administrative Expenses of \$25,000. If and when Undeveloped Property is developed, Special Taxes on individual parcels of Developed Property are expected to decrease. At buildout, assuming all 35 parcels of Undeveloped Property are developed into the smallest category of Developed Property under the Rate and Method, Developed Property would provide at least 100% of debt service coverage plus estimated~~

* Preliminary, subject to change.

~~Administrative Expenses of \$25,000.~~ While Special Taxes on parcels of Undeveloped Property can be increased to the Maximum Special Tax, Special Taxes on Developed Property may not 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 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 2016 estimated population of 18,165.

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.

George Galvan is the interim City Manager of the City. As interim City Manager, Mr. Galvan 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. Mr. Galvan was appointed to his current position in April, 2016.

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

Laura Gutierrez is the Finance Director for the City. Ms. Gutierrez was appointed to her current position in June 2009. Ms. Gutierrez has held management positions with the City for 15 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 Improvement Area No. 1 to pay their Special Taxes when due. Such failures to pay Special

Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in Improvement Area No. 1. 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 Improvement Area No. 1, 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. Special taxes levied in any other Improvement Area of the District are not pledged to or available for the repayment of the Bonds.

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 Improvement Area No. 1 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 Improvement Area No. 1. 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 Improvement Area No. 1. 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 Improvement Area No. 1 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 Improvement Area No. 1 was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due, and a default could occur with respect to the payment of such principal and interest. 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 Improvement Area No. 1. 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 Improvement Area No. 1. 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 Improvement Area No. 1. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in Improvement Area No. 1 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 Improvement Area No. 1, 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 Improvement Area No. 1 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 Improvement Area No. 1 is subject to taxes and assessments imposed by public agencies that also have jurisdiction over the land within Improvement Area No. 1. In addition, significant authorized but unissued overlapping debt exists which, if issued, will burden Taxable Property in Improvement Area No. 1. 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 Improvement Area No. 1. In addition, the landowners within Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 described herein or the willingness or ability of property owners within Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 is not 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 Improvement Area No. 1 and the City generally. See Table 4 under the caption “THE COMMUNITY FACILITIES DISTRICT—Historical Assessed Values” for the assessed values within Improvement Area No. 1 in recent Fiscal Years. The District cannot predict whether the County will further reduce assessed values within Improvement Area No. 1 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 Improvement Area No. 1, which is the security for the Bonds. As discussed herein, many factors could adversely affect property values within Improvement Area No. 1.

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 Improvement Area No. 1 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

As the owner of 40 parcels, 35 of which are classified as Undeveloped Property, Mr. Coyne is the single largest property owner in Improvement Area No. 1 is presently responsible for more than [9.9]% of the Maximum Special Taxes that could be levied within Improvement Area No. 1. Mr. Coyne is the largest property owner with 37 parcels within Improvement Area No. 1, 35 of which are classified as Undeveloped Property. However, because Special Taxes are only expected to be levied against Developed Property, Mr. Coyne is projected to be responsible for only 1.59% of the Fiscal Year 2016-17 Special Tax levy. If the Special Tax were levied at the maximum rate, and on both Developed and Undeveloped Property, Mr. Coyne would be responsible for approximately 19.96% of the Maximum Special Taxes. See the caption “THE COMMUNITY FACILITIES DISTRICT—General Description of the District.” There may be

subsequent transfers of ownership of the property within Improvement Area No. 1. 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.

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 Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 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 Improvement Area No. 1 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 XIII C and XIII D 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 XIII C 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 XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

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

It may be possible, however, for voters of Improvement Area No. 1 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 Improvement Area No. 1 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 California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997) (the “San Diego Decision”). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego (“San Diego”). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIII A, Section 4 thereof and Article XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The election held in Improvement Area No. 1 had less than 12 registered voters therein at the time of the elections to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the Special Tax elections in Improvement Area No. 1. Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters within Improvement Area No. 1 approved the Special Tax and the issuance of the Refunded Bonds years ago. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought.

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, 2016** (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 (the “Rule”). 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's annual continuing disclosure report for Fiscal Year 2012-13 due February 28, 2014 was filed 4 days late. Audited financial statements of the City (in satisfaction of providing audited financial statements of the District) were not available at the time the annual reports were due for Fiscal Years 2009-10 through 2012-13. The District did not provide notice that the audited financials were not available and that such audited financial statements would be filed as soon as available, except with respect to Fiscal Year 2009-10. The District did not file unaudited financial statements prior to the filing deadlines as required in its continuing disclosure undertakings for such fiscal years. The audited financial statements were filed between 36 and 359 days after the due date of the annual reports for each of the Fiscal Years 2009-10 through 2012-13. A failure to file notice was filed for Fiscal Year 2009-10 but not for any other fiscal year. Other than as disclosed in this Official Statement, the District has not in the past five years failed to comply with any previous continuing disclosure undertaking in any material respect. [CONFIRM]

The District (not the City) is obligated to comply with the Disclosure Agreement and, through the Disclosure Agreement, the Rule. However, the City Council of the City is the legislative body of the District and the City's other community facilities districts and the District and the City's other community facilities districts have no employees or staff independent of the City. The City had late filings of audited financial statements similar to those described above for the District. The City believes that it is currently in material compliance with all of its continuing disclosure undertakings.

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.

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, Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel, and 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. 2006-2 (SAVANNA 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. 2006-2 (Savanna
Ranch)

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX CITY OF IMPERIAL COMMUNITY FACILITIES DISTRICT NO. 2006-2 (SAVANNA RANCH)

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes of the City of Imperial (“City”) Community Facilities District No. 2006-2 (Savanna Ranch) (“CFD No. 2006-2”). The Special Tax shall be levied on and collected in CFD No. 2006-2 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 No. 2006-2, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

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 No. 2006-2 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 No. 2006-2, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2006-2.

“**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 No. 2006-2.

“**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 of the CFD No. 2006-2 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 new construction for a residential dwelling. 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. 2006-2**” means Community Facilities District No. 2006-2 (Savanna 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 No. 2006-2, 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 Assessor’s Parcels for which Building Permits were issued on or before May 1 of the prior Fiscal Year, provided that such Assessor’s Parcels were included in a Final Map that was recorded on or before January 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.

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

“**Improvement Area(s)**” means Improvement Area No. 1 and Improvement Area No. 2.

“**Improvement Area No. 1**” means the specific area identified on the boundary map as Improvement Area No. 1 of the CFD.

“**Improvement Area No. 2**” means the specific area identified on the boundary map as Improvement Area No. 2 of the CFD. There will be no Special Tax for Facilities in Improvement Area No 2.

“**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 No. 2006-2 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 No. 2006-2 in any Fiscal Year on any Assessor’s Parcel.

“Non Residential Property” means all Assessor’s Parcels of a Final Map designated for any type of non-residential use.

“Operating Fund” means a fund that shall be maintained for CFD No. 2006-2 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 i) the ratio of the actual Special Tax for Facilities levy to the applicable Assigned Special Tax for Facilities is equal for all applicable Assessor’s Parcels and ii) the ratio of the actual Special Tax for Services levy to the applicable Maximum Special Tax for Services is equal for all applicable Assessor’s Parcels. In case of Developed Property subject to the apportionment of the Special Tax for Facilities under step three of Section F, “Proportionately” in step three means that the quotient of (a) the actual Special Tax for Facilities levy less the Assigned Special Tax for Facilities divided by (b) the Backup Special Tax for Facilities less the Assigned Special Tax for Facilities, is equal for all applicable Assessor’s Parcels.

“Provisional Undeveloped Property” means all Assessor’s Parcels of Taxable Property subject to Special Tax for Facilities that would otherwise be classified as Exempt Property pursuant to the provisions of Section J, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in Section J.

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

“Service Area” means public safety services, the landscape parkways, neighborhood park, easements and green belts within the boundaries of the City, and CFD No. 2006-2’s fair share of storm drain and flood control facilities.

“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 No. 2006-2 pursuant to the Act to fund the Special Tax Requirement for Facilities. The Special Tax for Facilities is only applicable to Improvement Area No. 1.

“Special Tax for Services” means any of the special taxes authorized to be levied by CFD No. 2006-2 pursuant to the Act to fund the Special Tax Requirement for Services.

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

“**Special Tax Requirement for Facilities**” means for CFD No. 2006-2 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 (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 No. 2006-2 provided that the inclusion of such amount does not cause an increase in the levy of Special Tax for Facilities on Undeveloped 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. 2006-2 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. 2006-2 for the previous Fiscal Year, less (iv) the Operating Fund Balance.

“**Taxable Property**” means all Assessor’s Parcels within CFD No. 2006-2 which are not Exempt Property.

“**Undeveloped Property**” means all Assessor’s Parcels of Taxable Property which are not Developed Property.

SECTION B CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2006-07, each Assessor’s Parcel within CFD No. 2006-2 shall be categorized into the applicable Improvement Area and further 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 Undeveloped 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 in Table 1 or (ii) the application of the Backup Special Tax for Facilities.
- b. The Maximum Special Tax for Services for each Assessor’s Parcel of Residential Property in Improvement Area No. 1 and Improvement Area No. 2 that is classified as Developed Property for Fiscal Year 2005-06 shall be \$120 per unit. 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. Undeveloped Property

- a. The Maximum Special Tax for Facilities for each Assessor’s Parcel in Improvement Area No. 1 classified as Undeveloped Property shall be the Assigned Special Tax for Facilities in Table 1.
- b. The Maximum Special Tax for Services for each Assessor’s Parcel in Improvement Area No. 1 and Improvement Area No. 2 of Undeveloped Property for Fiscal Year 2005-06 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 of Developed Property, Undeveloped Property, or Provisional Undeveloped Property within Improvement Area No. 1 shall be subject to an Assigned Special Tax for Facilities. Property in Improvement Area No. 2 shall not be subject to an Assigned Special Tax for Facilities. The Assigned Special Tax for Facilities applicable to an Assessor’s Parcel of Developed Property, Undeveloped Property, or Provisional Undeveloped Property within Improvement Area No. 1 for any Fiscal Year shall be determined pursuant to Table 1 below.

**TABLE 1
ASSIGNED SPECIAL TAX FOR FACILITIES
IMPROVEMENT AREA NO. 1
FISCAL YEAR 2006-2007**

<i>Land Use Type</i>	<i>Building Square Footage</i>	<i>Assigned Special Tax</i>
Residential Property	Less than or equal to 1,675	\$479 per dwelling unit
Residential Property	1,676-1,925	\$524 per dwelling unit
Residential Property	1,926-2,175	\$725 per dwelling unit
Residential Property	2,176-2,425	\$788 per dwelling unit
Residential Property	2,426-2,675	\$841 per dwelling unit
Residential Property	2,676-2,925	\$903 per dwelling unit
Residential Property	2,926-3,175	\$981 per dwelling unit
Residential Property	Greater than 3,175	\$1,034 per dwelling unit
Undeveloped Property	N/A	\$7,099 per Acre
Provisional Undeveloped Property	N/A	\$7,099 per Acre

On each July 1, commencing on July 1, 2007, the Assigned Annual Special Tax for each Assessor’s Parcel of Developed Property, Undeveloped Property, and Provisional Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**SECTION E
BACKUP SPECIAL TAX FOR FACILITIES
IMPROVEMENT AREA NO. 1**

Each Fiscal Year, each Assessor’s Parcel within Improvement Area No. 1 of Developed Property classified as 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 Undeveloped 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.

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 Facilities for each Assessor’s Parcel of Developed Property classified or to be classified as 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 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 for Facilities per square foot of Acreage which shall be applicable to Assessor’s Parcels of Developed Property classified as Residential Property in such changed or modified Final Map area for all remaining Fiscal Years in which the Special Tax for Facilities may be levied.

The Backup Special Tax for Facilities for Assessor’s Parcels within the Final Map(s), or portion thereof, that were not changed or modified shall remain the same.

On each July 1, commencing on July 1, 2007, the Backup Special Tax for Facilities for each Assessor’s Parcel shall be increased by two percent (2.00%) of the amount in effect the prior Fiscal Year.

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

1. Commencing Fiscal Year 2006-07 and for each subsequent Fiscal Year, the City Council shall levy a Special Tax for Facilities on all Taxable Property within CFD No. 2006-2 Improvement Area No. 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 in Improvement Area No. 1 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 Undeveloped Property in Improvement Area No. 1, excluding any Undeveloped Property pursuant to Section J, 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 additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, then for each Assessor’s Parcel of

Developed Property in Improvement Area No. 1 whose Maximum Special Tax for Facilities is the Backup Special Tax for Facilities shall be increased Proportionately from the Assigned Special Tax for Facilities up to 100% of the Backup Special Tax for Facilities as needed to satisfy the Special Tax Requirement for Facilities.

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 Provisional Undeveloped Property in Improvement Area No. 1 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.

2. Commencing Fiscal Year 2006-07 and for each subsequent Fiscal Year, the City Council shall levy a Special Tax for Services on all Taxable Property within CFD No. 2006-2 Improvement Area No. 1 and Improvement Area No. 2 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 Undeveloped Property within 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 for Facilities or the Special Tax for Services levied against any Assessor's Parcel used as a private residence be increased as a consequence of delinquency or default by the owner of any other Assessor's Parcel or Parcels within CFD No. 2006-2 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 CFD No. 2006-2.

SECTION G PREPAYMENT OF SPECIAL TAX FOR FACILITIES

The following definitions apply to this Section G:

“CFD Public Facilities” means \$4,000,000 expressed in 2006 dollars, which shall increase by the Construction Inflation Index on January 1, 2007, 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 No. 2006-2, 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 No. 2006-2.

“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 Tax 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 in Improvement Area No. 1 of an Assessor’s Parcel of Developed Property, an Assessor’s Parcel of Undeveloped Property for which a Building Permit has been issued or an Assessor’s Parcel of Undeveloped Property that is classified as Undeveloped Property pursuant to Section J 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 for Facilities 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 No. 2006-2 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 Taxes for Facilities and the Backup Special Taxes for Facilities applicable to the Assessor’s Parcel. For Assessor’s Parcels of Undeveloped Property, excluding any Undeveloped 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 Undeveloped Property, classified as Undeveloped Property pursuant to Section J, compute the Assigned Special Tax for Facilities.
2. For each Assessor’s Parcel of Developed Property or Undeveloped 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 build-out, as reasonably determined by the City, and (b) divide the Backup Special Tax for Facilities 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 build-out, 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 a Special Tax for Facilities obligation that is prepaid pursuant to this Section G, the City Council shall indicate in the records of CFD No. 2006-2 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 Taxes for Facilities shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax for Facilities 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 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 Undeveloped 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:

$$PP = P_G \times F$$

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 No. 2006-2 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 for Facilities 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.

**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 Assessor's 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 No. 2006-2 for uncollected Special Taxes for Facilities associated with the levy of such Special Tax for Facilities, but not later than the 2045-2046 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, or (v) Assessor's Parcels of Non Residential Property, provided that no such classification would reduce the sum of all Taxable Property for Improvement Area 1 to less than 43.77 Acres. 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 for Improvement Area 1 to less than 43.77 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property for Improvement Area 1 to less than 43.77 Acres will be classified as Provisional Undeveloped Property, and 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 No. 2006-2 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 No. 2006-2 may collect the Special Tax 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:

_____, 2016

City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch)
c/o City of Imperial
420 South Imperial Avenue
Imperial, California 92251

*Re: \$_____ City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch)
 Improvement Area No. 1 Special Tax Refunding Bonds, Series 2016A*

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. 2006-2 (Savanna Ranch) (the "District") and the authorization and issuance of the District's Improvement Area No. 1 Special Tax Refunding Bonds, Series 2016A 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 _____, 2016, and a Bond Indenture dated as of _____ July 1, 2016 (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, 2017, 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>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</i> ⁽¹⁾	<i>Unemployed</i> ⁽²⁾	<i>Unemployment Rate</i> ⁽³⁾
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

Unless the context otherwise requires, the following terms will have the following meanings:

“Account” means any account created pursuant to the Indenture.

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

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Trustee and any Special Tax Consultant to the District, any fees and related costs for credit enhancement for the Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds and the District, and any other costs otherwise incurred by the City staff on behalf of the District in order to carry out the purposes of the District as set forth in the Ordinance of Formation and any obligation of the District under the Indenture.

“Administrative Expenses Cap” means \$25,000 per Bond Year, or such lesser amount as may be designated in written instructions from an Authorized Representative of the District.

“Alternative Penalty Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

“Annual Debt Service” means the principal amount of any Outstanding Bonds and any Sinking Fund Payments payable in a Bond Year at maturity and any interest payable on any Outstanding Bonds in such Bond Year, if the Bonds are retired as scheduled.

“Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(1) (A) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”); (B) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (C) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (D) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Senior Debt obligations
- Federal Farm Credit Banks
Consolidated system-wide bonds and notes
- Federal Home Loan Banks (FHL Banks)
Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
Senior debt obligations
Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(4) Unsecured certificates of deposit, time deposits, bank deposits, demand deposits and bankers' acceptances (having maturities of not more than 30 days) of any bank (including the Trustee and any affiliate) the short-term obligations of which are rated "A-1" or better by Standard & Poor's.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation in banks (including the Trustee and any affiliate) which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days rated "A-1" or "A-1+" by Standard & Poor's and "Prime-1" by Moody's).

(7) Money market funds rated "AAm" or "AAm-G" by Standard & Poor's, or better (including those of the Trustee or its affiliates).

(8) "State Obligations," which means:

(A) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A-" by Standard & Poor's, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(B) Direct general short-term obligations of any state agency or subdivision or agency thereof described in clause (A) above and rated "A-1+" by Standard & Poor's and "Prime-1" by Moody's.

(C) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in clause (A) above and rated "AA-" or better by Standard & Poor's and "Aa3" or better by Moody's.

(9) Pre-refunded municipal obligations rated by S & P and by Moody's not lower than United States Treasury Obligations meeting the following requirements:

(A) the municipal obligations are: (1) not subject to redemption prior to maturity; or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(B) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(C) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(D) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(E) no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(F) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(10) Repurchase agreements:

(A) With: (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by Standard & Poor’s and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by Standard & Poor’s and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by Standard & Poor’s and Moody’s, provided that:

(a) The market value of the collateral is maintained at levels equal to 102% of the amount of cash transferred by the Trustee to the provider of the repurchase agreement plus accrued interest with the collateral being valued weekly and marked-to-market at one current market price plus accrued interest;

(b) The Trustee or a third party acting solely as agent therefor or for the District (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

(c) The repurchase agreement will state and an opinion of counsel will be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, the foregoing means the Holder of the Collateral is in possession); and

(d) The repurchase agreement will provide that if during its term the provider’s rating by either Moody’s or Standard & Poor’s is withdrawn or suspended or falls below “A-” by Standard & Poor’s or “A3” by Moody’s, as appropriate, the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

(11) Investment agreements with a domestic or foreign bank or corporation the long-term debt of which or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA-” by Standard & Poor’s and “Aa3” by Moody’s; provided that, by the terms of the investment agreement:

(A) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Costs of Issuance Fund, construction draws) on the Bonds;

(B) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the District and the Trustee agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(C) the investment agreement will state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof, or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks *pari passu* with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;

(D) the District and the Trustee receives the opinion of domestic counsel (which opinion will be addressed to the District and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the District;

(E) the investment agreement will provide that if during its term:

(1) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider will, at its option, within 10 days of receipt of publication of such downgrade, either: (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Standard & Poor's and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and

(2) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the District or the Fiscal Agent, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee; and

(F) The investment agreement will state and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, the foregoing means the Holder of the Collateral is in possession); and

(G) the investment agreement must provide that if during its term:

(1) the provider defaults in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the District or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate; and

(2) the provider becomes insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate.

(12) The State of California Local Agency Investment Fund; provided that the Trustee may restrict investments in such fund to the extent necessary to keep moneys available for the purposes of the Indenture.

“Authorized Representative of the City” means the Mayor of the City, the City Manager of the City, the City Treasurer of the City, the Finance Director of the City or any other person or persons designated by the Mayor, the City Manager, the City Treasurer or the Finance Director by a written certificate signed by the Mayor, the City Manager or the Finance Manager and containing the specimen signature of each such person.

“Authorized Representative of the District” means Mayor of the City, the City Manager of the City, the City Treasurer of the City, the Finance Director of the City, or any other person or persons designated by the Mayor, the City Manager, the City Treasurer of the City or the Finance Director of the City, by a written certificate signed by the Mayor, the City Manager, the City Treasurer or the Finance Director, and containing the specimen signature of each such person.

“Bond Counsel” means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Register” means the books which the Trustee will keep or cause to be kept on which the registration and transfer of the Bonds will be recorded.

“Bondowner” or “Owner” means the person or persons in whose name or names any Bond is registered.

“Bonds” means the District’s Improvement Area No. 1 Special Tax Refunding Bonds, Series 2016A.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds will begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located, are not required or authorized to remain closed.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the City.

“Certificate of the Special Tax Administrator” means a certificate of an Authorized Representative of the District, or any successor entity appointed by the City, to administer the calculation and collection of the Special Taxes.

“City” means the City of Imperial, California.

“Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement dated as of **July** 1, 2016, executed and delivered by and between the District and Urban Futures, Inc., as Dissemination Agent, together with any amendments thereto.

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds, including the acceptance and initial annual fees and expenses of the Trustee, the Financial Advisor to the City, the Special Tax Consultant, the Dissemination Agent, legal fees and expenses, costs of printing the Bonds and the preliminary and final official statements for the Bonds, fees of financial consultants and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative of the City.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“Delivery Date” means, with respect to the Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“Depository” means The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Bonds, or any other securities depository acting as Depository under the Indenture.

“Developed Property” means real property within the Improvement Area for which a building permit has been issued.

“District” means City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) established pursuant to the Act and the Ordinance of Formation.

“Escrow Agent” means Wells Fargo Bank, National Association, as escrow agent with respect to the defeasance of the 2006 Bonds under the provisions of the Escrow Agreement.

“Escrow Agreement” means that certain Escrow Agreement, dated as of _____, July 1, 2016, by and between the District and the Escrow Agent.

“Escrow Fund” means the fund by that name established under the Escrow Agreement.

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

“Federal Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”); (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated; and (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by Standard & Poor’s and Moody’s, respectively (or any combination thereof).

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

“Fund” means any fund created pursuant to the Indenture and the accounts therein.

“Gross Taxes” means the amount of all Special Taxes received by the District, together with the net proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture, 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 after payment of administrative costs and attorneys’ fees payable from such proceeds to the extent not previously paid as an Administrative Expense.

“Improvement Area” means Improvement Area No.1 of the District.

“Indenture” means the Bond Indenture, together with any Supplemental Indenture approved pursuant to the Indenture.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom: (1) is in fact independent and not under the domination of the District or the City; (2) does not have any substantial interest, direct or indirect, in the District or the City; and (3) is not connected with the District or

the City as a member, officer or employee of the District or the City, but who may be regularly retained to make annual or other reports to the District or the City.

“Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Interest Payment Date” means each March 1 and September 1, commencing March 1, 2017 thereafter; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds by adding the following for each Bond Year: (1) the principal amount of all Outstanding Bonds payable in such Bond Year either at maturity or any Sinking Fund Payment; and (2) the interest payable on the aggregate principal amount of all Bonds Outstanding in such Bond Year if the Bonds are retired as scheduled.

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

“Net Taxes” means Gross Taxes minus amounts set aside to pay Administrative Expenses.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

“Ordinance of Formation” means Ordinance No. 717 adopted by the legislative body of the District on April 5, 2006 providing for the formation of the District and the Improvement Area and the levying of the Special Tax, as it may be amended from time to time, or any other ordinance adopted by the City Council levying the Special Taxes.

“Outstanding” or “Outstanding Bonds” means all Bonds theretofore issued by the District, except: (1) Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture; (2) Bonds for payment or redemption of which moneys will have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Indenture; and (3) Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to the Indenture or for which a replacement has been issued pursuant to the Indenture.

“Participants” means those broker dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as securities depository.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

“Prepayments” means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the Improvement Area made in accordance with the RMA.

“Principal Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Principal Office of the Trustee” means the corporate trust office of the Trustee located in Los Angeles, California, or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

“Rebate Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

“Rebate Fund” means the fund by that name established pursuant to the Indenture in which there are established the Accounts described in the Indenture.

“Rebate Regulations” means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Redemption Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“Representation Letter” means the Blanket Letter of Representations from the District to the Depository as described in the Indenture.

“Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Reserve Requirement” means that amount as of any date of calculation equal to the lesser of: (i) 10% of the initial principal amount of the Bonds; (ii) Maximum Annual Debt Service on the then Outstanding Bonds; (iii) 125% of average Annual Debt Service on the then Outstanding Bonds; or (iv) \$_____, the initial Reserve Requirement.

“RMA” means the Rate and Method of Apportionment of Special Taxes approved by the qualified electors within the Improvement Area at the April 5, 2006 election, as may be amended from time to time.

“Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedule set forth in the Indenture.

“Special Tax Fund” means the fund by that name created and established pursuant to the Indenture.

“Special Taxes” means the taxes levied by the legislative body of the District on property within the Improvement Area in accordance with the Ordinance of Formation, the Act and the voter approval obtained at the April 5, 2006 election in the Improvement Area, including any scheduled payments and any Prepayments thereof, the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien.

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

“Supplemental Indenture” means any supplemental indenture amending or supplementing the Indenture.

“Surplus Fund” means the fund by that name created and established pursuant to the Indenture.

“Tax Certificate” means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Trustee” means Wells Fargo Bank, National Association, a national banking association duly organized and existing under the laws of the United States of America, with a corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture and any successor thereto.

“2006 Bonds” means the City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) (Improvement Area No. 1) 2006 Special Tax Bonds.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated.

“Verification” has the meaning contained in clause 9(c) of the definition of “Authorized Investments.”

GENERAL AUTHORIZATION AND BOND TERMS

Equality of Bonds and Pledge of Net Taxes. Pursuant to the Act and the Indenture, in order to secure the payment of the principal of and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act, the District pledges to the Owners, and grants thereto a lien on and a security interest in, all of the Net Taxes and any other amounts held in the Special Tax Fund (exclusive of the Administrative Expense Account). Said pledge constitutes a first lien on and security interest in such assets, which will immediately attach to such assets and be effective, binding and enforceable against the District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

The Bonds will be equally payable from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), without priority for number, date of the Bonds, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any premiums upon the redemption thereof, will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), which are pursuant to the Indenture set aside for the payment of the Bonds. Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) will constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and, so long as any of the Bonds or interest thereon remain Outstanding, will not be used for any other purpose, except as permitted by the Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund will no longer be considered to be pledged to the Bonds, and none of the Rebate Fund, the Surplus Fund, the Costs of Issuance Fund or the Administrative Expense Account of the Special Tax Fund will be construed as a trust fund held for the benefit of the Owners.

Bond Register. The Trustee will keep or cause to be kept, at the Principal Office of the Trustee, sufficient books for the registration and transfer of the Bonds which will upon reasonable prior notice be open to inspection by the District during all regular business hours upon reasonable prior notice, and, subject to the limitations set forth in the Indenture, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register Bonds as provided in the Indenture.

The District and the Trustee may treat the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of that Bond for any and all purposes, and the District and the Trustee will not be affected by any notice to the contrary. The District and the Trustee may rely on the address of the Bondowner as

it appears in the Bond Register for any and all purposes. It is the duty of the Bondowner to give written notice to the Trustee of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, 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 Principal Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds for other authorized denominations of the same maturity. The Trustee will not collect from the Owner 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 Bonds will be 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 will not be required to register transfers or make exchanges of: (i) Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed; or (ii) any Bonds chosen for redemption.

Mutilated, Lost, Destroyed or Stolen Bonds. If any Bond becomes mutilated, the District will execute, and the Trustee will authenticate and deliver, a new Bond of like tenor, date and maturity in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee will be cancelled by the Trustee pursuant to the Indenture. If any Bond will be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and, if any indemnity satisfactory to the Trustee will be given, the District, at the expense of the Bondowner, will execute and the Trustee will authenticate and deliver, a new Bond of like tenor and maturity, numbered and dated as the Trustee will determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued in lieu of any Bond alleged to be mutilated, lost, destroyed or stolen, will be equally and proportionately entitled to the benefits provided pursuant to the Indenture with all other Bonds issued under the Indenture. The Trustee will not treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed, authenticated and delivered under the Indenture or for the purpose of determining any percentage of Bonds Outstanding under the Indenture, but both the original and replacement Bond will be treated as one and the same. Notwithstanding any other provision in the Indenture, in lieu of delivering a new Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bonds upon receipt of indemnification satisfactory to the Trustee.

Validity of Bonds. The validity of the authorization and issuance of the Bonds will not be affected in any way by any defect in any proceedings taken by the District with respect to the issuance of the Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Act and other applicable laws of the State will be conclusive evidence of their validity and of the regularity of their issuance.

Book Entry System. The Bonds will be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon initial delivery, the ownership of each such Bond will be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in the Indenture, all of the Outstanding Bonds will be registered in the registration books kept by the Trustee in the name of the Nominee.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the District and the Trustee will have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Trustee will have no responsibility or obligation with respect to: (i) the

accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of the principal of, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to satisfy and discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Trustee, will receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by the Depository to the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions of the Indenture with respect to Record Dates, the word Nominee in the Indenture will refer to such new nominee of the Depository.

Representation Letter. In order to qualify the Bonds which the District elects to register in the name of the Nominee for the Depository's book entry system, an authorized representative of the District or the Trustee is authorized under the Indenture to execute from time to time and deliver to such Depository the Representation Letter. The execution and delivery of the Representation Letter will not in any way limit the provisions of the Indenture or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Trustee. In addition to the execution and delivery of the Representation Letter, the Authorized Representatives of the District are authorized by the Indenture to take any other actions, not inconsistent with the Indenture, to qualify the Bonds for the Depository's book entry program.

Transfers Outside Book Entry System. In the event that: (i) the Depository determines not to continue to act as securities depository for the Bonds; or (ii) the District determines that the Depository will no longer so act, then the District will discontinue the book entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository, then the Bonds so designated will no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but will be registered in whatever name or names Persons transferring or exchanging Bonds will designate, in accordance with the provisions of the Indenture.

Payments to the Nominee. Notwithstanding any other provisions of the Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond will be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Initial Depository and Nominee. The initial Depository will be The Depository Trust Company, New York, New York. The initial Nominee will be Cede & Co., as Nominee of DTC.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds; Application of Proceeds.

(a) The following funds are created and established under the Indenture, which funds will be maintained by the Trustee: (1) The Community Facilities District No. 2006-2 Special Tax Fund (the “Special Tax Fund”) (in which there will be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account and an Administrative Expense Account). (2) The Community Facilities District No. 2006-2 Rebate Fund (the “Rebate Fund”) (in which there will be established a Rebate Account and an Alternative Penalty Account). (3) The Community Facilities District No. 2006-2 Costs of Issuance Fund (the “Costs of Issuance Fund”). (4) The Community Facilities District No. 2006-2 Surplus Fund (the “Surplus Fund”).

The amounts on deposit in the funds and accounts described above will be held by the Trustee and the Trustee will invest and disburse the amounts in such funds and accounts in accordance with the Indenture and will disburse investment earnings thereon in accordance with the Indenture.

The Trustee, at the direction of an Authorized Representative of the City, may create new funds, accounts or subaccounts, or may create additional accounts within any of the above funds and accounts.

(b) The proceeds of the sale of the Bonds will be received by the Trustee on behalf of the District and deposited and transferred as set forth in the Official Statement under the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers.

Deposits to and Disbursements from Special Tax Fund.

(a) Except for Prepayments which will be deposited to the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, 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) described in this paragraph above; (7) the Rebate Fund; and (8) the Surplus Fund.

(b) At maturity of all of the Bonds and, after all principal and interest then due on the Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Administrative Expense Account of the Special Tax Fund. The Trustee will 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 will 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. Moneys in the Administrative Expense Account of the Special Tax Fund will be invested in any Authorized Investments as directed in writing by an Authorized Representative of the District and will be disbursed as directed in a Certificate of an Authorized Representative, provided that the maturity or maturities thereof will not exceed 30 days from the date of purchase. In the event Administrative Expenses exceed the Administrative Expense Cap in any Bond Year, after

all deposits required pursuant to the Indenture have been made for the then current Bond Year, the Trustee will transfer from the Special Tax Fund to the Administrative Expense Account of the Special Tax Fund the amount of Administrative Expenses in excess of the Administrative Expense Cap, as directed in writing in a Certificate of an Authorized Representative.

Interest Account and Principal Account of the Special Tax Fund. The principal or Sinking Fund Payment of and interest due on the Bonds until maturity, other than principal due upon redemption, will be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal or Sinking Fund Payment of and interest on the Bonds will be made when due, after making the transfer required by the Indenture, at least one Business Day prior to each March 1 and September 1, the Trustee will 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 will 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 will 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 will 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, 2015, will 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 will be used for the payment of the principal or Sinking Fund Payment of such Bonds as the same become due.

Redemption Account of the Special Tax Fund.

(a) 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, will be applied on the redemption date established pursuant to the Indenture 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 will be transferred from the Reserve Account only if immediately following such redemption the amount in the Reserve Account will meet the Reserve Requirement.

(b) Moneys set aside in the Redemption Account will be used solely for the purpose of redeeming Bonds and will be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds and in the case of an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account may be used to purchase Outstanding Bonds as provided in the Indenture. 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 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.

Reserve Account of the Special Tax Fund. There will be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The amounts in the Reserve Account will be applied as follows:

(a) Moneys in the Reserve Account will 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 pursuant to the Indenture 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 will 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 will 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.

(b) Notwithstanding anything in the Indenture to the contrary, whenever moneys are withdrawn from the Reserve Account, after making the required transfers pursuant to in the Indenture, the Trustee will 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 will 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.

(c) In connection with a redemption of Bonds pursuant to the Indenture, or a defeasance of Bonds in accordance with the Indenture, amounts in the Reserve Account may be applied to such redemption or defeasance so long as the amount on deposit in the Reserve Account following such redemption or any partial defeasance equals the Reserve Requirement. The District will set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds, and the Trustee will make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) Notwithstanding anything in the Indenture to the contrary, moneys in the Reserve Account may be applied to pay the principal of and interest due on the Bonds in the final Bond Year for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of the Indenture will be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and will be transferred to the Interest Account of the Special Tax Fund.

Rebate Fund.

(a) Establishment. The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund and will establish a separate Rebate Account and Alternative Penalty Account therein. The District will cause to be deposited in the Rebate Fund such amounts as required under the Tax Certificate. All money at any time deposited in the Rebate Account or the Alternative Penalty Account of the Rebate Fund will be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund will be governed by the Indenture and the Tax Certificate.

Without limiting the generality of the foregoing, the District agrees in the Indenture that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final treasury regulations as may be applicable to the Bonds from time to

time, which the District covenants pursuant to the Indenture to pay or cause to be paid to the United States at the times and in the amounts determined under the Tax Certificate. The Trustee agrees pursuant to the Indenture to comply with all instructions given to it by the District in accordance with the Indenture. The Trustee will conclusively be deemed to have complied with the provisions of the provisions of the Indenture relating to establishment of the Rebate Fund if it follows the instructions of the District and will not be required to take any actions under the Indenture in the absence of instructions from the District.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to the Bonds after payment in full of such issue and after making the payments required to comply with the provisions described in the preceding paragraph and the Tax Certificate may be withdrawn by the Trustee at the written direction of the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the requirements of the provisions relating to the Rebate Fund in the Indenture will survive the defeasance and final payment of the Bonds.

(d) Amendment Without Consent of Owners. The provisions of the Indenture relating to the Rebate Fund may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds issued on a tax exempt basis. Notwithstanding any provision of the Indenture, if the District provides to the Trustee an opinion of a nationally recognized bond or tax counsel that any specified action required under the Rebate Fund provisions is no longer required or that some further or different action is required to maintain the tax-exempt status of interest on the Bonds, the Trustee and the District may conclusively rely on such opinion in complying with the requirements of the Rebate Fund provisions of the Indenture, and the covenants under such provisions will be deemed to be modified to that extent.

Surplus Fund. After making the transfers required by the Indenture, as soon as practicable after each September 1, and in any event prior to each October 1, the Trustee will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District: (i) to the Interest Account or the Principal Account of the Special Tax Fund to pay the principal or Sinking Fund Payment of and interest on the Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses; or (iv) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund will be invested at the written direction of the District in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Investments. Moneys held in any of the Funds and Accounts under the Indenture will be invested by the Trustee at the written direction of the District in accordance with the limitations set forth in the Indenture and described below only in Authorized Investments, which will be deemed at all times to be a part of such Funds and Accounts. Any loss resulting from such Authorized Investments will be credited or charged to the Fund or Account from which such investment was made, and any investment earnings on a Fund or Account will be applied as follows: (i) investment earnings on all amounts deposited in the Costs of Issuance Fund, the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account of the Special Tax Fund) will be deposited in those respective Funds and Accounts; and (ii) investment earnings on all amounts deposited in the Reserve Account will be deposited therein to be applied as set forth in the Indenture. Moneys in the Funds and Accounts held under the Indenture will be invested by the Trustee as directed in writing by the District, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Costs of Issuance Fund will be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Costs of Issuance Fund.

(b) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Special Tax Fund will be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds as the same become due.

(c) One-half of the amount in the Reserve Account of the Special Tax Fund may be invested only in Authorized Investments which mature not later than six (6) months from their date of purchase by the Trustee, and one-half of such amount will be invested in Authorized Investments which mature not more than two (2) years from the date of purchase by the Trustee; provided that such amounts may be invested in an investment or repurchase agreement so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with the Indenture; and provided that no such Authorized Investment of amounts in the Reserve Account allocable to the Bonds mature later than the final maturity date of the Bonds.

(d) Moneys in the Rebate Fund will be invested only in Authorized Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to the Indenture or in Authorized Investments of the type described in clause (7) of the definition thereof.

(e) In the absence of written investment directions from the District, the Trustee will invest solely in Authorized Investments specified in clause (7) of the definition thereof.

The Trustee will sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such Funds and Accounts or from such Funds and Accounts. For the purpose of determining at any given time the balance in any such Funds and Accounts, any such investments constituting a part of such Funds and Accounts will be valued at their cost, except that amounts in the Reserve Account will be valued at the market value thereof at least semi-annually on or before each Interest Payment Date. In making any valuations under the Indenture relating to investments, the Trustee may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything in the Indenture to the contrary, the Trustee will not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Indenture.

The Trustee may act as agent in the making or disposing of any investment and will be entitled to its customary fee for making such investment. The Trustee may sell at the best market price obtainable, or present for redemption, any Authorized Investment so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such

Authorized Investment is credited, and, subject to the provisions of the Indenture, the Trustee will not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee may commingle the funds and accounts established under the Indenture, but will account for each separately.

The District acknowledges in the Indenture that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which will include detail for all investment transactions made by the Trustee under the Indenture.

REDEMPTION OF BONDS

Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity.

Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in the Indenture, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

- (a) the Bonds, or portions thereof, designated for redemption will, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Indenture, anything in the Indenture or in the Bonds to the contrary notwithstanding;
- (b) upon presentation and surrender thereof at the Principal Office of the Trustee, the redemption price of such Bonds will be paid to the Owners thereof;
- (c) as of the redemption date the Bonds, or portions thereof so designated for redemption, will be deemed to be no longer Outstanding and such Bonds, or portions thereof, will cease to bear further interest; and
- (d) as of the date fixed for redemption no Owner of any of the Bonds, or portions thereof so designated for redemption, will be entitled to any of the benefits of the Indenture or any Supplemental Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

COVENANTS AND WARRANTY

Warranty. The District warrants in the Indenture that it will preserve and protect the security pledged under the Indenture to the Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds issued under the Indenture are Outstanding and unpaid, the District makes the following covenants in the Indenture with the Bondowners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

- (a) Punctual Payment; Against Encumbrances. The District covenants in the Indenture that it will receive all Special Taxes in trust for the Owners and will instruct the Authorized Representatives of the District to deposit all Gross Taxes with the Trustee as soon as reasonably practicable following their apportionment to the District, and the District will have no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Gross Taxes will be disbursed, allocated and applied solely to the uses and

purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants in the Indenture that it will duly and punctually pay or cause to be paid the principal and Sinking Fund Payments of and interest on every Bond issued under the Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and in accordance with the Indenture to the extent that Net Taxes and other amounts pledged under the Indenture are available therefor, and that the payments into the Funds and Accounts created under the Indenture will be made, all in strict conformity with the terms of the Bonds and the Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds issued under the Indenture.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Special Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien or charge upon the Special Taxes other than the Bonds.

(b) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expense Account therein), or which might impair the security of the Bonds then Outstanding; provided, however, that nothing in the Indenture requires the District to make any such payments so long as the District in good faith contests the validity of any such claims.

(c) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries will be made of all transactions relating to the improvements constructed with the proceeds of bonded indebtedness issued by the District, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts will at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than 10% of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

(d) Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(2) Arbitrage. The District will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(3) Federal Guaranty. The District will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(4) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(5) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that

would cause the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(6) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

(7) Other Tax Exempt Issues. The District will not use proceeds of other tax exempt securities to redeem any Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(e) Limitation on Right to Tender Bonds. The District covenants in the Indenture that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting the tender of Bonds in full payment or partial payment of any Special Taxes unless the District will have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds when due.

(f) Continuing Disclosure. The District covenants in the Indenture to comply with the terms of the Continuing Disclosure Agreement and with the terms of any other agreement executed by the District with respect to any Bonds to assist the Underwriter in complying with Rule 15(c)2 12 adopted by the Securities and Exchange Commission. Notwithstanding any other provision of the Indenture, failure of the District to comply with its obligations under the Continuing Disclosure Agreement will not be considered an Event of Default under the Indenture, and the sole remedy, in the event of any failure of the District to comply with the Continuing Disclosure Agreement will be an action to compel performance.

(g) Opinions. In the event that an opinion is rendered by Bond Counsel as provided in the Indenture from a firm other than the firm which rendered the Bond Counsel opinion at closing, such subsequent opinion by Bond Counsel will also include the conclusions set forth in numbered paragraphs 1, 2, 3 and 4 of the original Bond Counsel opinion.

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

AMENDMENTS TO INDENTURE

Supplemental Indentures or Orders Not Requiring Bondowner Consent. The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions of the Indenture which may be inconsistent with any other provision of the Indenture, or to make any other provision with respect to matters or questions arising under the Indenture or in any Supplemental Indenture, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond payments;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute subsequently in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially adversely affect the interests of the Owners of the Bonds then Outstanding;

(d) to modify, alter or amend the RMA in any manner, so long as the Trustee receives a certificate of an Independent Financial Consultant stating that such changes do not reduce the maximum Special Taxes that may be levied in each year on Developed Property within the Improvement Area to an amount which is less than 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds Outstanding as of the date of such amendment; or

(e) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners.

Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described above, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding will have the right to consent to and approve the adoption by the District of such Supplemental Indentures as are deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture permits, or should be construed as permitting: (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond; (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon; (c) a preference or priority of any Bond over any other Bond; or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds then Outstanding.

If at any time the District will desire to adopt a Supplemental Indenture, which pursuant to the terms of the Indenture will require the consent of the Bondowners, the District will so notify the Trustee and will deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee will, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that a copy thereof is on file at the office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice will not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee will receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, which instrument or instruments will refer to the proposed Supplemental Indenture described in such notice, and will specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, will thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds have consented to the adoption of any Supplemental Indenture, Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, will be disregarded and will be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds will thereafter be

determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Notation of Bonds; Delivery of Amended Bonds. After the effective date of any action taken as provided in the Indenture as described above, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action will be made on such Bonds. If the District so determines, new Bonds so modified as, in the opinion of the District, will be necessary to conform to such action will be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond at such effective date such new Bonds will be exchanged at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner of Outstanding Bonds, upon surrender of such Outstanding Bonds.

TRUSTEE

Trustee. Wells Fargo Bank, National Association will be the Trustee for the Bonds unless and until another Trustee is appointed by the District under the Indenture. The Trustee represents that it has a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000. The District may, at any time, appoint a successor Trustee satisfying the requirements of the Indenture, as summarized below, for the purpose of receiving all money which the District is required to deposit with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture.

The Trustee is authorized under the Indenture to and will mail by first class mail, postage prepaid, or wire transfer in accordance with the Indenture, interest payments to the Bondowners, to select Bonds for redemption, and to maintain the Bond Register. The Trustee is authorized under the Indenture to pay the principal and Sinking Fund Payments of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds all as provided in the Indenture, and to provide for the authentication of Bonds, and will perform all other duties assigned to or imposed on it as provided in the Indenture. The Trustee will keep accurate records of all funds administered by it and all Bonds paid, discharged and cancelled by it.

The Trustee is authorized under the Indenture to redeem the Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee will cancel all Bonds upon payment thereof in accordance with the Indenture.

The District will from time to time, subject to any agreement between the District and the Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties under the Indenture, and indemnify and save the Trustee, its officers, directors, employees and agents, harmless against costs, claims, expenses and liabilities, including, without limitation, fees and expenses of its attorneys, not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties under the Indenture. The above-described obligation of the District to indemnify the Trustee will survive the removal or resignation of the Trustee or the discharge of the Bonds.

The District will indemnify and save the Trustee, its officers, directors, employees and agents, harmless against from and against all costs, claims, expenses and liabilities, including, without limitation, fees and expenses of its attorneys, not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties under the Indenture. The above-described obligation of the District to indemnify the Trustee will survive the removal or resignation of the Trustee or the discharge of the Bonds.

Removal of Trustee. The District may at any time at its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor will be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. Any removal will become effective only upon acceptance of appointment by the successor Trustee. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture, the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address.

Resignation of Trustee. The Trustee may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice will be mailed to the Owners at their addresses appearing in the registration books in the office of the Trustee. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee.

Liability of Trustee. The recitals of fact and all promises, covenants and agreements contained in the Indenture and in the Bonds will be taken as statements, promises, covenants and agreements of the District, and the Trustee assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of the Indenture or, the Bonds, and will incur no responsibility in respect thereof, other than in connection with its duties or obligations specifically set forth in the Indenture, in the Bonds, or in the certificate of authentication assigned to or imposed upon the Trustee. The Trustee will be under no responsibility or duty with respect to the issuance of the Bonds. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct.

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

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

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

The Trustee will have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the Indenture, or as to the correctness of any amounts received, but its liability will be limited to the proper accounting for such funds as it will actually receive. No provision in the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of its rights or powers.

The Trustee will not be deemed to have knowledge of any default or Event of Default until an officer at the Principal Office of the Trustee responsible for the administration of its duties under the Indenture will have actual knowledge thereof or the Trustee will have received written notice thereof at its Principal Office.

The Trustee will have no responsibility for, and makes no representations with respect to, any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, will be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Indenture to the contrary notwithstanding.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events constitutes an “Event of Default” under the Indenture:

(a) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) default in the due and punctual payment of the interest on any Bond when and as the same becomes due and payable; or

(c) except as described in clauses (a) or (b) above, default will be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds, and such default will have continued for a period of 30 days after the District was given notice in writing of such default by the Trustee or the Owners of 25% in aggregate principal amount of the Outstanding Bonds; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such 30 day period and corrective action is instituted by the District within such 30 day period and diligently pursued in good faith until the default is corrected, such default will not be an Event of Default under the Indenture

The Trustee agrees in the Indenture to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default described in clauses (a) or (b) above and within 30 days of the Trustee’s knowledge of an Event of Default described in clause (c) above.

Remedies of Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture, including:

(a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

(b) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default has occurred and is continuing, and if requested so to do by the Owners of at least twenty five percent (25%) in aggregate principal amount of Outstanding Bonds, and if indemnified to its satisfaction, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners of the Bonds.

No remedy conferred under the Indenture upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy. Every such remedy will be cumulative and in addition to every other remedy given under the Indenture or now or subsequently existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Bonds will be applied by the Trustee in the following order upon presentation of the several Bonds:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture relating to such Event of Default, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal and Sinking Fund Payments of the Bonds then due and unpaid, with interest on overdue installments of principal and Sinking Fund Payments and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts are insufficient to pay in full the full amount of such interest and principal, then such amounts will be applied in the following order of priority:

(a) first, to the payment of all installments of interest on the Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing;

(b) second, to the payment of all installments of principal and Sinking Fund Payments of the Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing; and

(c) third, to the payment of interest on overdue installments of principal and Sinking Fund Payments and interest on the Bonds on a pro rata basis based on the total amount then due and owing.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds will have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated, and the Trustee is appointed under the Indenture (and the successive respective Owners of the Bonds issued under the Indenture, by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment will confer.

Non-Waiver. Nothing in the Indenture, or in the Bonds, will affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as provided in the Indenture, out of the Net Taxes and other moneys in the Indenture pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Owners will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or the Owners by the Act or by the Indenture may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee or the Owners, as the case may be.

Limitations on Rights and Remedies of Owners. No Owner of any Bond issued under the Indenture will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless: (a) such Owner will have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted or to institute such action, suit or proceeding in its own name; (c) said Owners will have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared under the Indenture, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to enforce any right under the Indenture, except as provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as in the Indenture provided or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding any provision of the Indenture.

Termination of Proceedings. In case the Trustee will have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings will have been discontinued or abandoned for any reason, or will have been determined adversely, then and in every such case, the District, the Trustee and the Owners will be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

DEFEASANCE

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

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

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

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same becomes due and payable; or

(c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, Federal Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same becomes due and payable.

If paid as provided above, then, at the election of the District, and notwithstanding that any Outstanding Bonds will not have been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond will cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District contained in the Indenture or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election will be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under clause (c) above, there will be provided to the District a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds to be defeased in accordance with the Indenture, as and when the same becomes due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture.

Upon a defeasance, the Trustee, upon request of the District, will release the rights of the Owners of such Bonds which have been defeased under the Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Indenture of all Outstanding Bonds, the Trustee will pay over or deliver to the District any funds held by the Trustee at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds when due. The Trustee will, at the written direction of the District, mail,

first class, postage prepaid, a notice to the Bondowners whose Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

MISCELLANEOUS

Cancellation of Bonds. All Bonds surrendered to the Trustee for payment upon maturity or for redemption will be upon payment therefor, and any Bond purchased by the District as authorized in the Indenture and delivered to the Trustee for such purpose will be, cancelled forthwith and will not be reissued. The Trustee will destroy such Bonds, as provided by law, and, upon written request of the District, furnish to the District a certificate of such destruction.

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds will be sufficient for the purposes of the Indenture (except as otherwise in the Indenture provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee will also constitute sufficient proof of his authority.

(b) As to any Bond, the person in whose name the same will be registered in the Bond Register will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond, and the interest thereon, will be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the District nor the Trustee will be affected by any notice to the contrary.

Nothing contained in the Indenture will be construed as limiting the Trustee or the District to such proof, it being intended that the Trustee or the District may accept any other evidence of the matters in the Indenture stated which the Trustee or the District may deem sufficient. Any request or consent of the Owner of any Bond will bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Trustee or the District in pursuance of such request or consent.

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding and subject to the escheat laws of the State, any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds which remain unclaimed for two years after the date when such Outstanding Bonds have become due and payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds become due and payable, will be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the District for the payment of such Outstanding Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee, at the expense of the District, will cause to be mailed by first class mail, postage prepaid, to the registered Owners of such Outstanding Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date will not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Provisions Constitute Contract. The provisions of the Indenture will constitute a contract between the District and the Bondowners and the provisions of the Indenture will be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy will be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Trustee, then the District, the Trustee and the Bondowners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds the Indenture will be irrevocable, but will be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

Future Contracts. Nothing in the Indenture contained will be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which is subordinate to the pledge under the Indenture, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged under the Indenture.

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

Severability. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, will be deemed severable and will not be affected thereby, and the Indenture, the Bonds issued pursuant to the Indenture will remain valid and the Bondowners will retain all valid rights and benefits accorded to them under the laws of the State of California.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE DISTRICT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of _____July 1, 2016, is executed and delivered by City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) (the “Issuer”) and Urban Futures, Inc., as dissemination agent, in connection with the issuance and delivery by the Issuer of the Issuer’s Improvement Area No. 1 Special Tax Refunding Bonds, Series 2016A (the “Bonds”). The Bonds are being issued pursuant to Resolution No. _____ and that certain Bond Indenture (the “Indenture”), dated as of _____July 1, 2016, by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The Issuer covenants as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

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

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

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

“*Disclosure Representative*” shall mean the Director of Finance, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean, initially, Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the Issuer which has filed with the then current Dissemination Agent a written acceptance of such designation.

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

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

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

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

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

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

“*Tax-exempt*” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) Not later than eight months immediately following the end of the Issuer’s fiscal year, commencing March 1, 2017, the Issuer shall provide, or shall cause the Dissemination Agent to provide, to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the Repository of a change in the fiscal year dates.

(b) In the event that the Dissemination Agent is an entity other than the Issuer, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with subsection (a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(c) If the Issuer is the Dissemination Agent and the Issuer is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice in a timely manner to the Repository in substantially the form attached to this Disclosure Agreement as Exhibit A. If the Dissemination Agent is other than the Issuer and if the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice in a timely manner to the Repository, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository if other than the MSRB; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Agreement, all filings shall be made in accordance with the MSRB’s EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the Issuer for the most recent fiscal year of the Issuer then ended, when and if available. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report may be filed without audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report if and when they become available. If audited financial statements of the Issuer are prepared, such audited financial statements shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. If audited financial statements of the Issuer are prepared, such audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to the Repository, including a reference to the specific federal or State law or regulation specifically describing the legal requirements for the change in accounting basis.

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

- (i) the principal amount of Bonds outstanding as of September 30 of each year;
- (ii) the balance in each fund under the Indenture as of the September 30 preceding the filing of the Annual Report, including the Reserve Account and a statement of the Reserve Requirement;
- (iii) any changes to the Rate and Method approved or submitted to the electors for approval prior to the filing of the Annual Report;
- (iv) the status of any foreclosure actions being pursued by the Issuer with respect to delinquent Special Taxes;
- (v) the identity of any property owner whose delinquent special taxes represent more than 5% of the amount levied and the number of lots, assessed value, delinquency amount value-to-lien ratios, prior delinquencies and foreclosure status of the applicable properties;
- (vi) an update to Table 5 of the Official Statement for the most recently completed fiscal year without giving effect to any overlapping debt; and
- (vii) any information not already included under (i) through (vi) above that the Issuer is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

In addition to any of the information expressly required to be provided under paragraphs (a) or (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements set forth in clauses (i) to (vii), in the light of the circumstances under which they were made, not misleading.

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

SECTION 5. Reporting of Significant Events.

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

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

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

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

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
3. appointment of a successor or additional trustee or the change of the name of a trustee;
4. nonpayment related defaults;

5. modifications to the rights of Owners of the Bonds;
6. bond calls; and
7. release, substitution or sale of property securing repayment of the Bonds.

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

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

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

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

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Special District Financing and Administration. The Dissemination Agent may resign by providing (i) thirty days written notice to the Issuer, and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment.

(a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Participating Underwriter, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners, or such amendment shall have been approved by the Owners in the same manner as an amendment to the Indenture, and (5) the Issuer shall have delivered copies of such opinion and amendment to the Repository.

(b) This Disclosure Agreement also may be amended by written agreement of the parties upon obtaining consent of Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Owners of the Bonds; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied.

(c) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

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

The District acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended may apply to the District, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the District under such laws.

SECTION 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer and/or the Dissemination Agent to comply with their respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent other than the Issuer shall be paid (i) compensation by the Issuer for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Issuer pursuant to this Disclosure Agreement. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

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

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

SECTION 14. Governing Law. This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 15. Notices. Any notice or communications to be among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer: City of Imperial
Community Facilities District No. 2006-2
420 South Imperial Avenue
Imperial, California 92251
Attention: Director of Finance
Telephone: (760) 355-4371
Facsimile: (760) 355-4718

To the Trustee: Wells Fargo Bank, National Association
707 Wilshire Boulevard, 17th Floor
Los Angeles, California 90017
Attention: Grace Yang, Vice President
Telephone: (213) 614-3355
Email: grace.yang@wellsfargo.com

To the Dissemination Agent: Urban Futures, Inc.
3111 North Tustin Street, Suite 230
Orange, California 92865
Attention: Marshall Linn
Telephone: (714) 283-9334
Email: marshall@urbanfuturesinc.com

To the Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104
Attention: Ralph Holmes
Telephone: (415) 364-5965
Email: rholmes@stifel.com

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

SECTION 16. Future Determination of Obligated Persons. In the event the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the District to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Agreement shall be deemed to obligate the District to disclose information concerning any owner of land within the District except as required as part of the information required to be disclosed by the District pursuant to Section 4 and Section 5 hereof. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

SECTION 17. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

SECTION 18. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

COMMUNITY FACILITIES DISTRICT NO. 2006-2 OF
THE CITY OF IMPERIAL

By: _____
Its: Mayor of the City of Imperial, which is acting in its
capacity as the legislative body of City of Imperial
Community Facilities District No. 2006-2

URBAN FUTURES, INC.,
as Dissemination Agent

By: _____
Its: Authorized Officer

EXHIBIT A

NOTICE TO THE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: CITY OF IMPERIAL COMMUNITY FACILITIES DISTRICT NO. 2006-2
(SAVANNA RANCH)

Name of Bond Issue: \$_____ CITY OF IMPERIAL COMMUNITY FACILITIES DISTRICT NO.
2006-2 (SAVANNA RANCH) IMPROVEMENT AREA NO. 1 SPECIAL TAX
REFUNDING BONDS, SERIES 2016A

Date of Issuance: _____, 2016

NOTICE IS HEREBY GIVEN that the City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of _____July 1, 2016. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated: _____

URBAN FUTURES, INC.,
as Dissemination Agent

cc: City of Imperial

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.

Document comparison by Workshare Compare on Tuesday, June 28, 2016
1:53:22 PM

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Description	DOCSOC-#1760134-v5-Savanna_Ranch_POS
Document 2 ID	PowerDocs://DOCSOC/1760134/6
Description	DOCSOC-#1760134-v6-Savanna_Ranch_POS
Rendering set	SYCR 1

Legend:	
<u>Insertion</u>	
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Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	56
Deletions	57
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	115

\$ _____
City of Imperial
Community Facilities District No. 2006-2 (Savanna Ranch)
Improvement Area No. 1
Special Tax Refunding Bonds, Series 2016A

Bond Purchase Agreement

_____, 2016

City of Imperial Community Facilities
District No. 2006-2 (Savanna Ranch)
420 S. Imperial Ave.
Imperial, CA 92251

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), acting not as a fiduciary or agent for you, but on behalf of itself, hereby offers to enter into the following agreement (the “Agreement”) with the City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) (the “District”). Upon the acceptance hereof by you, this offer will be binding upon the District and the Underwriter. This offer is made subject to (i) the written acceptance hereof by you and (ii) withdrawal by the Underwriter upon written notice (by facsimile or otherwise) delivered to you at any time prior to the acceptance hereof by you.

The District acknowledges and agrees that: (i) the purchase and sale of the Bonds (defined below) pursuant to this Agreement is an arm’s-length commercial transaction between the District and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as a Municipal Advisor (as defined in Section 15B of The Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); and (iv) the District has consulted its own legal, financial and other advisors to the extent it has deemed appropriate on this transaction.

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the District, at the Closing Time on the Closing Date (both as defined herein), and the District hereby agrees to sell and deliver to the Underwriter, \$_____ aggregate principal amount of its Improvement Area No. 1 Special Tax Refunding Bonds, Series 2016A (the “Bonds”). The Bonds shall be dated the date of their initial delivery, and shall mature on

September 1 in the years shown on Exhibit A hereto, shall bear interest at the rates shown on Exhibit A hereto and shall be subject to mandatory redemption from sinking fund payments, in the amounts and on the dates shown in the Indenture (as defined below). Interest on the Bonds shall be payable each March 1 and September 1 to maturity or earlier redemption of the Bonds, beginning _____ 1, 20____. The purchase price for the Bonds shall be an amount equal to \$_____ (being the aggregate principal amount thereof (\$_____), less an underwriter's discount of \$_____ and [plus/less original issue premium/discount of \$_____]). The date of such payment and delivery is referred to herein as the "Closing Date," the hour and date of such delivery and payment is referred to herein as the "Closing Time," and the other actions contemplated hereby to take place at the time of such payment and delivery being herein sometimes called the "Closing."

2. **The Bonds.** The Bonds shall be described in, and shall be issued and secured pursuant to, the provisions of the Constitution and the laws of the State of California including the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, constituting Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act") and the Bond Indenture, dated as of _____ 1, 2016 (the "Indenture"), by and between the District and Wells Fargo Bank, National Association, as trustee (the "Trustee"), authorizing the issuance of the Bonds.

The Bonds are being issued for the purpose of refunding certain prior outstanding bonds of the District, funding a reserve fund and paying costs of issuance. The Bonds are secured by Special Taxes (as defined in the Indenture).

The Bonds shall be payable and shall be subject to redemption as provided in the Indenture and shall be as described in the Preliminary Official Statement of the District relating to the Bonds dated _____, 2016 (the "Preliminary Official Statement"), and the Official Statement of the District relating to the Bonds, dated of even date herewith. Such Official Statement, including the cover page and the appendices thereto, as amended to conform to the terms of this Agreement and with such changes and amendments thereto as have been mutually agreed to by the District and the Underwriter, are hereinafter referred to as the "Official Statement."

This Agreement, the Indenture, the Escrow Agreement, dated as of _____ 1, 2016 (the "Escrow Agreement"), by and between the District and Wells Fargo Bank, National Association, as escrow bank (the "Escrow Bank"), and the Continuing Disclosure Agreement, dated as of _____ 1, 2016 (the "Continuing Disclosure Agreement"), by and between the District and _____, as dissemination agent, are referred to herein as the "Basic Documents."

3. **Offering by the Underwriter.** It shall be a condition to the District's obligations to sell and to deliver the Bonds to the Underwriter and to the Underwriter's obligation to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be issued, sold and delivered by the District and purchased, accepted and paid for by the Underwriter at the Closing. It is understood that the Underwriter proposes to offer the Bonds for sale to the public (which may include selected dealers) at prices or yields as set forth on the inside cover page of the Official Statement. Concessions from the public offering price may be allowed to selected dealers. It is understood that the initial public offering price and concessions

set forth in the Official Statement may vary after the initial public offering. It is further understood that the Bonds may be offered to the public at prices other than the par value thereof. The net premium on the sale of the Bonds to the public, if any, shall accrue to the benefit of the Underwriter.

4. Official Statement, Delivery of Other Documents, Use of Documents.

(a) The District hereby authorizes the use by the Underwriter of the Preliminary Official Statement and the Official Statement (including any supplements or amendments thereto) and the Indenture and the information therein contained, in connection with the public offering and sale of the Bonds.

(b) The District shall deliver to the Underwriter, within seven business days from the date hereof, and in any event, in sufficient time to accompany customer confirmations requesting payment, (i) the Official Statement in “designated electronic format” (as defined by MSRB Rule G-32) and (ii) copies of the Official Statement in sufficient quantity to enable the Underwriter to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board (MSRB). The Underwriter hereby agrees to deliver copies of the Official Statement to the MSRB’s Electronic Municipal Markets Access (EMMA) system on or before the Closing Date and to each investor that purchases any of the Bonds during the Underwriting Period (as such term is defined in Rule 15c2-12) and otherwise to comply with all applicable statutes and regulations in connection with the offering and sale of the Bonds, including, without limitation, MSRB Rule G-32 and Rule 15c2-12.

5. Representations, Warranties and Agreements of the District. The District represents, warrants and agrees as follows:

(a) Each of District is a community facilities district, duly organized and validly existing under the laws of the State of California.

(b) The District has full legal right, power and authority (i) to enter into the Basic Documents, (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein, and (iii) to carry out and consummate the transactions on its part contemplated by the Basic Documents and the Official Statement.

(c) By all necessary official action, the District has duly authorized and approved the Basic Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations in connection with the issuance of the Bonds on its part contained in the Bonds and the Basic Documents, and the consummation by it of all other transactions contemplated by the Basic Documents in connection with the issuance of the Bonds.

(d) To the best of its knowledge, the District is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Indenture) or other instrument to which the District

is a party which breach or default has or may have an adverse effect on the ability of the District to perform its obligations under the Indenture, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Bonds and the Basic Documents, and compliance with the provisions on the District's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Indenture.

(e) To the best of its knowledge, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the District of its obligations in connection with the issuance of the Bonds under the Basic Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matters which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the District of its obligations under the Indenture have been duly obtained.

(f) The Bonds when issued will conform to the descriptions thereof contained in the Official Statement under the captions "INTRODUCTION," "THE BONDS;" and the Basic Documents when executed and delivered will conform to the descriptions thereof contained in the Official Statement under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS" and "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

(g) The Bonds, when issued, authenticated and delivered in accordance with the Indenture, and sold to the Underwriter as provided herein, will be validly issued and outstanding obligations of the District, entitled to the benefits of the Indenture, and upon such issuance and delivery, the Indenture will provide, for the benefit of the owners from time to time of the Bonds, the legally valid and binding pledge of and lien and security interest they purports to create.

(h) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the District, at law or in equity before or by any court, government agency, public board or body, pending or, to the best knowledge of the officer of the District executing this Agreement, threatened against the District, affecting the existence of the District, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge and lien on the Special Taxes pursuant to the Indenture, or

contesting or affecting as to the District the validity or enforceability of the Act, the Bonds or the Basic Documents, or contesting the tax-exempt status of interest on the Bonds, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the District for the issuance of the Bonds, or the execution and delivery or adoption by the District of the Basic Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the District, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Act, as to the District, or the authorization, execution, delivery or performance by the District of the Bonds or the Basic Documents.

(i) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (x) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate, (y) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the District shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, provided, that the Underwriter shall bear all costs in connection with the District's action under (x) and (y) herein, and (z) assure or maintain the tax-exempt status of the interest on the Bonds.

(j) As of the date thereof, the Preliminary Official Statement does not, except for the omission of certain information permitted to be omitted in accordance with the Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein with respect to the District, in light of the circumstances under which they were made, not misleading.

(k) At the time of the District's acceptance hereof, and (unless an event occurs of the nature described in paragraph (m) of this Section 5) at all times subsequent thereto up to and including the date of the Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the District shall apply only to the information contained in the Official Statement relating to the District.

(l) If the Official Statement is supplemented or amended pursuant to paragraph (m) of this Section 5, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date of the Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the District shall apply only to the information contained in the Official Statement relating to the District.

(m) If between the date of this Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 13 hereof) any event known to the District shall occur affecting the District which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the District shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(n) The District will refrain from taking any action, or permitting any action to be taken, with regard to which the District may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(o) Any certificate signed by any officer of the District and delivered to the Underwriter pursuant to the Indenture, this Agreement or any document contemplated thereby shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein.

(p) The District will cause the proceeds from the sale of the Bonds to be paid to the Trustee for the purposes specified in the Indenture and the Official Statement. So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the District will not issue or sell any bonds or other obligations, other than the Bonds sold thereby, the interest on and premium, if any, or principal of which will be payable from the payments to be made under the Indenture.

(q) The District shall honor all other covenants on its part contained in the Indenture which are incorporated herein and made a part of this Agreement.

(r) At or prior to the Closing, the District shall have duly authorized, and the District shall have duly executed and delivered, the Continuing Disclosure Agreement, which shall comply with the provisions of Rule 15c2-12 and shall be substantially in the form appended to the Official Statement in Appendix E thereto. Other than as described in the Official Statement, the District has not failed to comply with its prior continuing disclosure undertakings under Rule 15c2-12 in any material respect in the last five years.

6. **Closing.** At 8:00 a.m., Pacific Standard Time, on _____, 2016, or on such earlier date or as soon thereafter as practicable, as may be mutually agreed upon by the District and the Underwriter, the District will, subject to the terms and conditions hereof, cause the Trustee to deliver to the Underwriter, the Bonds, in definitive form duly authenticated by the Trustee, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery and will pay the purchase price of the Bonds as set forth in Section 1 hereof by delivering federal or other immediately available funds in the amount of such purchase price

to the Trustee. The Bonds shall be prepared in fully registered form without coupons in authorized denominations.

7. **Closing Conditions.** The Underwriter has entered into this Agreement in reliance upon the representations and warranties of the District contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the District of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the District contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of the Closing, the Indenture shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) At the time of the Closing, all necessary official action of the District and of the other parties thereto relating to the Basic Documents shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the District or the Bonds, as the foregoing matters are described in the Official Statement, which in the reasonable opinion of the Underwriter materially impairs the investment quality of the Bonds;

(e) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed by the District;

(2) A copy of the Indenture, executed by the District and the Trustee;

(3) A copy of this Agreement, executed by the District and the Underwriter;

(4) A copy of the Escrow Agreement, executed by the District and the Escrow Bank;

(5) Certificates of the District with respect to the matters described in Section 5 and in paragraphs (a), (b), (c) and (d) of this Section 7;

(6) An opinion (the “Final Approving Legal Opinion”), dated the date of the Closing and addressed to the District, of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel for the District, substantially in the form set forth in Appendix B to the Official Statement;

(7) A supplemental opinion, dated the date of the Closing and addressed to the Underwriter, of Bond Counsel for the District, in the form acceptable to the Underwriter;

(8) A defeasance opinion, dated the date of the Closing and addressed to the Underwriter, of Bond Counsel for the District, in the form acceptable to the Underwriter;

(9) An opinion, dated the date of the Closing and addressed to the Underwriter, of the General Counsel for the District, in the form acceptable to the Underwriter;

(10) A reliance letter, dated the date of the Closing and addressed to the Underwriter and the Trustee, respectively, of Bond Counsel for the District, regarding the final approving opinion;

(11) An opinion, dated the date of the Closing and addressed to the Underwriter, of Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel for the District, in the form acceptable to the Underwriter;

(12) Transcripts of all proceedings relating to the authorization and issuance of the Bonds certified by the Secretary of the Board of Directors of the District;

(13) An opinion of counsel to the Trustee, to the effect that:

(i) Due Organization and Existence - the Trustee has been duly organized and is validly existing and in good standing under the laws of the United States of America, with full corporate power to undertake the trust duties and obligations under the Indenture;

(ii) Corporate Action - the Trustee has duly authorized, executed and delivered the Indenture, and by all proper corporate action has authorized the acceptance of the duties and obligations of the Trustee under the Indenture and to authorize in such capacity the authentication and delivery of the Bonds;

(iii) Due Authorization, Execution and Delivery - assuming due authorization, execution and delivery by the District, the Indenture are the valid, legal and binding agreements of the Trustee, enforceable in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors’ rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law); and

(iv) Consents - exclusive of federal or state securities laws and regulations, to the best of such counsel’s knowledge after reasonable inquiry and investigation, other than routine filings required to be made with governmental agencies in order to preserve

the Trustee's authority to perform a trust business (all of which routine filings such counsel believes, after reasonable inquiry and investigation, to have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution by the Trustee of the Indenture or the authentication and delivery of the Bonds;

(14) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture;

(15) A certificate of the Trustee, dated the date of Closing, certifying that, subject to the limitations provided herein, the Trustee represents and warrants and agrees with the Underwriter that as of the date of Closing:

(i) Due Organization and Existence - the Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States of America having the full power and authority to enter into and perform its duties under the Indenture and to authenticate and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture;

(ii) No Conflict - to the best of the knowledge of the Trustee, after due investigation, the execution and delivery by the Trustee of the Indenture and the authentication and delivery by the Trustee of the Bonds, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, or result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee; and

(iii) No Litigation - to the best of the knowledge of the Trustee, no litigation has been served upon the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to, the transactions contemplated by the Indenture;

(16) An executed copy of the Continuing Disclosure Agreement substantially in the forms presented in Appendix E to the Official Statement;

(17) A certificate from General Government Management Services, Inc. ("Special Tax Consultant") to the effect that (i) the Special Tax if applied in accordance with the terms as set forth in the rate and method of apportionment of special taxes (the "Special Tax Formula"), after deducting Administrative Expenses Cap, will annually yield sufficient revenue to make timely payments of debt service on the Bonds, provided that information and other data supplied by the District, the Financial Advisor, the Underwriter or by any of their agents, which has been relied upon by the Special Tax Consultant is true and correct, (ii) the Net Taxes, if collected in the maximum amounts permitted pursuant to the Special Tax Formula on the

Closing Date, would generate at least 110% of the maximum debt service payable with respect to the Bonds payable from such Special Tax during each fiscal year, based on a debt service schedule supplied by the Underwriter and relied upon by the Special Tax Consultant, (iii) the information supplied by such firm for use in the Official Statement is true and correct as of the date of the Official Statement and as of the Closing Date, and (iv) the description of the Special Tax Formula contained in the Official Statement is correctly presented in all material respects;

(18) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the District's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the District on or prior to the date of the Closing of all the agreements then to be performed and conditions then to be satisfied by it.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to Bond Counsel and the Underwriter. The opinions and other documents presented as an exhibit to this Agreement or as Appendices to the Official Statement shall be deemed satisfactory provided they are substantially in the forms attached as an exhibit to this Agreement or as Appendices to the Official Statement.

If the District shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the District shall be under any further obligation hereunder.

8. **Termination.** The Underwriter shall have the right to terminate the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the District in writing or by facsimile or e-mail, of their election to do so, if, after the execution hereof and prior to the Closing: (a) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency; (b) there shall have occurred the declaration of a general banking moratorium by any authority of the United States or the States of New York or California; (c) an event shall have occurred or been discovered as described in paragraph (m) of Section 5 hereof which in the opinion of the Underwriter requires the preparation and publication of disclosure material or a supplement or amendment to the Official Statement; (d) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds; (e) legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or

the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Bonds or the Bonds, as contemplated hereby or by the Official Statement; (f) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (g) the New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of broker-dealers; (h) trading in securities on the New York Stock Exchange or the American Stock Exchange shall have been suspended or limited or minimum prices have been established on either such exchange; or (i) any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States securities market.

If this Agreement shall be terminated pursuant to Section 7 or this Section 8, or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligation hereunder is not satisfied or because of any refusal, inability or failure on the part of the District to comply with any of the terms or to fulfill any of the conditions of this Agreement, or if for any reason the District shall be unable to perform all of its obligations under this Agreement, the District shall not be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Agreement.

9. Payment of Costs and Expenses. The District shall pay (a) all costs and expenses incident to the sale and delivery of the Bonds to the Underwriter, including, but not limited to: (i) the fees and expenses of the District and its Counsel, Disclosure Counsel, Financial Advisor, Special Tax Consultant and other consultants; (ii) the fees and expenses of Bond Counsel; (iii) all costs and expenses incurred in connection with the preparation and printing of the Bonds; (iv) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (v) California Municipal Statistics fees, and (vi) the fees and expenses of the Trustee and its counsel shall be payable by the District from the proceeds of the Bonds.

(b) The District shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and this Agreement; expenses to qualify the Bonds for sale under any "blue sky" or other state securities laws; and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in paragraph (a) of this section), including any advertising expenses.

10. Representations, Warranties and Agreements to Survive Delivery. The representations, warranties, indemnities, agreements and other statements of the District and the Underwriter or their officers or partners set forth in, or made pursuant to, this Agreement will

remain operative and in full force and effect regardless of any investigation made by or on behalf of the District or the Underwriter or any controlling person and will survive delivery of and payment for the Bonds.

11. **Notices.** Any notice or other communication to be given under this Agreement may be given by delivering the same in writing:

To the District: City of Imperial Community Facilities District
No. 2006-2 (Savanna Ranch)
c/o City of Imperial
420 S. Imperial Ave.
Imperial, CA 92251
Attention: City Manager

To the Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attention: Ralph Holmes

12. **Parties in Interest.** This Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof All of the District's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Agreement; and (iii) any termination of this Agreement.

13. **Determination of End of the Underwriting Period.** For purposes of this Agreement, the End of the Underwriting Period for the Bonds shall mean the earlier of (a) the day of the Closing unless the District has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the Bonds for all purposes of the Rule will not occur on the day of the Closing, or (b) the date on which notice is given to the District by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the District pursuant to clause (a) above that the "end of the underwriting period" for the Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the District in writing as soon as practicable following the "end of the underwriting period" for the Bonds for all purposes of the Rule 15c2-12.

14. **Effectiveness.** This Agreement shall become effective upon the execution of the acceptance by the designee of the District and shall be valid and enforceable at the time of such acceptance.

15. **Headings.** The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

16. **Governing Law.** This Agreement shall be construed in accordance with the laws of the State of California.

17. **Counterparts.** This Agreement may be executed in any number of counterparts.

If the foregoing is in accordance with your understanding of the Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement between the District and the Underwriter in accordance with its terms.

Very truly yours,

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED**

By: _____

Title _____

Accepted:

This _____ day of _____ 2016

**CITY OF IMPERIAL COMMUNITY FACILITIES
DISTRICT NO. 2006-2 (SAVANNA RANCH)**

By: _____
City Manager

Time of Execution: _____

Exhibit A

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
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RESOLUTION NUMBER R-_____

ADOPTED ON _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IMPERIAL ACTING AS THE LEGISLATIVE BODY OF CITY OF IMPERIAL COMMUNITY FACILITIES DISTRICT NO. 2006-2 (SAVANNA RANCH) AUTHORIZING THE ISSUANCE OF ITS SPECIAL TAX REFUNDING BONDS (IMPROVEMENT AREA NO. 1), SERIES 2016A IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED FIVE MILLION DOLLARS (\$5,000,000) AND APPROVING A BOND PURCHASE AGREEMENT, AN INDENTURE, AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND A PRELIMINARY OFFICIAL STATEMENT AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City Council of the City of Imperial, located in Imperial County, California (the "City Council"), has heretofore undertaken proceedings and declared the necessity of the City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) (the "District") to issue bonds on behalf of its Improvement Area No. 1 (the "Improvement Area") pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act") to finance the acquisition and construction of various public facilities; and

WHEREAS, the District has previously issued its \$5,000,000 City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) (Improvement Area No. 1) 2006 Special Tax Bonds (the "2006 Bonds") pursuant to the Act, of which \$4,705,000 is currently outstanding; and

WHEREAS, in order to benefit taxpayers within the Improvement Area by lowering the annual special taxes to be levied, the District now desires to defease all of the outstanding 2006 Bonds through the issuance of its Special Tax Refunding Bonds, Series 2016A (the "Refunding Bonds") in an aggregate principal amount of not to exceed \$5,000,000 and the application of certain existing District funds to such defeasance; and

WHEREAS, the Refunding Bonds shall be issued in accordance with the Bond Indenture, dated as of July 1, 2016 (the "Indenture"), by and between the District and Wells Fargo Bank, National Association, as trustee (the "Trustee"); and

WHEREAS, in order to effect the issuance of the Refunding Bonds, the City Council, acting in its capacity as the legislative body of the District, desires to approve the form of a Preliminary Official Statement for the Refunding Bonds (the "Preliminary Official Statement") and to approve the forms of and authorize the execution and delivery of the Indenture, a Bond Purchase Agreement, a Continuing Disclosure Agreement and an Escrow Agreement, in substantially the forms on file with the City Clerk and to authorize such changes and additions thereto as the Authorized Officers (defined herein) deem necessary or desirable; and

WHEREAS, the City Council, acting in its capacity as the legislative body of the District, has determined in accordance with Government Code Section 53360.4 that a negotiated sale of the Refunding Bonds to Stifel, Nicolaus & Company, Incorporated, as Underwriter (the "Underwriter"), in accordance with the terms of the Bond Purchase Agreement to be entered into by and between the District and the Underwriter (the "Bond Purchase Agreement") will result in a lower overall cost to the District than a sale of the Refunding Bonds on sealed proposals to the highest bidder as described in Government Code Section 53360, in that a negotiated sale will allow for adequate time to pre-market the Refunding Bonds and for the timing of the sale of the Refunding Bonds to be flexible, thereby maximizing the likely debt service savings to the District; and

WHEREAS, the City Council, acting in its capacity as the legislative body of the District, has determined that it is prudent in the management of its fiscal affairs to issue the Refunding Bonds; and

WHEREAS, the aggregate assessed value of the real property in the Improvement Area subject to the special tax to pay debt service on the Refunding Bonds based on the full cash value of the property within the Improvement Area as shown on the most recent *ad valorem* assessment roll for property within the Improvement Area having a lien date as of January 1, 2015 is more than three times the principal amount of the Refunding Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the Improvement Area, which assessed value exceeds the minimum value required by the Act for the issuance of the Refunding Bonds; and

WHEREAS, the City Council, acting in its capacity as the legislative body of the District, finds that the issuance of the Refunding Bonds will achieve debt service savings and will benefit taxpayers within the Improvement Area; and

NOW, THEREFORE, the City Council of the City of Imperial, acting as the legislative body of City of Imperial Community Facilities District No. 2006-2 (SAVANNA RANCH), DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

SECTION 1. Each of the above recitals is true and correct and is adopted by the City Council, acting in its capacity as the legislative body of the District.

SECTION 2. The City Council, acting in its capacity as the legislative body of the District, finds that the issuance of the Refunding Bonds as described in the Preliminary Official Statement will provide significant public benefits by reducing the total amount of special taxes to be levied for debt service within the Improvement Area.

SECTION 3. The City Council, acting in its capacity as the legislative body of the District, has determined to defease the 2006 Bonds, subject to the provisions of Section 5 below regarding debt service savings, through the issuance of its Refunding Bonds pursuant to the Indenture and a Bond Purchase Agreement and the application of certain existing District funds to such defeasance.

SECTION 4. The District is authorized pursuant to Section 53362 *et seq.* of the Act to issue the Refunding Bonds for the purpose of refunding the 2006 Bonds.

SECTION 5. The issuance of the Refunding Bonds in an aggregate principal amount of not to exceed \$5,000,000 is hereby authorized, with the exact principal amount to be determined by the official signing the Bond Purchase Agreement in accordance with Section 6 below. The Refunding

Bonds may be issued to refund the 2006 Bonds only if the City Manager, or his designee, determines that there is an economic benefit to the District in the form of aggregate net present value savings of at least 3%, expressed as a percentage of the par amount of the 2006 Bonds to be refunded by the Refunding Bonds. Each of the foregoing determinations to be made by the City Manager, or his designee, will be conclusively evidenced by the execution of the Bond Purchase Agreement by the District and the Underwriter.

The City Council, acting in its capacity as the legislative body of the District, hereby determines that it is prudent in the management of its fiscal affairs to issue the Refunding Bonds. The Refunding Bonds shall mature on the dates and pay interest at the rates set forth in the Bond Purchase Agreement. The Refunding Bonds shall be governed by the terms and conditions of the Indenture. The form of the Indenture presented at this meeting is hereby approved. The Indenture shall be executed by any one of the Mayor, City Manager, Treasurer or Finance Director of the City or the written designee of one of the foregoing (collectively, the "Authorized Officers") substantially in the form of the Indenture presented at this meeting, with such additions thereto and changes therein as the officer or officers executing the same deem necessary or desirable, including to insert the offering price(s), interest rate(s), selling compensation, principal amount per maturity, redemption dates and prices, reserve account deposits and such other related terms and provisions as limited by Section 8 hereof, or to conform any provisions therein to the Bond Purchase Agreement and the Official Statement delivered to the purchasers of the Refunding Bonds. Approval of such changes shall be conclusively evidenced by the execution and delivery of the Indenture by any one of the Authorized Officers. Capitalized terms used in this Resolution which are not defined herein have the meanings ascribed to them in the Indenture.

In satisfaction of the requirements contained in Section 53363.2 of the Act, the City Council, acting in its capacity as the legislative body of the District, hereby determines that: (1) it is anticipated that the Refunding Bonds will be issued prior to September 1, 2016, with the 2006 Bonds maturing after September 1, 2016 being redeemed on September 1, 2016; (2) the Refunding Bonds shall be dated their date of issuance, be in the denominations, have the maturity dates (which do not exceed the latest maturity date of the 2006 Bonds being refunded), and be payable at the place and be in the form specified in the Indenture; (3) the Refunding Bonds will bear interest at the minimum rate of 0.1% per annum; and (4) the designated cost of issuing the Refunding Bonds, as defined by Section 53363.8 of the Act, shall include all of the costs specified in Section 53363.8(a), (b)(2) and (c).

In satisfaction of the requirements contained in Section 53364.2 of the Act, the City Council, acting in its capacity as the legislative body of the District, hereby determines that any savings achieved through the issuance of the Refunding Bonds shall be used to reduce the special taxes of the Improvement Area levied for debt service, and such reductions shall be made in accordance with the Act.

SECTION 6. The Refunding Bonds shall be executed on behalf of the District by the manual or facsimile signature of the President of the legislative body of the District and the seal of the District or the City, or a facsimile thereof, may be impressed or imprinted thereon and the signature of the Mayor shall be attested to with the manual or facsimile signature of the City Clerk or Deputy City Clerk.

SECTION 7. The covenants set forth in the Indenture are hereby approved, including that the District shall not issue any obligations or security in the future having a lien or charge upon the

special taxes levied on property within the Improvement Area pursuant to the Act except as set forth in the Indenture. Such covenants shall be deemed to be covenants of the legislative body of the District, and shall be complied with by the District and its officers. The City Council, acting as the legislative body of the District, hereby makes and adopts the findings and determinations in Section 5.2(g) of the Indenture regarding the reduction of the maximum special tax rates.

SECTION 8. The Underwriter is hereby appointed for purposes of offering the Refunding Bonds for sale in accordance with the provisions of the Bond Purchase Agreement and the Indenture. The form of the Bond Purchase Agreement presented at this meeting is hereby approved, and any one of the Authorized Officers is hereby authorized to execute the Bond Purchase Agreement substantially in the form presented at this meeting, with such additions thereto and changes therein as the officer or officers executing the same deem necessary or desirable, including to conform the Bond Purchase Agreement to the dates, amounts and interest rates applicable to the Refunding Bonds. Approval of such additions and changes shall be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement; provided, however, that the Bond Purchase Agreement shall be signed only if the requirements of Section 5 hereof have been satisfied.

SECTION 9. The form of the Continuing Disclosure Agreement presented at this meeting is hereby approved, and any one of the Authorized Officers is hereby authorized and directed to execute the Continuing Disclosure Agreement substantially in the form hereby approved, with such additions therein and changes thereto as the Authorized Officer or Authorized Officers executing the same deem necessary or desirable, with such approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Agreement.

SECTION 10. The proposed form of the Escrow Agreement (the "Escrow Agreement"), by and between the District and Wells Fargo Bank, National Association, as escrow agent (the "Escrow Agent"), presented at this meeting, is hereby approved, and any one of the Authorized Officers is hereby authorized and directed to execute the Escrow Agreement substantially in the form hereby approved, with such additions therein and changes thereto as the Authorized Officer or Authorized Officers executing the same deem necessary or desirable, with such approval to be conclusively evidenced by the execution and delivery of the Escrow Agreement.

SECTION 11. The form and content of the Preliminary Official Statement substantially in the form presented to and considered at this meeting is hereby approved, with such additions thereto and changes therein as are determined to be necessary or desirable by any one of the Authorized Officers, including, but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading, such approval to be conclusively evidenced by the delivery of the Preliminary Official Statement to the Underwriter. The Authorized Officers are, and each of them acting alone is, hereby authorized to certify to the Underwriter on behalf of the District that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (except for the omission of certain information as permitted therein). The distribution by the Underwriter of copies of the Preliminary Official Statement and the Official Statement to persons who may be interested in the purchase of the Refunding Bonds is hereby authorized and approved. Each of the Authorized Officers is hereby authorized and directed to deliver to the Underwriter a final Official Statement in the form of the Preliminary Official Statement, together with such changes as are determined necessary or desirable by the Authorized Officer executing the Official Statement to make such Official Statement complete and accurate as of its date, such approval to be conclusively evidenced by the delivery of the Official Statement to the Underwriter.

SECTION 12. In accordance with the requirements of Section 53345.8 of the Act and the policies of the City, the City Council, acting in its capacity as the legislative body of the District, hereby determines that the value of the real property in the Improvement Area subject to the special tax to pay debt service on the Refunding Bonds is at least three times the sum of the principal amount of the Refunding Bonds plus the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the Improvement Area. This determination is based exclusively on the full cash value of property within the Improvement Area as shown on the *ad valorem* assessment roll for property within the Improvement Area provided by the County of Imperial and having a lien date as of January 1, 2015.

SECTION 13. Each of the Authorized Officers is authorized to provide for all services necessary to effect the issuance, sale and delivery of the Refunding Bonds. Such services shall include, but not be limited to, obtaining legal services, trustee services, verification agent services, consultant services and any other services deemed appropriate by an Authorized Officer. Any one of the Authorized Officers is authorized to pay for the cost of such services, together with other Costs of Issuance (as defined in the Indenture and as otherwise agreed to in writing by an Authorized Officer) from the sale and delivery of Refunding Bond proceeds. The Authorized Officers are hereby authorized and directed to pay all the fees and other costs of issuance of the Refunding Bonds in accordance with the Bond Purchase Agreement and as otherwise agreed to by the District and the respective parties thereto, including applicable CDIAC fees, verification agent fees and printer fees.

SECTION 14. All actions heretofore taken by any Authorized Officers, or by any officers, employees or agents of the City, with respect to: (1) the issuance, delivery or sale of the Refunding Bonds; (2) the refunding, defeasance and redemption of the 2006 Bonds; and (3) the Indenture, Bond Purchase Agreement, Escrow Agreement, Continuing Disclosure Agreement or any of the documents referenced therein, are hereby approved, confirmed and ratified. The Authorized Officers or the designees thereof and the other officers responsible for the fiscal affairs of the District are hereby jointly and severally authorized and directed to do all things and take any and all actions and execute and deliver any and all documents as are necessary or desirable to accomplish the issuance, sale and delivery of the Refunding Bonds in accordance with the provisions of this Resolution and as are necessary or appropriate for the fulfillment of the purposes of the Refunding Bonds as described in the Indenture. Any document authorized herein to be signed by the City Clerk may be signed by a duly appointed Deputy City Clerk.

SECTION 15. The City Clerk shall certify the adoption of this Resolution.

PASSED, APPROVED and ADOPTED this ___ day of July, 2016.

Doug Cox, Mayor

I, Debra Jackson, City Clerk of the City of Imperial, do hereby certify that the foregoing Resolution was passed and adopted at a regular meeting of the City Council of the City of Imperial held on the ___ day of July, 2016, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

ATTEST:

Debra Jackson, City Clerk

ESCROW AGREEMENT

CITY OF IMPERIAL COMMUNITY FACILITIES DISTRICT NO. 2006-2 (SAVANNA RANCH) (IMPROVEMENT AREA NO. 1) 2006 SPECIAL TAX BONDS

This ESCROW AGREEMENT (the "Agreement"), dated as of July 1, 2016, is by and between City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) (the "District") and Wells Fargo Bank, National Association (the "Escrow Agent"), a national banking association organized and existing under the laws of the United States of America and being qualified to accept and administer the escrow hereby created in its capacities as escrow agent and Prior Fiscal Agent.

WITNESSETH:

WHEREAS, the District has heretofore issued its City of Imperial Community Facilities District No. 2006-2 (Savannah Ranch) (Improvement Area No. 1) 2006 Special Tax Bonds (the "Refunded Bonds"), pursuant to the terms of that certain Fiscal Agent Agreement dated as of December 1, 2006, (the "Prior Fiscal Agent Agreement") by and between the District and Wells Fargo Bank, National Association, as prior fiscal agent (the "Prior Fiscal Agent"); and

WHEREAS, the District has determined to cause the issuance and sale of its Improvement Area No. 1 Special Tax Refunding Bonds, Series 2016A (the "Refunding Bonds") for the purpose of providing moneys to the Prior Fiscal Agent, which will be sufficient (when combined with moneys to be transferred from the Prior Fiscal Agent) to redeem the Refunded Bonds maturing on and after September 1, 2017 on September 1, 2016 (the "Redemption Date") at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the Redemption Date (the "Redemption Price"); and

WHEREAS, a portion of the proceeds of the Refunding Bonds shall be set aside in order to provide for the payment of the Refunded Bonds and that such proceeds shall be deposited in a special escrow fund to be created hereunder and maintained by the Escrow Agent (the "Escrow Fund"); and

WHEREAS, the District has taken action to cause to be delivered to the Escrow Agent, for deposit in the Escrow Fund, proceeds of the Refunding Bonds for the purchase of certain securities and investments consisting of direct noncallable obligations of the United States of America as listed on Schedule B attached hereto and made a part hereof (the "Investment Securities"), in an amount which, together with the cash deposit described herein and the income to accrue on such Investment Securities, is intended by the District to be sufficient, upon the maturity of such Investment Securities, to pay the principal of and interest on the Refunded Bonds through and including September 1, 2016, and to redeem the Refunded Bonds on September 1, 2016 at the Redemption Price;

NOW, THEREFORE, the District and the Escrow Agent hereby agree as follows:

Section 1. Establishment, Funding and Maintenance of Escrow Fund.

(a) The Escrow Agent agrees to establish and maintain the Escrow Fund until final payment of the Refunded Bonds has been paid in full and to hold the securities, investments and moneys therein at all times as a special and separate escrow fund (wholly segregated from all other securities, investments or moneys on deposit with the Escrow Agent). The District shall deposit with the Escrow Agent \$_____ of proceeds of the Refunding Bonds along with \$_____ from the certain funds held under the Prior Fiscal Agent Agreement which the Prior Fiscal Agent is hereby instructed to transfer. All securities, investments and moneys in the Escrow Fund are hereby irrevocably pledged, subject to the provisions of Section 2 hereof, to secure the payment of the Refunded Bonds. The Escrow Agent shall purchase Investment Securities as described in Schedule B at a cost of \$_____ and shall hold \$_____ uninvested in cash.

(b) The Escrow Agent hereby acknowledges receipt of the verification report of Causey Demgen & Moore, P.C., dated _____, 2016 relating to the Investment Securities (the "Verification Report") and the District's defeasance of the Refunded Bonds in the manner and to the extent provided by law and in Section 9.03 of the Prior Fiscal Agent Agreement.

Section 2. Investment of the Escrow Fund.

(a) The District and the Escrow Agent each shall take all remaining action, if any, necessary to have the Investment Securities issued and registered in the name of the District for the account of the Escrow Fund. Except as otherwise provided in this Section, the Escrow Agent shall not reinvest any cash portion of the Escrow Fund and shall hold such cash portion uninvested.

(b) Upon the written direction of the District, but subject to the conditions and limitations herein set forth, the Escrow Agent shall sell, transfer, request the redemption or otherwise dispose of some or all of the Investment Securities in the Escrow Fund and purchase with the proceeds derived from such sale, transfer, redemption or other disposition noncallable, non prepayable obligations constituting direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America (the "Substitute Investment Securities"). Such sale, transfer, redemption or other disposition of Investment Securities and purchase of Substitute Investment Securities shall be effected by the Escrow Agent upon the written direction of the District but only by a simultaneous transaction and only if (i) a nationally recognized firm of independent certified public accountants shall certify that (a) the Substitute Investment Securities, together with the Investment Securities which will continue to be held in the Escrow Fund, will mature in such principal amounts and earn interest in such amounts and, in each case, at such times so that sufficient moneys will be available from maturing principal and interest on such Investment Securities and Substitute Investment Securities held in the Escrow Fund, together with any uninvested moneys therein, to make all payments required by Section 3 hereof which have not previously been made, and (b) the amounts and dates of the anticipated payments by the Escrow Agent of the principal and interest on the Refunded Bonds will not be diminished or postponed thereby, and (ii) the Escrow Agent shall receive an unqualified opinion of nationally recognized municipal bond attorneys to the effect that the proposed sale, transfer, redemption or other disposition and substitution of Investment Securities will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Refunding Bonds and the Refunded Bonds.

(c) Upon the written direction of the District, but subject to the conditions and limitations herein set forth, the Escrow Agent will apply any moneys received from the maturing principal of or interest or other investment income on any Investment Securities and Substitute Investment Securities held in the Escrow Fund, or the proceeds from any sale, transfer, redemption or other disposition of Investment Securities pursuant to Section 2(b) not required for the purposes of said Section, as follows: to the extent such moneys will not be required at any time for the purpose of making a payment required by Section 3 hereof, as certified by a nationally recognized firm of independent certified public accountants, such moneys shall be transferred to the District upon the written direction of the District as received by the Escrow Agent, free and clear of any trust, lien, pledge or assignment securing the Refunded Bonds or otherwise existing hereunder or under the Prior Fiscal Agent Agreement.

Section 3. Payment of the Refunded Bonds. The District hereby requests and irrevocably instructs the Escrow Agent, and the Escrow Agent hereby agrees, to collect and deposit in the Escrow Fund the principal of and interest on the Investment Securities and Substitute Investment Securities held for the account of the Escrow Fund promptly as such principal and interest become due, and, subject to the provisions of Section 2 hereof, to pay such principal and interest, together with any other moneys and the principal of and interest on any other securities deposited in the Escrow Fund, to the Prior Fiscal Agent for the payment of the Refunded Bonds at the places and in the manner stipulated in the Refunded Bonds and in the Prior Fiscal Agent Agreement in accordance with Schedule C. The District hereby irrevocably instructs the Prior Fiscal Agent to provide the Notice of Redemption required pursuant to Section 2.03 of the Prior Fiscal Agent Agreement no later than August 1, 2016. The District hereby further irrevocably instructs the Escrow Agent to provide the Notice of Defeasance in substantially the form set forth in Schedule D hereto. In accordance with Sections 2.03 and 9.03 of the Prior Fiscal Agent Agreement, the Escrow Agent is irrevocably instructed to make all payments of principal and interest due on the Refunded Bonds on and prior to September 1, 2016 and to redeem the Refunded Bonds on September 1, 2016 at the Redemption Price. Upon payment in full of the Refunded Bonds, the Escrow Agent shall transfer any moneys or securities remaining in the Escrow Fund to the District and this Agreement shall terminate. The Escrow Fund cash flow is set forth in Schedule C attached hereto.

Section 4. Possible Deficiencies; Amounts in Excess of Required Cash Balance. If at any time the Escrow Agent has actual knowledge that the moneys in the Escrow Fund, including the anticipated proceeds of the Investment Securities and any Substitute Investment Securities, will not be sufficient to make all payments required by Section 3 hereof, the Escrow Agent shall notify the District in writing as soon as is reasonably practicable, of such fact, the amount of such deficiency and the reason therefor solely to the extent actually known to it; provided, however, the Escrow Agent shall have no liability for any deficiency and shall not be required to provide funds to eliminate any such deficiency. No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder.

The Escrow Agent shall in no manner be responsible for any deficiency in the Escrow Fund.

Section 5. Fees and Costs.

(a) The District shall pay to the Escrow Agent from time to time reasonable compensation for all services rendered under this Agreement and shall reimburse the Escrow Agent for all out of pocket expenses (including reasonable legal fees and expenses) incurred hereunder.

(b) The fees of and the costs incurred by the Escrow Agent shall in no event be deducted or payable from, or constitute a lien against, the Escrow Fund.

Section 6. Merger or Consolidation. Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under this Agreement, shall be the successor to such Escrow Agent without the execution or filing of any paper or any further act, notwithstanding anything herein to the contrary.

Section 7. Indemnity. To the maximum extent permitted by law, the District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, directors, officers, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of the Investment Securities and any Substitute Investment Securities, the retention of the Investment Securities and any Substitute Investment Securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Agent's respective successors, assigns, agents and employees or the breach by the Escrow Agent of the terms of this Agreement. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

Section 8. Responsibilities of the Escrow Agent. The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the purchase of the Investment Securities and any Substitute Investment Securities, the retention of the Investment Securities and any Substitute Investment Securities or the proceeds thereof, the sufficiency of the Investment Securities and any Substitute Investment Securities to accomplish the defeasance of the Refunded Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the Investment Securities and any Substitute Investment Securities to accomplish the defeasance of the Refunded Bonds or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability with respect thereto. The Escrow Agent

shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement and no implied covenants or obligations shall be read against the Escrow Agent hereunder. The Escrow Agent may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. No provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability by the performance or exercise of its rights or powers. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the District.

The Escrow Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

Anything in this Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The District understands that it may receive brokerage confirmations at no additional cost upon written request. The Escrow Agent will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Escrow Agent hereunder.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of Investment Securities that is to be submitted pursuant to this Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the District with respect to escrowed funds which were to be invested in Investment Securities. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of investment instructions from the District, the Escrow Agent shall not be responsible for the investment of such funds or interest thereon. The Escrow Agent may conclusively rely upon the District's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

The Escrow Agent shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Agreement.

The Escrow Agent shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys or Federal securities deposited with it to pay the principal, interest, or premiums, if any, on the Refunding Bonds.

Section 9. Amendments. This Agreement is made for the benefit of the District and the owners from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the District; provided, however, that if the District and the Escrow Agent receive an opinion of nationally recognized bond attorneys to the effect that the exclusion from gross income for federal income tax purposes of the interest on the Refunded Bonds and the Refunding Bonds will not be adversely affected thereby, they may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not materially adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; (iii) to include under this Agreement additional funds, securities or properties (but only if the sufficiency of the Escrow Fund for the purpose herein set forth is verified by a nationally recognized firm of independent certified public accountants) and shall hold funds received by it uninvested. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 10, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 10.

Section 10. Resignation or Removal of Escrow Agent.

(a) The Escrow Agent may resign by giving not less than 30 days' notice in writing to the District, which notice shall be mailed to the owners of the Refunded Bonds remaining unpaid. The Escrow Agent may be removed (1) by (i) filing with the District of an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of the Refunded Bonds then remaining unpaid, and (ii) the delivery of a copy of the instruments filed with the District to the Escrow Agent, or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Agreement upon application by the District or the owners of 5% in aggregate principal amount of the Refunded Bonds then remaining unpaid.

(b) If the position of Escrow Agent becomes vacant due to resignation or removal of the Escrow Agent or any other reason, a successor Escrow Agent may be appointed by the District. Notice of such appointment shall be mailed by first class mail, postage prepaid, to the registered owners of the Refunded Bonds. Within one year after a vacancy, the owners of a majority in principal amount of the Refunded Bonds then remaining unpaid may, by an instrument or instruments filed with the District, appoint a successor Escrow Agent who shall supersede any Escrow Agent theretofore appointed by the District. If no successor Escrow Agent is appointed by the District or the owners of such Refunded Bonds then remaining unpaid, within 45 days after any such resignation or removal, the Escrow Agent may petition the appropriate court having jurisdiction for the appointment of a successor Escrow Agent. The responsibilities of the Escrow Agent under this Escrow Agreement will not be discharged until a new Escrow Agent is appointed and until the cash and investments held under this Escrow Agreement are transferred to the new Escrow Agent.

Section 11. Severability. If any section, paragraph, sentence, clause or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Agreement.

Section 12. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 13. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 14. Definitions. Any capitalized term used but not otherwise defined in this Agreement shall have the meaning assigned to such term in the Prior Fiscal Agent Agreement.

Section 15. Assignment. This Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the District provided, however, that an assignment made pursuant to Section 7 hereof shall not require prior written consent.

Section 16. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in which the principal office of the Escrow Agent is located are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date

provided in this Agreement; and no interest shall accrue for the period from and after such nominal date.

IN WITNESS WHEREOF, City of Imperial Community Facilities District No. 2006-2 and Wells Fargo Bank, National Association, as Escrow Agent, have caused this Escrow Agreement to be executed each on its behalf by duly authorized officers as of the day and year first above written.

CITY OF IMPERIAL COMMUNITY FACILITIES
DISTRICT NO. 2006-2

City Manager of the City of Imperial, acting as the legislative body of City of Imperial Community Facilities District No. 2006-2

ATTEST:

Clerk of the City Council of the City of Imperial, acting as the legislative body of City of Imperial Community Facilities District No. 2006-2

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Escrow Agent and Prior Fiscal
Agent

By: _____
Its: Authorized Officer

SCHEDULE A

[RESERVED]

SCHEDULE B

INVESTMENT SECURITIES

United States Treasury Time Deposit Securities, State and Local Government Series

<i>Type</i>	<i>Coupon</i>	<i>Maturity Date</i>	<i>Par Amount</i>
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SCHEDULE C
ESCROW FUND CASH FLOW

SCHEDULE D

**NOTICE OF DEFEASANCE OF BONDS OF
CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT
NO. 2006-2
(SAVANNA RANCH)
(IMPROVEMENT AREA NO. 1)
2006 SPECIAL TAX BONDS**

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Redemption Date</i>	<i>Redemption Price</i>	<i>CUSIP</i>
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Notice is hereby given to the owners of the above-captioned and listed bonds (collectively, the "Refunded Bonds") that:

(i) There has been deposited in an Escrow Fund with Wells Fargo Bank, National Association, as Escrow Agent, certain monies and investment securities as permitted by that Fiscal Agent Agreement dated as of December 1, 2006 (the "Fiscal Agent Agreement") by and between Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent") and the City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) (the "District") pursuant to which the Refunded Bonds were issued, for the purpose of defeasing and redeeming the Refunded Bonds. The investment securities will mature at the proper times and in the proper amounts to produce funds which, along with the moneys deposited with the Escrow Agent, will be sufficient (a) to pay the principal of and interest on the Refunded Bonds through and including September 1, 2016, and (b) to redeem the Refunded Bonds on September 1, 2016 at redemption price equal to the principal amount thereof, without premium (the "Redemption Price").

(ii) The Fiscal Agent has been irrevocably instructed by the District to mail a notice of redemption in accordance with the Fiscal Agent Agreement and to redeem the Refunded Bonds on September 1, 2016.

(iii) The Refunded Bonds are deemed to be paid in accordance with Section 9.03 of the Fiscal Agent Agreement and all liability of the District under the Fiscal Agent Agreement has ceased and been discharged except for the obligation of the Fiscal Agent to pay the owners of the Refunded Bonds the interest on and Redemption Price of the Refunded Bonds when due from amounts on deposit in the Escrow Fund in accordance with Section 9.03 of the Fiscal Agent Agreement.

Dated: _____, 2016

WELLS FARGO BANK, NATIONAL
ASSOCIATION
as Escrow Agent

BOND INDENTURE

By and Between

**CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(SAVANNA RANCH)**

and

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee**

\$_____
**CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(SAVANNA RANCH)
(IMPROVEMENT AREA NO. 1)
SPECIAL TAX REFUNDING BONDS, SERIES 2016A**

Dated as of July 1, 2016

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BOND INDENTURE

THIS BOND INDENTURE dated as of July 1, 2016, by and between CITY OF IMPERIAL COMMUNITY FACILITIES DISTRICT NO. 2006-2 (SAVANNA RANCH) (the “District”) and WELLS FARGO BANK, NATIONAL ASSOCIATION, as trustee (the “Trustee”), governs the terms of the Special Tax Refunding Bonds (Improvement Area No. 1), Series 2016A of the District issued in accordance herewith.

RECITALS:

WHEREAS, the City Council of the City of Imperial, located in Imperial County, California (hereinafter sometimes referred to as the “legislative body of the District” or the “City”), has heretofore undertaken proceedings and declared the necessity to issue bonds on behalf of the District and its Improvement Area No. 1 (the “Improvement Area”) pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5, of the Government Code of the State of California (the “Act”); and

WHEREAS, the District has previously issued its (Improvement Area No. 1) 2006 Special Tax Bonds (the “2006 Bonds”) in the aggregate principal amount of \$5,000,000, which are the only bonds of the District that are outstanding; and

WHEREAS, the legislative body of the District intends to accomplish the refunding of the 2006 Bonds through the issuance of bonds in an aggregate principal amount of \$_____ designated as the “City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) (Improvement Area No. 1) Special Tax Refunding Bonds, Series 2016A” (the “Bonds”) and to fund a deposit to the Reserve Account and pay certain costs related to the issuance of the Bonds; and

WHEREAS, the District has determined that the issuance of the Bonds will provide significant public benefits by reducing the total amount of Special Taxes to be levied for debt service on indebtedness of the Improvement Area; and

WHEREAS, the Bonds are to be issued and sold in accordance with Resolution No. ___ of the City Council of the City, acting in its capacity as the legislative body of the District, and in accordance with this Indenture; and

WHEREAS, the legislative body of the District has determined that all requirements of the Act for the issuance of the Bonds have been satisfied; and

WHEREAS, upon their issuance and the refunding of the 2006 Bonds, the Bonds will be the only outstanding bonds to refund the Bonds of the District issued on behalf of the Improvement Area, and the District is covenanting herein not to issue any future obligation or security having a lien, charge, pledge or encumbrance upon the Special Taxes except as set forth herein;

NOW, THEREFORE, in order to establish the terms and conditions upon and subject to which the Bonds are to be issued, and in consideration of the premises and of the mutual covenants contained herein and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the District does hereby covenant and agree, for the benefit of the Owners of the Bonds which may be issued hereunder from time to time, as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the following terms shall have the following meanings:

“Account” means any account created pursuant to this Indenture.

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

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Trustee and any Special Tax Consultant to the District, any fees and related costs for credit enhancement for the Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds and the District, and any other costs otherwise incurred by the City staff on behalf of the District in order to carry out the purposes of the District as set forth in the Ordinance of Formation and any obligation of the District hereunder.

“Administrative Expenses Cap” means \$25,000 per Bond Year, or such lesser amount as may be designated in written instructions from an Authorized Representative of the District.

“Alternative Penalty Account” means the account by that name created and established in the Rebate Fund pursuant to Section 3.1 hereof.

“Annual Debt Service” means the principal amount of any Outstanding Bonds and any Sinking Fund Payments payable in a Bond Year at maturity and any interest payable on any Outstanding Bonds in such Bond Year, if the Bonds are retired as scheduled.

“Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(1) (A) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”); (B) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (C) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (D) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Senior Debt obligations
- Federal Farm Credit Banks
Consolidated system-wide bonds and notes
- Federal Home Loan Banks (FHL Banks)
Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
Senior debt obligations
Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(4) Unsecured certificates of deposit, time deposits, bank deposits, demand deposits and bankers' acceptances (having maturities of not more than 30 days) of any bank (including the Trustee and any affiliate) the short-term obligations of which, at the time of purchase, are rated "A-1" or better by Standard & Poor's.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation in banks (including the Trustee and any affiliate) which have capital and surplus of at least \$5 million.

(6) Commercial paper having original maturities of not more than 270 days and, at the time of purchase, rated "A-1" or "A-1+" by Standard & Poor's and "Prime-1" by Moody's.

(7) Money market funds, at the time of purchase, rated "AAm" or "AAm-G" by Standard & Poor's, or better (including those of the Trustee or its affiliates).

(8) "State Obligations," which means:

(A) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated, at the time of purchase, "A3" by Moody's and "A-" by Standard & Poor's, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(B) Direct general short-term obligations of any state agency or subdivision or agency thereof described in clause (A) above and, at the time of purchase, rated "A-1+" by Standard & Poor's and "Prime-1" by Moody's.

(C) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in clause (A) above and, at the time of purchase, rated "AA-" or better by Standard & Poor's and "Aa3" or better by Moody's.

(9) Pre-refunded municipal obligations rated by S & P and by Moody's not lower than United States Treasury Obligations meeting the following requirements:

(A) the municipal obligations are: (1) not subject to redemption prior to maturity; or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(B) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(C) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(D) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(E) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(F) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(10) Repurchase agreements:

(A) With: (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated, at the time of purchase, at least “A” by Standard & Poor’s and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated, at the time of purchase, at least “A” by Standard & Poor’s and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated, at the time of purchase, “A” or better by Standard & Poor’s and Moody’s, provided that:

(a) The market value of the collateral is maintained at levels equal to 102% of the amount of cash transferred by the Trustee to the provider of the repurchase agreement plus accrued interest with the collateral being valued weekly and marked-to-market at one current market price plus accrued interest;

(b) The Trustee or a third party acting solely as agent therefor or for the District (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

(c) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(d) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or Standard & Poor's is withdrawn or suspended or falls below "A-" by Standard & Poor's or "A3" by Moody's, as appropriate, the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

(11) Investment agreements with a domestic or foreign bank or corporation the long-term debt of which or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated, at the time of purchase, at least "AA-" by Standard & Poor's and "Aa3" by Moody's; provided that, by the terms of the investment agreement:

(A) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Costs of Issuance Fund, construction draws) on the Bonds;

(B) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the District and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(C) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof, or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks *pari passu* with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;

(D) the District and the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the District and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the District;

(E) the investment agreement shall provide that if during its term:

(1) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either: (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Standard & Poor's and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and

(2) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the District or the Fiscal Agent, within 10 days of receipt of such direction, repay the

principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee; and

(F) The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(G) the investment agreement must provide that if during its term:

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate; and

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate.

(12) The State of California Local Agency Investment Fund; provided that the Trustee may restrict investments in such fund to the extent necessary to keep moneys available for the purposes of this Indenture.

"Authorized Representative of the City" means the Mayor of the City, the City Manager of the City, the City Treasurer of the City, the Finance Director of the City or any other person or persons designated by the Mayor, the City Manager, the City Treasurer, or the Finance Director by a written certificate signed by the Mayor, the City Manager, the City Treasurer or the Finance Director and containing the specimen signature of each such person.

"Authorized Representative of the District" means Mayor of the City, the City Manager of the City, the City Treasurer of the City, the Finance Director of the City or any other person or persons designated by the Mayor, the City Manager, the City Treasurer or the Finance Director by a written certificate signed by the Mayor, the City Manager, the City Treasurer or the Finance Director and containing the specimen signature of each such person.

"Bond Counsel" means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

"Bond Register" means the books which the Trustee shall keep or cause to be kept on which the registration and transfer of the Bonds shall be recorded.

"Bondowner" or "Owner" means the person or persons in whose name or names any Bond is registered.

"Bonds" means the District's (Improvement Area No. 1) Special Tax Refunding Bonds, Series 2016A.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds shall begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located, are not required or authorized to remain closed.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the City.

“Certificate of the Special Tax Administrator” means a certificate of an Authorized Representative of the District, or any successor entity appointed by the City, to administer the calculation and collection of the Special Taxes.

“City” means the City of Imperial, California.

“Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement dated as of July 1, 2016, executed and delivered by and between the District and Urban Futures, Inc., as Dissemination Agent, together with any amendments thereto.

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds, including the acceptance and initial annual fees and expenses of the Trustee, the Financial Advisor to the City, the Special Tax Consultant, the Dissemination Agent legal fees and expenses, costs of printing the Bonds and the preliminary and final official statements for the Bonds, fees of financial consultants and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative of the City.

“Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.1 hereof.

“Delivery Date” means, with respect to the Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“Depository” means The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Bonds, or any other securities depository acting as Depository under Article II hereof.

“Developed Property” means real property within the Improvement Area for which a building permit has been issued.

“District” means City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) established pursuant to the Act and the Ordinance of Formation.

“Escrow Agent” means Wells Fargo Bank, National Association, as escrow agent with respect to the defeasance of the 2006 Bonds under the provisions of the Escrow Agreement.

“Escrow Agreement” means that certain Escrow Agreement, dated as of July 1, 2016, by and between the District and the Escrow Agent.

“Escrow Fund” means the fund by that name established under the Escrow Agreement.

“Event of Default” means any of the events of default described in Section 8.1 hereof.

“Federal Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”); (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated; and (c) pre-refunded municipal obligations rated, at the time of purchase, “AAA” and “Aaa” by Standard & Poor’s and Moody’s, respectively (or any combination thereof).

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

“Fund” means any fund created pursuant to this Indenture and the accounts therein.

“Gross Taxes” means the amount of all Special Taxes received by the District, together with the net proceeds collected from the sale of property pursuant to the foreclosure provisions of this Indenture, 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 after payment of administrative costs and attorneys’ fees payable from such proceeds to the extent not previously paid as an Administrative Expense.

“Improvement Area” means Improvement Area No. 1 of the District.

“Indenture” means this Bond Indenture, together with any Supplemental Indenture approved pursuant to Article VI hereof.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom: (1) is in fact independent and not under the domination of the District or the City; (2) does not have any substantial interest, direct or indirect, in the District or the City; and (3) is not connected with the District or the City as a member, officer or employee of the District or the City, but who may be regularly retained to make annual or other reports to the District or the City.

“Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

“Interest Payment Date” means each March 1 and September 1, commencing [March 1, 2017]; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds by adding the following for each Bond Year: (1) the principal amount of all Outstanding Bonds payable in such Bond Year either at maturity or any Sinking Fund Payment; and (2) the interest payable on the aggregate principal amount of all Bonds Outstanding in such Bond Year if the Bonds are retired as scheduled.

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

“Net Taxes” means Gross Taxes minus amounts set aside to pay Administrative Expenses.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.16 hereof.

“Ordinance of Formation” means Ordinance No. 717 adopted by the legislative body of the District on April 5, 2006 providing for the formation of the District and the Improvement Area and the levying of the Special Tax, as it may be amended from time to time, or any other ordinance adopted by the City Council levying the Special Taxes.

“Outstanding” or “Outstanding Bonds” means all Bonds theretofore issued by the District, except: (1) Bonds theretofore cancelled or surrendered for cancellation in accordance with Section 10.1 hereof; (2) Bonds for payment or redemption of which moneys shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in this Indenture; and (3) Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to Section 2.9 hereof or for which a replacement has been issued pursuant to Section 2.10 hereof.

“Parity Bonds” means all bonds, notes or other similar evidences of indebtedness thereafter issued, payable out of Net Taxes and which, as provided in this Indenture or any Supplemental Indenture, rank on a parity with the Bonds. Parity Bonds may only be issued to refund Outstanding Bonds or other Parity Bonds.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as securities depository.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

“Prepayments” means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the Improvement Area made in accordance with the RMA.

“Principal Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

“Principal Office of the Trustee” means the corporate trust office of the Trustee located in Los Angeles, California, or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

“Rebate Account” means the account by that name created and established in the Rebate Fund pursuant to Section 3.1 hereof.

“Rebate Fund” means the fund by that name established pursuant to Section 3.1 hereof in which there are established the Accounts described in Section 3.1 hereof.

“Rebate Regulations” means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Redemption Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“Representation Letter” means the Blanket Letter of Representations from the District to the Depository as described in Section 2.13 hereof.

“Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

“Reserve Requirement” means that amount as of any date of calculation equal to the lesser of: (i) 10% of the initial principal amount of the Bonds; (ii) Maximum Annual Debt Service on the then Outstanding Bonds; (iii) 125% of average Annual Debt Service on the then Outstanding Bonds; or (iv) \$_____, the initial Reserve Requirement.

“RMA” means the Rate and Method of Apportionment of Special Taxes approved by the qualified electors within the Improvement Area at the April 5, 2006 election, as amended from time to time.

“Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedule set forth in Section 4.2 hereof.

“Special Tax Fund” means the fund by that name created and established pursuant to Section 3.1 hereof.

“Special Taxes” means the taxes levied by the legislative body of the District on property within the Improvement Area in accordance with the Ordinance of Formation, the Act and the voter approval obtained at the April 5, 2006 election in the Improvement Area, including any scheduled payments and any Prepayments thereof, the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien.

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

“Supplemental Indenture” means any supplemental indenture amending or supplementing this Indenture.

“Surplus Fund” means the fund by that name created and established pursuant to Section 3.1 hereof.

“Tax Certificate” means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Trustee” means Wells Fargo Bank, National Association, a national banking association duly organized and existing under the laws of the United States of America, with a corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in Sections 7.2 or 7.3 and any successor thereto.

“2006 Bonds” means the City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) (Improvement Area No. 1) 2006 Special Tax Bonds, Series A.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated.

“Verification” shall have the meaning contained in clause 9(c) of the definition of “Authorized Investments.”

ARTICLE II

GENERAL AUTHORIZATION AND BOND TERMS

Section 2.1. Amount, Issuance, Purpose and Nature of Bonds. Under and pursuant to the Act, the Bonds in the aggregate principal amount of \$_____ shall be issued for the purposes of refunding the 2006 Bonds, funding the Reserve Account and paying Costs of Issuance. The Bonds shall be and are limited obligations of the District and shall be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and the other amounts in the Special Tax Fund (other than amounts in the Administrative Expense Account of the Special Tax Fund).

Section 2.2. Type and Nature of Bonds. Neither the faith and credit nor the taxing power of the City, the State of California, or any political subdivision thereof other than the District is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are neither general or special obligations of the City nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the Special Tax Fund (exclusive of the Administrative Expense Account), as more fully described herein. The District’s limited obligation to pay the principal of, premium, if any, and interest on the Bonds from amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of

California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts, revenues or assets, except the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) which are, under the terms of this Indenture and the Act, set aside for the payment of the Bonds, and interest thereon, and neither the members of the legislative body of the District or the City Council of the City nor any persons executing the Bonds, are liable personally on the Bonds, by reason of their issuance.

Notwithstanding anything to the contrary contained in this Indenture, the District shall not be required to advance any money derived from any source of income other than the Net Taxes for the payment of the interest on or the principal of the Bonds, or for the performance of any covenants contained herein. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Section 2.3. Equality of Bonds and Pledge of Net Taxes. Pursuant to the Act and this Indenture, in order to secure the payment of the principal of and interest on the Bonds in accordance with their terms, the provisions of this Indenture and the Act, the District hereby pledges to the Owners, and grants thereto a lien on and a security interest in, all of the Net Taxes and any other amounts held in the Special Tax Fund (exclusive of the Administrative Expense Account). Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, this Indenture, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

The Bonds shall be equally payable from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), without priority for number, date of the Bonds, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any premiums upon the redemption thereof, shall be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), which are hereby set aside for the payment of the Bonds. Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and, so long as any of the Bonds or interest thereon remain Outstanding, shall not be used for any other purpose, except as permitted by this Indenture or any Supplemental Indenture. Notwithstanding any provision contained in this Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund shall no longer be considered to be pledged to the Bonds, and none of the Rebate Fund, the Surplus Fund, the Costs of Issuance Fund or the Administrative Expense Account of the Special Tax Fund shall be construed as a trust fund held for the benefit of the Owners.

Nothing in this Indenture or any Supplemental Indenture shall preclude, subject to the limitations contained hereunder, the redemption prior to maturity of any Bonds subject to call and redemption and payment of said Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California.

Section 2.4. Description of Bonds; Interest Rates. The Bonds shall be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be numbered as desired by the Trustee.

The Bonds shall be designated “CITY OF IMPERIAL COMMUNITY FACILITIES DISTRICT NO. 2006-2 SAVANNA RANCH) (IMPROVEMENT AREA NO. 1) SPECIAL TAX REFUNDING BONDS, SERIES 2016A”. The Bonds shall be dated as of their Delivery Date and shall mature and be payable on September 1 in the years and in the aggregate principal amounts and shall be subject to and shall bear interest at the rates set forth in the table below payable on September 1, [2017] and each Interest Payment Date thereafter:

<i>Maturity Date</i> <i>(September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
	\$	%

Interest shall be payable on each Bond from the date established in accordance with Section 2.5 below on each Interest Payment Date thereafter until the principal sum of that Bond has been paid; provided, however, that if at the maturity date of any Bond (or if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof in full, in accordance with the terms of this Indenture, such Bonds shall then cease to bear interest. Interest due on the Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Section 2.5. Place and Form of Payment. The Bonds shall be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and any premiums due upon the redemption thereof shall be payable upon presentation and surrender thereof at the Principal Office of the Trustee, or at the designated office of any successor Trustee. Interest on any Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless: (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall 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 occurring after the issuance of

such Bond, in which event interest shall be payable from the dated date of such Bond; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on that Bond shall 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 that Bond, interest on that Bond shall be payable from its dated date. Interest on any Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Such interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds, payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account within the continental United States designated by such Owner.

Section 2.6. Form of Bonds. The definitive Bonds may be printed from steel engraved or lithographic plates or may be typewritten. The Bonds and the certificate of authentication shall be substantially in the form attached hereto as Exhibit A, which form is hereby approved and adopted as the form of such Bonds and of the certificate of authentication.

Until definitive Bonds shall be prepared, the District may cause to be executed and delivered in lieu of such definitive Bonds temporary bonds in typed, printed, lithographed or engraved form and in fully registered form, subject to the same provisions, limitations and conditions as are applicable in the case of definitive Bonds, except that they may be in any denominations authorized by the District. Until exchanged for definitive Bonds, as applicable, any temporary bond shall be entitled and subject to the same benefits and provisions of this Indenture as definitive Bonds. If the District issues temporary Bonds, it shall execute and furnish definitive Bonds without unnecessary delay and thereupon any temporary Bond may be surrendered to the Trustee at its office, without expense to the Owner, in exchange for a definitive Bond of the same maturity, interest rate and principal amount in any authorized denomination. All temporary Bonds so surrendered shall be cancelled by the Trustee and shall not be reissued.

Section 2.7. Execution and Authentication. The Bonds shall be signed on behalf of the District by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Clerk of the City, or any duly appointed deputy City Clerk, in their capacity as officers of the District. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed have been authenticated and delivered by the Trustee (including new Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bonds shall nevertheless be valid and may be authenticated and delivered as herein provided, and may be issued as if the person who signed such Bonds had not ceased to hold such office.

Only the Bonds as shall bear thereon such certificate of authentication in the form set forth in Exhibit A attached hereto shall be entitled to any right or benefit under this Indenture, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been signed by the Trustee.

Section 2.8. Bond Register. The Trustee will keep or cause to be kept, at the Principal Office of the Trustee, sufficient books for the registration and transfer of the Bonds which shall upon reasonable prior notice be open to inspection by the District during all regular business hours upon

reasonable prior notice, and, subject to the limitations set forth in Section 2.9 below, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register Bonds as herein provided.

The District and the Trustee may treat the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of that Bond for any and all purposes, and the District and the Trustee shall not be affected by any notice to the contrary. The District and the Trustee may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes. It shall be the duty of the Bondowner to give written notice to the Trustee of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

Section 2.9. Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, 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 Principal Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds for other authorized denominations of the same maturity. The Trustee shall not collect from the Owner any charge for any new Bond issued upon any exchange or transfer, but shall 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 Bonds shall be surrendered for registration of transfer or exchange, the District shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount; provided that the Trustee shall not be required to register transfers or make exchanges of: (i) Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed; or (ii) any Bonds chosen for redemption.

Section 2.10. Mutilated, Lost, Destroyed or Stolen Bonds. If any Bond shall become mutilated, the District shall execute, and the Trustee shall authenticate and deliver, a new Bond of like tenor, date and maturity in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by the Trustee pursuant to Section 10.1 hereof. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and, if any indemnity satisfactory to the Trustee shall be given, the District, at the expense of the Bondowner, shall execute and the Trustee shall authenticate and deliver, a new Bond of like tenor and maturity, numbered and dated as the Trustee shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued in lieu of any Bond alleged to be mutilated, lost, destroyed or stolen, shall be equally and proportionately entitled to the benefits hereof with all other Bonds issued hereunder. The Trustee shall not treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed, authenticated and delivered hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bonds upon receipt of indemnification satisfactory to the Trustee.

Section 2.11. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any defect in any proceedings taken by the District with respect to the issuance of the Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Act and other applicable laws of the State shall be conclusive evidence of their validity and of the regularity of their issuance.

Section 2.12. Book-Entry System. The Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.14 hereof, all of the Outstanding Bonds shall be registered in the registration books kept by the Trustee in the name of the Nominee.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the District and the Trustee shall have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of the principal of, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Trustee, shall receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by the Depository to the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such new nominee of the Depository.

Section 2.13. Representation Letter. In order to qualify the Bonds which the District elects to register in the name of the Nominee for the Depository's book-entry system, an authorized representative of the District or the Trustee is hereby authorized to execute from time to time and deliver to such Depository the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.12 or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Trustee.

In addition to the execution and delivery of the Representation Letter, the Authorized Representatives of the District are hereby authorized to take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

Section 2.14. Transfers Outside Book-Entry System. In the event that: (i) the Depository determines not to continue to act as securities depository for the Bonds; or (ii) the District determines that the Depository shall no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository, then the Bonds so designated shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but shall be registered in whatever name or names Persons transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 2.9 hereof.

Section 2.15. Payments to the Nominee. Notwithstanding any other provisions of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Section 2.16. Initial Depository and Nominee. The initial Depository under this Article II shall be The Depository Trust Company, New York, New York (the "DTC"). The initial Nominee shall be Cede & Co., as Nominee of the DTC.

Section 2.17. Conditions for the Issuance of Parity Bonds. The District may at any time after the issuance and delivery of the Bonds hereunder issue 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 and any other Parity Bonds theretofore issued hereunder or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. Parity Bonds may only be issued subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

(a) The District shall be in compliance with all covenants set forth in this Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify the following:

(1) The purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding Bonds or Parity Bonds, including payment of all costs and the funding of all reserves incidental to or connected with such refunding;

(2) The authorized principal amount of such Parity Bonds;

(3) The date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on a September 1, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) The denominations and method of numbering of such Parity Bonds;

(6) The amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account to increase the amount therein to the Reserve Requirement;

(7) The form of such Parity Bonds; and

(8) Such other provisions as are necessary or appropriate and not inconsistent with this Indenture.

(c) The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(2) A written request of the District as to the delivery of such Parity Bonds;

(3) An opinion of Bond Counsel and/or general counsel to the District to the effect that (a) the District has the right and power under the Act to execute this Indenture and the Supplemental Indentures relating to such Parity Bonds, and this Indenture and all such Supplemental Indentures have been duly and lawfully executed by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) this Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in this Indenture, subject to the application thereof to the purposes and on the conditions permitted by this Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of this Indenture and all Supplemental Indentures thereto and entitled to the benefits of this Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and this Indenture and all such Supplemental Indentures.

(4) A certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of this Indenture;

(5) A certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds;

(6) Such further documents, money and securities as are required by the provisions of this Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds; and

(d) No Event of Default shall have occurred and be continuing with respect to the Bonds.

ARTICLE III

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Section 3.1. Creation of Funds; Application of Proceeds.

(a) There are hereby created and established and shall be maintained by the Trustee the following funds and accounts:

(1) The Community Facilities District No. 2006-2 Special Tax Fund (the “Special Tax Fund”) (in which there shall be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account and an Administrative Expense Account).

(2) The Community Facilities District No. 2006-2 Rebate Fund (the “Rebate Fund”) (in which there shall be established a Rebate Account and an Alternative Penalty Account).

(3) The Community Facilities District No. 2006-2 Costs of Issuance Fund (the “Costs of Issuance Fund”).

(4) The Community Facilities District No. 2006-2 Surplus Fund (the “Surplus Fund”).

The amounts on deposit in the foregoing funds and accounts shall be held by the Trustee and the Trustee shall invest and disburse the amounts in such funds and accounts in accordance with the provisions of this Article III and shall disburse investment earnings thereon in accordance with the provisions of Section 3.10 hereof.

The Trustee, at the direction of an Authorized Representative of the City, may create new funds, accounts or subaccounts, or may create additional accounts within any of the foregoing funds and accounts.

(b) The proceeds of the sale of the Bonds shall be received by the Trustee on behalf of the District and deposited and transferred as follows:

(1) \$_____ shall be deposited to the Costs of Issuance Fund to pay the Costs of Issuance of the Bonds;

(2) \$_____ shall be deposited to the Reserve Account of the Special Tax Fund to fund the Reserve Requirement;

(3) \$_____ shall be transferred to the Escrow Agent for deposit in the Escrow Fund; and

(4) \$_____ shall be deposited to the Administrative Expense Account of the Special Tax Fund.

The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers and deposits.

Section 3.2. Deposits to and Disbursements from Special Tax Fund.

(a) Except for Prepayments which shall be deposited to the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee shall, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. 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 Section 3.3 herein;

(7) the Rebate Fund; and

(8) the Surplus Fund.

(b) At maturity of all of the Bonds and, after all principal and interest then due on the Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Section 3.3. Administrative Expense Account of the Special Tax Fund. 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. Moneys in the Administrative Expense Account of the Special Tax Fund shall be invested in any Authorized Investments as directed in writing by an Authorized Representative of the District and shall be disbursed as directed in a Certificate of an Authorized Representative, provided that the maturity or maturities thereof shall not exceed 30 days from the date of purchase. In the event Administrative Expenses exceed the Administrative Expense Cap in any Bond Year, after all deposits required pursuant to Sections 3.4, 3.5 and 3.6 below have been made for the then current Bond Year, the Trustee shall transfer from the Special Tax Fund to the Administration Expense Account of the Special Tax Fund the amount of Administrative Expenses in excess of the Administrative Expense Cap, as directed in writing in a Certificate of an Authorized Representative.

Section 3.4. Interest Account and Principal Account of the Special Tax Fund. The principal or Sinking Fund Payment of and interest due on the Bonds until maturity shall be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal or Sinking Fund Payment of and interest on the Bonds will be made when due, after making the transfer required by Section 3.3, at least one Business Day prior to each March 1 and September 1, 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 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, [2017], 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.

Section 3.5. Redemption Account of the Special Tax Fund.

(a) 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 redemption date established pursuant to Section 4.1 hereof 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.

(b) Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds pursuant to Sections 4.1 and 4.3 and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds and in the case of an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account may be used to purchase Outstanding Bonds in the manner hereinafter provided. 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 Section 4.1, 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.

Section 3.6. Reserve Account of the Special Tax Fund. There shall be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The amounts in the Reserve Account shall be applied as follows:

(a) 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 pursuant to Section 3.7 hereof 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.

(b) Notwithstanding anything herein to the contrary, whenever moneys are withdrawn from the Reserve Account, after making the required transfers pursuant to Sections 3.3, 3.4 and 3.5 above, 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.

(c) In connection with a redemption of Bonds pursuant to Section 4.1 or Section 4.3, or a defeasance of Bonds in accordance with Section 9.1, amounts in the Reserve Account may be applied to such redemption or defeasance so long as the amount on deposit in the Reserve Account following such redemption or any partial defeasance equals the Reserve Requirement. The District shall set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to this Indenture to partially defease Bonds, and the Trustee shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) Notwithstanding anything herein to the contrary, moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of this section shall be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and shall be transferred to the Interest Account of the Special Tax Fund.

Section 3.7. Rebate Fund.

(a) Establishment. The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund and shall establish a separate Rebate Account and Alternative Penalty Account therein. The District shall cause to be deposited in the Rebate Fund such amounts as required under the Tax Certificate. All money at any time deposited in the Rebate Account or the Alternative Penalty Account of the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section 3.7 and the Tax Certificate.

Without limiting the generality of the foregoing, the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final treasury regulations as may be applicable to the Bonds from time to time, which the District covenants to pay or cause to be paid to the United States at the times and in the amounts determined under the Tax Certificate. The Trustee agrees to comply with all written instructions given to it by the District in accordance with this covenant. The Trustee shall conclusively be deemed to have complied with the provisions of this Section 3.7 if it follows the written instructions of the District and shall not be required to take any actions hereunder in the absence of instructions from the District.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to the Bonds after payment in full of such issue and after making the payments required to comply with this Section 3.7 and the Tax Certificate may be withdrawn by the Trustee at the written direction of the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in this Section or this Indenture to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance and final payment of the Bonds.

(d) Amendment Without Consent of Owners. This Section 3.7 may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or amendment

will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds issued on a tax-exempt basis. Notwithstanding any provision of this Section, if the District shall provide to the Trustee an opinion of a nationally recognized bond or tax counsel that any specified action required under this Section 3.7 is no longer required or that some further or different action is required to maintain the tax-exempt status of interest on the Bonds, the Trustee and the District may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

Section 3.8. Surplus Fund. After making the transfers required by Sections 3.3, 3.4, 3.5, 3.6 and 3.7 hereof, as soon as practicable after each September 1, and in any event prior to each October 1, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to Section 5.2(b) hereof. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District: (i) to the Interest Account or the Principal Account of the Special Tax Fund to pay the principal or Sinking Fund Payments of and interest on the Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses; or (iv) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund shall be invested at the written direction of the District in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Section 3.9. Costs of Issuance Fund.

(a) The moneys in the Costs of Issuance Fund shall be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District to pay Costs of Issuance.

(b) Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Costs of Issuance Fund is no longer needed to pay Costs of Issuance, the Trustee shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Costs of Issuance Fund to the Interest Account of the Special Tax Fund. On the date which is six months after the date of issuance of the Bonds, all

amounts remaining in the Costs of Issuance Fund shall be transferred to the Interest Account of the Special Tax Fund and the Costs of Issuance Fund shall be closed.

Section 3.10. Investments. Moneys held in any of the Funds and Accounts under this Indenture shall be invested by the Trustee at the written direction of the District in accordance with the limitations set forth below only in Authorized Investments, which shall be deemed at all times to be a part of such Funds and Accounts. Any loss resulting from such Authorized Investments shall be charged to the Fund or Account from which such investment was made, and any investment earnings on a Fund or Account shall be applied as follows: (i) investment earnings on all amounts deposited in the Costs of Issuance Fund, the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account of the Special Tax Fund) shall be deposited in those respective Funds and Accounts; and (ii) investment earnings on all amounts deposited in the Reserve Account shall be deposited therein to be applied as set forth in Section 3.6. Moneys in the Funds and Accounts held under this Indenture shall be invested by the Trustee as directed in writing by the District, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Costs of Issuance Fund shall be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Costs of Issuance Fund.

(b) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Special Tax Fund shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds as the same become due.

(c) One-half of the amount in the Reserve Account of the Special Tax Fund may be invested only in Authorized Investments which mature not later than six (6) months from their date of purchase by the Trustee, and one-half of such amount shall be invested in Authorized Investments which mature not more than two (2) years from the date of purchase by the Trustee; provided that such amounts may be invested in an investment or repurchase agreement so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with Section 3.6 hereof; and provided that no such Authorized Investment of amounts in the Reserve Account allocable to the Bonds shall mature later than the final maturity date of the Bonds.

(d) Moneys in the Rebate Fund shall be invested only in Authorized Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to Section 3.7 hereof or in Authorized Investments of the type described in clause (7) of the definition thereof.

(e) In the absence of written investment directions from the District, the Trustee shall invest solely in Authorized Investments specified in clause (7) of the definition thereof.

The Trustee shall sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such Funds and Accounts or from such Funds and Accounts. For the purpose of determining at any given time the balance in any such Funds and Accounts, any such investments constituting a part of such Funds

and Accounts shall be valued at their cost, except that amounts in the Reserve Account shall be valued at the market value thereof at least semi-annually on or before each Interest Payment Date. In making any valuations hereunder, the Trustee may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything herein to the contrary, the Trustee shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of this Indenture.

The Trustee may act as agent in the making or disposing of any investment and shall be entitled to its customary fee for making such investment. The Trustee may sell at the best market price obtainable, or present for redemption, any Authorized Investment so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Authorized Investment is credited, and, subject to the provisions of Section 7.4, the Trustee shall not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately.

The District acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The District understands that it may receive brokerage confirmations at no additional cost upon written request. The Trustee will furnish the District periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.1. Optional Redemption.

The Bond maturing on or before September 1, 20__ are not subject to optional redemption. The Bonds maturing on or after September 1, 20__ 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, 20__, 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.

In the event the District shall elect to redeem Bonds as provided in this Section 4.1, the District shall give written notice to the Trustee of its election so to redeem, the redemption date and the principal amount of the Bonds to be redeemed. The notice to the Trustee shall be given at least 45 but no more than 60 days prior to the redemption date or such shorter period as shall be acceptable to the Trustee in the sole determination of the Trustee, such notice for the convenience of the Trustee.

Section 4.2. Mandatory Sinking Fund Redemption.

The Bonds maturing on September 1, 20__ (the "Term Bonds") will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account established by the Indenture, on September 1, 20__, and on each September 1 thereafter

prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

<u>Term Bonds Maturing September 1, 20__</u>	
<u>Year</u>	<u>Amount</u>
20__	\$
20__ (Maturity)	

In the event of a partial optional redemption or extraordinary mandatory redemption of the Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds, as applicable, will be reduced, as nearly as practicable, on a pro rata basis, in integral multiples of \$5,000.

Section 4.3. Extraordinary Redemption of Bonds.

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 of Special Taxes deposited to the Redemption Account pursuant to Section 3.2, plus amounts transferred from the Reserve Account pursuant to Section 3.6(c), 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 in accordance with Section 3.6 hereof 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.

Section 4.4. Selection of Bonds for Redemption. If less than all of the Bonds Outstanding are to be redeemed (except with respect to mandatory sinking fund redemption in which case selection shall be by lot), the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds for redemption, the Trustee shall treat such Bonds as representing that number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bonds to be redeemed in part by \$5,000. The Trustee shall promptly notify the District in writing of the Bonds, or portions thereof, selected for redemption.

Section 4.5. Notice of Redemption. When Bonds are called for redemption under Section 4.1 or Section 4.3 above, the Trustee shall give notice, in the name of the District, of the redemption of such Bonds; provided, however, that such notice for optional redemption may be conditioned on there being on deposit on the redemption date sufficient money to pay the redemption price of the Bonds to be redeemed and may be further conditioned as stated in the notice of redemption. If any condition stated in the redemption notice shall not have been satisfied on or prior to the redemption date: (a) the redemption notice shall be of no force and effect; (b) the District shall not be required to redeem such Bonds; (c) the redemption shall not be made; and (d) the Trustee shall 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.

Such notice of redemption shall: (i) 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; (ii) state the date fixed for redemption and surrender of the Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the Bonds are to be redeemed; (v) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (vi) state the date of issue of the Bonds as originally issued; (vii) state the rate of interest borne by each Bond being redeemed; and (viii) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Trustee. Such notice shall further state that on the date fixed for redemption, there shall 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 shall cease to accrue and be payable. At least 30 days but no more than 60 days prior to the redemption date, the Trustee shall 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, and to the original purchaser of the Bonds. The actual receipt by the Owner of any Bond or the original purchaser of any Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall 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 herein provided shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

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

Each further notice of redemption shall be sent not later than the date that notice of redemption is mailed to the Bondowners pursuant to the first paragraph of this Section 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 District 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 shall 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.

Section 4.6. Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity.

Section 4.7. Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in Section 4.5 hereof, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(a) the Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Indenture, anything in this Indenture or in the Bonds to the contrary notwithstanding;

(b) upon presentation and surrender thereof at the Principal Office of the Trustee, the redemption price of such Bonds shall be paid to the Owners thereof;

(c) as of the redemption date the Bonds, or portions thereof so designated for redemption, shall be deemed to be no longer Outstanding and such Bonds, or portions thereof, shall cease to bear further interest; and

(d) as of the date fixed for redemption no Owner of any of the Bonds, or portions thereof so designated for redemption, shall be entitled to any of the benefits of this Indenture or any Supplemental Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

ARTICLE V

COVENANTS AND WARRANTY

Section 5.1. Warranty. The District warrants that it shall preserve and protect the security pledged hereunder to the Bonds against all claims and demands of all persons.

Section 5.2. Covenants. So long as any of the Bonds issued hereunder are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and this Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust for the Owners and will instruct the Authorized Representatives of the District to deposit all Gross Taxes with the Trustee as soon as reasonably practicable following their apportionment to the District, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by this Indenture. All such Gross Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth herein, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal and Sinking Fund Payments of and interest on every Bond issued hereunder, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and in accordance with this Indenture to the extent that Net Taxes and other amounts pledged hereunder are available therefor, and that the payments into the Funds and Accounts created hereunder will be made, all in strict conformity with the terms of the Bonds and this Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures and of the Bonds issued hereunder.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Special Taxes except as provided in this Indenture, and will not issue any obligation or security having a lien or charge upon the Special Taxes other than the Bonds.

(b) Levy of Special Tax. Beginning in Fiscal Year 2016-17 and so long as any Bonds are Outstanding, the legislative body of the District covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay: (1) the principal and Sinking Fund Payments of and interest on the Bonds when due; (2) the Administrative Expenses; and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement. The District further covenants 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 are Outstanding.

(c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds that it: (1) will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 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 covenants that it 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 provisions of this Section, as set forth in Section 8.2, 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 Section 8.2 is in the best interest of the District.

(d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expense Account therein), or which might impair the security of the Bonds then Outstanding; provided, however, that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

(e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the improvements constructed with the proceeds of bonded indebtedness issued by the District, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than 10% of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

(f) Federal Tax Covenants. Notwithstanding any other provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(2) Arbitrage. The District will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(3) Federal Guaranty. The District will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(4) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(5) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(6) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

(7) Other Tax Exempt Issues. The District will not use proceeds of other tax exempt securities to redeem any Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(g) Reduction of Maximum Special Taxes. The District hereby finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District hereby determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the Improvement Area below the levels provided in this Section 5.2(g) would interfere with the timely retirement of the Bonds. The District determines it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent

that the law permits it to do so, the District hereby does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates for the Improvement Area, unless, in connection therewith: (1) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that such changes do not reduce the maximum Special Taxes that may be levied in each year on Developed Property within the Improvement Area to an amount which is less than 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds Outstanding as of the date of such proposed reduction; and (2) the District is not delinquent in the payment of the principal of or interest on the Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants shall compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year.

(h) Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in the Improvement Area which purports to reduce the maximum Special Tax below the levels specified in Section 5.2(g) above or to limit the power of the District to levy the Special Taxes for the purposes set forth in Section 5.2(b) above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The District hereby covenants that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting the tender of Bonds in full payment or partial payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds when due.

(j) Continuing Disclosure. The District covenants to comply with the terms of the Continuing Disclosure Agreement and with the terms of any other agreement executed by the District with respect to any Bonds to assist the Underwriter in complying with Rule 15(c)2-12 adopted by the Securities and Exchange Commission. Notwithstanding any other provision of this Indenture, failure of the District to comply with its obligations under the Continuing Disclosure Agreement shall not be considered an Event of Default under this Indenture, and the sole remedy, in the event of any failure of the District to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

(k) Opinions. In the event that an opinion is rendered by Bond Counsel as provided herein from a firm other than the firm which rendered the Bond Counsel opinion at closing, such subsequent opinion by Bond Counsel shall also include the conclusions set forth in numbered paragraphs 1, 2, 3 and 4 of the original Bond Counsel opinion.

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

ARTICLE VI

AMENDMENTS TO INDENTURE

Section 6.1. Supplemental Indentures or Orders Not Requiring Bondowner Consent.

The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Indenture or in any Supplemental Indenture, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in this Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Indenture as theretofore in effect or which further secure Bond payments;

(c) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds then Outstanding;

(d) to modify, alter or amend the RMA in any manner, so long as the Trustee receives a certificate of an Independent Financial Consultant stating that such changes do not reduce the maximum Special Taxes that may be levied in each year on Developed Property within the Improvement Area to an amount which is less than 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds Outstanding as of the date of such amendment; or

(e) to modify, alter, amend or supplement this Indenture in any other respect which is not materially adverse to the Bondowners.

Section 6.2. Supplemental Indentures or Orders Requiring Bondowner Consent.

Exclusive of the Supplemental Indentures described in Section 6.1, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that nothing herein shall permit, or be construed as permitting: (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond; (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon; (c) a preference or priority of any Bond over any other Bond; or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds then Outstanding.

If at any time the District shall desire to adopt a Supplemental Indenture, which pursuant to the terms of this Section shall require the consent of the Bondowners, the District shall so notify the

Trustee and shall deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding as required by this Section. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds have consented to the adoption of any Supplemental Indenture, Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds in instances where such consent is required pursuant to the provisions of this section, this Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the District and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

No amendment shall be entered into unless an opinion of counsel is delivered to the effect that such amendment is authorized and permitted by the Indenture, is enforceable against the District, and does not adversely impact the tax-exempt status of the interest on the Bonds. In no event shall the Trustee be obligated to enter into any amendment that adversely impacts its rights.

Section 6.3. Notation of Bonds; Delivery of Amended Bonds. After the effective date of any action taken as hereinabove provided, the District may determine that the Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action shall be made on such Bonds. If the District shall so determine, new Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond at such effective date such new Bonds shall be exchanged at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner of Outstanding Bonds, upon surrender of such Outstanding Bonds.

ARTICLE VII

TRUSTEE

Section 7.1. Trustee. Wells Fargo Bank, National Association shall be the Trustee for the Bonds unless and until another Trustee is appointed by the District hereunder. The Trustee represents that it has a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000. The District may, at any time, appoint a successor Trustee satisfying the requirements of Section 7.2 below for the purpose of receiving all money which the District is required to deposit with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture.

The Trustee is hereby authorized to and shall mail by first class mail, postage prepaid, or wire transfer in accordance with Section 2.5 hereof, interest payments to the Bondowners, to select Bonds for redemption, and to maintain the Bond Register. The Trustee is hereby authorized to pay the principal and Sinking Fund Payments of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds all as provided in this Indenture, and to provide for the authentication of Bonds, and shall perform all other duties assigned to or imposed on it as provided in this Indenture. The Trustee shall keep accurate records of all funds administered by it and all Bonds paid, discharged and cancelled by it.

The Trustee is hereby authorized to redeem the Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof in accordance with the provisions of Section 10.1 hereof.

The District shall from time to time, subject to any agreement between the District and the Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties hereunder, and indemnify and save the Trustee, its officers, directors, employees and agents, harmless against costs, claims, expenses and liabilities, including, without limitation, fees and expenses of its attorneys, not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties hereunder. The foregoing obligation of the District to indemnify the Trustee shall survive the removal or resignation of the Trustee or the discharge of the Bonds.

The District shall indemnify and save the Trustee, its officers, directors, employees and agents, harmless against from and against all costs, claims, expenses and liabilities, including, without limitation, fees and expenses of its attorneys, not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties hereunder. The foregoing obligation of the District to indemnify the Trustee shall survive the removal or resignation of the Trustee or the discharge of the Bonds.

The Trustee shall receive as compensation for its services hereunder and the Trustee shall be entitled to be reimbursed by the District for its other reasonable expenses hereunder, including the reasonable compensation, expenses and disbursements of such agents, representatives, experts and counsel as the Trustee may employ in connection with the exercise and performance of its rights and

its duties hereunder. All such fees and reimbursements shall be paid solely from amounts held in the Administrative Expense Account pursuant to a Certificate of an Authorized Representative.

Section 7.2. Removal of Trustee. The District may at any time at its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a 30-days' written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Trustee. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address.

Section 7.3. Resignation of Trustee. The Trustee may at any time resign by giving 30-days' written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the registration books in the office of the Trustee. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee satisfying the criteria in Section 7.2 above by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If a successor Trustee has not been appointed within such 30 day period, the Trustee may petition any court of competent jurisdiction for the appointment of a successor or may appoint a successor. The Trustee's rights to indemnity and reimbursement of outstanding fees and expenses shall survive the Trustee's resignation or removal.

Section 7.4. Liability of Trustee. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. During the existence of any Event of Default (which has not been cured), the Trustee shall exercise the rights, duties and powers vested in it with the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of their own affairs. The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds shall be taken as statements, promises, covenants and agreements of the District, and the Trustee assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of this Indenture or, the Bonds, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations specifically set forth herein, in the Bonds, or in the certificate of authentication assigned to or imposed upon the Trustee. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full

and complete authorization and protection in respect of any action taken or suffered hereunder in good faith and in accordance therewith. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion and shall be under no duty to make any investigation as to any statement contained in any such instance, but may accept the same as conclusive evidence of the truth and accuracy of such statement or correctness of such opinions.

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

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

The Trustee shall have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it hereunder, or as to the correctness of any amounts received, but its liability shall be limited to the proper accounting for such funds as it shall actually receive. No provision in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default, except failure to cause to be made any of the payments required to be made to the Trustee, the Trustee shall have received written notice thereof at its Principal Office from the District or from Owners of at least 25% in aggregate principal amount of the Bonds, and in the absence of such notice the Trustee may conclusively assume no default exists.

The Trustee shall have no responsibility for, and makes no representations with respect to, any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

The Trustee shall not be liable for an error of judgement made in good faith, unless it has been proven that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee undertakes to perform only such duties as are specifically set forth in the Indenture, and no implied duties shall be read into the Indenture against the Trustee.

Any action taken, or omitted to be taken, by the Trustee in good faith pursuant to the Indenture upon the request or authority or consent of any person, who, at the time of making such request or giving such authority or consent, is the holder of any security shall be conclusive and binding upon all future holders of securities and upon securities executed and delivered in exchange therefore or in place thereof.

The Trustee is not responsible for the application of bond proceeds, for the use or application of any property, or moneys released or paid out in accordance with the provisions of the Indenture. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the bonds.

Section 7.5. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 8.1. Events of Default. Any one or more of the following events shall constitute an “Event of Default”:

(a) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or

(c) except as described in clauses (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in this Indenture, the Bonds, and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Trustee or the Owners of 25% in aggregate principal amount of the Outstanding Bonds; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such 30 day period and corrective action is instituted by the District within such 30 day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder

The Trustee agrees to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under clauses (a) or (b) above and within 30 days of the Trustee’s knowledge of an Event of Default under clause (c) above.

Section 8.2. Remedies of Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture, including:

(a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in this Indenture;

(b) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing, and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds, and if indemnified to its satisfaction, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of the Bonds.

No remedy herein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Section 8.3. Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture relating to the Bonds shall be applied by the Trustee in the following order upon presentation of the several Bonds:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of this Article VIII, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal and Sinking Fund Payments of the Bonds then due and unpaid, with interest on overdue installments of principal and Sinking Fund Payments and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first, to the payment of all installments of interest on the Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing;

(b) second, to the payment of all installments of principal and Sinking Fund Payments of the Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing; and

(c) third, to the payment of interest on overdue installments of principal and Sinking Fund Payments and interest on the Bonds on a pro rata basis based on the total amount then due and owing.

Section 8.4. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of

the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated, and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact. The Trustee shall not be liable for any action taken or omitted by it in good faith at the direction of the holders of not less than a majority in principal amount of the securities as to the time, method, and place of conducting any proceedings for any remedy available to the Trustee or the exercising of any power conferred by the Indenture. The Trustee may act through agents and shall not be responsible for the negligence or willful misconduct of any agent appointed by the Trustee with due care.

Section 8.5. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 8.6. Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Net Taxes and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or the Owners by the Act or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners, as the case may be.

Section 8.7. Limitations on Rights and Remedies of Owners. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless: (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in

aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 8.8. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the District, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX

DEFEASANCE

Section 9.1. Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in this Indenture or any Supplemental Indenture, then the Owner of such Bond shall cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond under this Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds pursuant to this Section, the Trustee shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District's general fund all money or securities held by it pursuant to this Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds.

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

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

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

(c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, Federal Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable.

If paid as provided above, then, at the election of the District, and notwithstanding that any Outstanding Bonds shall not have been surrendered for payment, all obligations of the District under this Indenture and any Supplemental Indenture with respect to such Bond shall cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District contained in Section 5.2(f) or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election shall be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under clause (c) above, there shall be provided to the District a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds to be defeased in accordance with this Section, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with this Indenture and any applicable Supplemental Indenture.

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

ARTICLE X

MISCELLANEOUS

Section 10.1. Cancellation of Bonds. All Bonds surrendered to the Trustee for payment upon maturity or for redemption shall be upon payment therefor, and any Bond purchased by the District as authorized herein and delivered to the Trustee for such purpose shall be, cancelled

forthwith and shall not be reissued. The Trustee shall destroy such Bonds in a manner deemed appropriate by the Trustee.

Section 10.2. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds shall be sufficient for the purposes of this Indenture (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of his authority.

(b) As to any Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the District nor the Trustee shall be affected by any notice to the contrary.

Nothing contained in this Indenture shall be construed as limiting the Trustee or the District to such proof, it being intended that the Trustee or the District may accept any other evidence of the matters herein stated which the Trustee or the District may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Trustee or the District in pursuance of such request or consent.

Section 10.3. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding and subject to the escheat laws of the State, any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds which remain unclaimed for two years after the date when such Outstanding Bonds have become due and payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds become due and payable, shall be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Outstanding Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee, at the expense of the District, shall cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Section 10.4. Provisions Constitute Contract. The provisions of this Indenture shall constitute a contract between the District and the Bondowners and the provisions hereof shall be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Trustee, then the District, the Trustee and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds this Indenture shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in this Indenture, but to no greater extent and in no other manner.

Section 10.5. Future Contracts. Nothing herein contained shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which is subordinate to the pledge hereunder, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged hereunder.

Section 10.6. Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

Section 10.7. Severability. If any covenant, agreement or provision, or any portion thereof, contained in this Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Indenture, the Bonds issued pursuant hereto shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under the laws of the State of California.

Section 10.8. Notices. Any notices required to be given to the District with respect to the Bonds or this Indenture shall be mailed, first class, postage prepaid, or personally delivered to the Finance Director of the City of Imperial, 420 South Imperial Avenue, Imperial, California 92251, and all notices to the Trustee in its capacity as Trustee shall be mailed, first class, postage prepaid, or personally delivered to the Trustee, Wells Fargo Bank, National Association, 333 South Grand Avenue, 5th Floor, Suite 5A, Los Angeles, California 90071, Attention: Corporate Trust Services.

Section 10.9. Action on Next Business Day. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefore in this Indenture.

[THE REST OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, CITY OF IMPERIAL COMMUNITY FACILITIES DISTRICT NO. 2006-2 (SAVANNA RANCH) has caused this Bond Indenture to be signed by an Authorized Representative of the District and Wells Fargo Bank, National Association, in token of its acceptance of the trust created hereunder, has caused this Bond Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

CITY OF IMPERIAL COMMUNITY FACILITIES
DISTRICT NO. 2006-2 (SAVANNA RANCH)

By: _____
Mayor

ATTEST:

City Clerk of the City of Imperial

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Officer

EXHIBIT A
FORM OF
SPECIAL TAX REFUNDING BOND, SERIES 2016A

R-____

\$_____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF IMPERIAL

CITY OF IMPERIAL
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(SAVANNA RANCH)
(IMPROVEMENT AREA NO. 1)
SPECIAL TAX REFUNDING BONDS, SERIES 2016A

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
____%	September 1, 20____	____, 2016	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

CITY OF IMPERIAL COMMUNITY FACILITIES DISTRICT NO. 2006-2 (SAVANNA RANCH) (the "District") which was formed by the City of Imperial (the "City") and is situated in the County of Imperial, State of California, FOR VALUE RECEIVED, hereby promises to pay, solely from certain amounts held under the Indenture (as hereinafter defined), to the Registered Owner named above, or registered assigns, on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the Principal Amount set forth above, and to pay interest on such Principal Amount from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication hereof, unless: (i) the date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication; (ii) the date of authentication is after a Record Date (as hereinafter defined) but prior to the immediately succeeding Interest Payment Date, in which event interest shall 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 shall be payable from the Dated Date set forth above. Notwithstanding the foregoing, if at the time of authentication of this Bond interest is in default, interest on this Bond shall 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, interest on this Bond shall be payable from the Dated Date set forth above. Interest will be paid semiannually on each March 1 and September 1, commencing [March 1, 2017] (each, an "Interest Payment Date"), at the Interest Rate set forth above, until the Principal Amount hereof is paid or made available for payment.

The principal of and premium, if any, on this Bond are payable to the Registered Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the Principal Office of the Trustee (as such term is defined in the Bond Indenture), initially, Wells Fargo Bank, National Association (the "Trustee"). Interest on this Bond shall be paid by check of the Trustee mailed, by first class mail, postage prepaid, or in certain circumstances described in the Indenture by wire transfer to an account within the United States of America, to the Registered Owner hereof as of the close of business on the fifteenth day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Registered Owner's address as it appears on the registration books maintained by the Trustee.

This Bond is one of a duly authorized issue of "City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) (Improvement Area No. 1) Special Tax Refunding Bonds, Series 2016A" (the "Bonds") issued in the aggregate principal amount of \$_____ pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of refunding the District's (Improvement Area No. 1) 2006 Special Tax Bonds funding a reserve account and paying certain costs related to the issuance of the Bonds. The issuance of the Bonds and the terms and conditions thereof are provided for by a resolution adopted by the City Council of the City, acting in its capacity as the legislative body of the District (the "Legislative Body"), on July __, 2016 and a Bond Indenture executed in connection therewith (the "Indenture"), and this reference incorporates the Indenture herein, and by acceptance hereof the Registered Owner of this Bond assents to said terms and conditions. The Indenture is adopted under and this Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act and the Indenture, the principal of, premium, if any, and interest on this Bond are payable solely from the portion of the annual special taxes authorized under the Act to be levied and collected within the Improvement Area remaining after payment of certain Administrative Expenses (the "Net Taxes") and certain other amounts pledged to the repayment of the Bonds as set forth in the Indenture. Any amounts for the payment hereof shall be limited to the Net Taxes pledged and collected (including foreclosure proceeds received following a default in payment of the Net Taxes) and other amounts deposited to the Special Tax Fund (other than the Administrative Expense Account therein) established under the Indenture, except to the extent that other provision for payment has been made by the Legislative Body, as may be permitted by law. The District has covenanted for the benefit of the owners of the Bonds that under certain circumstances described in the Indenture it will commence and diligently pursue to completion appropriate foreclosure proceedings in the event of delinquencies of Special Tax installments levied for payment of principal and interest on the Bonds.

The Bonds maturing on or before September 1, 20__ are not subject to optional redemption. The Bonds maturing on or after September 1, 20__ may be redeemed prior to the stated maturity, at the option of the District from any lawfully available source of funds on [any date] on or after September 1, 20__, 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.

The Bonds maturing on September 1, 20__ (the "Term Bonds") will be called before maturity and redeemed, from the sinking fund payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of sinking fund payments set forth

below. The Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

<u>Term Bonds Maturing September 1, 20__</u>	
<u>Year</u>	<u>Amount</u>
20	\$
20__ (Maturity)	

In the event of a partial optional redemption or extraordinary mandatory redemption of the Term Bonds, each of the remaining sinking fund payments for such Term Bonds, as applicable, will be reduced, as nearly as practicable, on a pro rata basis, in integral multiples of \$5,000.

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 of Special Taxes deposited to the Redemption Account plus amounts transferred from the Reserve Account in connection with such transfers, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium.

Notice of redemption with respect to the Bonds to be redeemed shall be mailed to the registered owners thereof not less than 30 nor more than 60 days prior to the redemption date by first class mail, postage prepaid, to the addresses set forth in the registration books. Neither a failure of the Registered Owner hereof to receive such notice nor any defect therein will affect the validity of the proceedings for redemption. All Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date, provided that funds for the redemption are on deposit with the Trustee on the redemption date. Thereafter, the registered owners of such Bonds shall have no rights except to receive payment of the redemption price upon the surrender of the Bonds.

Any notice of a redemption with respect to an optional redemption may be conditioned as provided for in the Indenture, including but not limited to the condition of there being on deposit with the Trustee on the redemption date sufficient money to pay the redemption price of the Bonds to be redeemed.

This Bond shall be registered in the name of the Registered Owner hereof, as to both principal and interest, and the District and the Trustee may treat the Registered Owner hereof as the absolute owner for all purposes and shall not be affected by any notice to the contrary.

The Bonds are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof and may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same issue and maturity, all as more fully set forth in the Indenture. This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, upon surrender and cancellation of this Bond. Upon such transfer, a new registered Bond of authorized denomination or denominations for the same aggregate principal amount of the same issue and maturity will be issued to the transferee in exchange therefor.

The Trustee shall not be required to register transfers or make exchanges of: (i) any Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed; or (ii) any Bonds chosen for redemption.

The rights and obligations of the District and of the registered owners of the Bonds may be amended at any time, and in certain cases without notice to or the consent of the registered owners, to the extent and upon the terms provided in the Indenture.

The principal of this Bond is not subject to acceleration.

If the District shall pay or cause to be paid to the Owner of this Bond the interest due hereon and the principal hereof, at the times and in the manner stipulated herein and in the Indenture, or if there has been deposited with the Trustee moneys or investment securities, which together with the interest to accrue thereon without further investment, will be fully sufficient to pay and discharge the principal of, premium, if any, and interest on all Bonds Outstanding as and when the same shall become due and payable, then the Owner of this Bond shall cease to be entitled to the pledge of Net Taxes under the Indenture, and all covenants, agreements and other obligations of the District to the Owner of this Bond under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE CITY OF IMPERIAL OR OF THE DISTRICT FOR WHICH THE CITY OF IMPERIAL OR THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR SPECIAL TAXES, OTHER THAN THE SPECIAL TAXES REFERENCED HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE FROM THE PORTION OF THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE BUT ARE NOT A DEBT OF THE CITY OF IMPERIAL, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, City of Imperial Community Facilities District No. 2006-2 (Savanna Ranch) has caused this Bond to be signed on behalf of the District by the Mayor of the City Council by his facsimile signature and attested by the facsimile signature of the City Clerk of the City.

Mayor

ATTEST:

City Clerk of the City of Imperial

**(FORM OF TRUSTEE'S CERTIFICATE
OF AUTHENTICATION AND REGISTRATION)**

This is one of the Bonds described in the within-defined Indenture.

Dated: June _____, 2016

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Its: Authorized Signatory

(FORM OF LEGAL OPINION)

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

City Clerk of The City of Imperial

(FORM OF ASSIGNMENT)

For value received the undersigned do(es) hereby sell, assign and transfer unto

whose tax identification number is _____,
the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)

attorney to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature guaranteed:

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

NOTE: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.