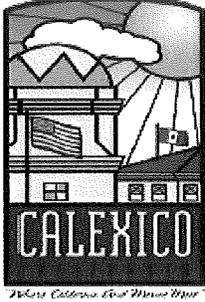


**AGENDA  
ITEM**

**18**



# AGENDA STAFF REPORT (Successor Agency)

**DATE:** November 28, 2018

**TO:** Mayor and City Council/Chairperson and Board of Directors

**PREPARED BY:** David B. Dale, City Manager/Executive Director *MF for D.D.*

**SUBJECT:** Approval of a Resolution and Corresponding Actions of the Successor Agency to the Community Redevelopment Agency of the City of Calexico (the "Successor Agency") Regarding the Issuance of One or More Series of its Subordinate Tax Allocation Refunding Bonds (the "Bonds") on a Tax-Exempt and/or Taxable Basis to Provide for the Refinancing of the Following Tax Allocation Bonds (collectively, the "Refunded Bonds"); 2000 Tax Allocation Bonds (Tax-Exempt); 2006 Refunding Tax Allocation Bonds (Tax-Exempt); 2011 Tax Allocation Bonds (Taxable)

---

## Recommendation:

It is recommended that the Successor Agency approve a Resolution and Corresponding Actions of the Successor Agency to the Community Redevelopment Agency of the City of Calexico (the "Successor Agency") Regarding the Issuance of One or More Series of its Subordinate Tax Allocation Refunding Bonds (the "Bonds") on a Tax-Exempt and/or Taxable Basis to Provide for the Refinancing of the Following Tax Allocation Bonds (collectively, the "Refunded Bonds"); 2000 Tax Allocation Bonds (Tax-Exempt); 2006 Refunding Tax Allocation Bonds (Tax-Exempt); 2011 Tax Allocation Bonds (Taxable).

## Background:

Community Redevelopment Agency of the City of Calexico (the "Predecessor Agency") was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the "Health and Safety Code"), and the powers of the Predecessor Agency included the power to issue bonds and enter into obligations for any of its corporate purposes.

On June 28, 2011, the California Legislature adopted ABx1 26 to, among other things, dissolve existing redevelopment agencies, including the Predecessor Agency. In accordance with the legislation, the Predecessor Agency was dissolved on February 1, 2012.

**AGENDA  
ITEM**

**18**

Successor Agency adopted Resolution 2018-27-SA on June 20, 2018; the Imperial County Oversight Board approved the Successor's Agency's Action on September 5, 2018; and the California Department of Finance approved the actions of the Successor Agency on November 1, 2018, to achieve debt service savings and to assist local taxing entities by refunding all of the outstanding Refunded Bonds with the proceeds of one or more series of refunding bonds (the "Bonds").

### **Discussion & Analysis:**

The interest rate market continues to be favorable and would allow the Successor Agency to issue its Bonds in one or more series to refund the Refunded Bonds. Based on an analysis by Kosmont Transactions Services (KTS), as Municipal Advisor, staff believes it is appropriate and beneficial to take advantage of the favorable market rates at this time.

The Successor Agency Resolution would approve a Preliminary and Final Official Statement, a Continuing Disclosure Agreement, a Purchase Agreement and authorize certain actions relating to the issuance of the Bonds, as previously authorized. The Official Statement is the document that discloses information about the Bonds and the Successor Agency to potential investors; the Continuing Disclosure Agreement provides the Successor Agency's agreement to update annually certain information contained in the Official Statement, as well as notify investors of certain enumerated material events, and the Purchase Agreement is the agreement between the Underwriter and the Successor Agency whereby the Underwriter agrees to buy the Bonds..

### **Fiscal Impact:**

The City will realize increased property tax revenue by sharing in a percentage of the savings to the Successor Agency's debt service in an amount that corresponds to the City's share of the 1% general tax levy (i.e. ~27.66%). Current estimates indicate potential savings to the City of approximately \$180,000 associated with the tax levy for the current (2018-19) fiscal year, then approximately \$130,000 per year initially, growing to approximately \$200,000 and finally approximately \$565,000 per year after 2031 through the final maturity of the bonds in 2033. Overall gross savings are projected to be approximately \$12.5 million with the City's share equating to approximately \$3.48 million over the remaining life of the Bonds.

### **Coordinated With:**

City Manager's Office.  
Finance Department.

### **Attachments:**

1. Resolution.
2. Preliminary Official Statement.
3. Bond Purchase Agreement.
4. Continuing Disclosure Agreement.

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO AUTHORIZING A PRELIMINARY AND FINAL OFFICIAL STATEMENT, A CONTINUING DISCLOSURE AGREEMENT AND PURCHASE AGREEMENT AND AUTHORIZING CERTAIN ACTIONS RELATING THERETO**

**WHEREAS**, the Community Redevelopment Agency of the City of Calexico (the “Predecessor Agency”) was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the “Health and Safety Code”), and the powers of the Predecessor Agency included the power to issue bonds for any of its corporate purposes; and

**WHEREAS**, the Predecessor Agency previously issued its Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issues of 2000 (the “2000 Bonds”), its Merged Central Business District and Residential and Project Area Tax Allocation Bonds, Issue of 2006 (the “2006 Bonds”), and its Merged Central Business District and Residential and Project Area Tax Allocation Bonds, Issue of 2011 (the “2011 Bonds”), and together with the 2000 Bonds and 2006 Bonds, the Refunded Bonds (the “Refunded Bonds”), currently outstanding in the aggregate principal amount of \$17,175,000, for the purpose of funding certain redevelopment projects of the Predecessor Agency; and

**WHEREAS**, on June 20 2018, pursuant to Resolution No. 2018-27-SA (the “Authorizing Resolution”), the Successor Agency to Calexico Community Redevelopment Agency of the City of Calexico (the “Successor Agency”) authorized the issuance of its Tax Allocation Refunding Bonds, Series 2018A and Series 2018B (the “Bonds”) to achieve debt service savings by refunding the Refunded Bonds; and

**WHEREAS**, in furtherance of the Authorizing Resolution, the Successor Agency now desires to approve a Preliminary Official Statement, a Continuing Disclosure Agreement and a Purchase Agreement in connection with the sale, issuance and delivery of the Bonds;

**NOW THEREFORE**, the Board of Directors (the “Board”) of the Successor Agency resolves, determines and orders as follows:

**Section 1. Findings.** The Board hereby finds and determines that the recitals hereto are true and correct.

**Section 2. Preliminary Official Statement.** The Board hereby approves the Preliminary Official Statement substantially in the form on file with the Secretary, a copy of which has been made available to the Board, with such changes therein as the Chairperson, the Executive Director or any member of the Board, and any of their respective designees (each an “Authorized Representative”) may determine necessary, to be furnished to the underwriter for the Bonds. The Board authorizes any Authorized Representative to deem the Preliminary Official Statement to be final within the meaning of U.S. Securities and Exchange Commission Rule 15c2-12, subject to completion of those items permitted by such Rule. Any Authorized Representative is hereby authorized and directed to execute and deliver a final Official Statement in substantially the form of the Preliminary Official Statement hereby approved, with such additions thereto and changes therein as are consistent with this Resolution and approved by an

Authorized Representative, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 3. Continuing Disclosure Agreement.** The Continuing Disclosure Agreement, in substantially the form on file with the Secretary, a copy of which has been made available to the Board, is hereby approved. Any Authorized Representative is hereby authorized to execute and deliver the Continuing Disclosure Agreement in substantially the form on file, with such revisions, amendments and completions as shall be approved by an Authorized Representative, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 4. Purchase Agreement.** The Purchase Agreement, in substantially the form on file with the Secretary, a copy of which has been made available to the Board, is hereby approved. Any Authorized Representative is hereby authorized to execute and deliver the Purchase Agreement in substantially the form on file, with such revisions, amendments and completions as shall be approved by an Authorized Representative, such approval to be conclusively evidenced by the execution and delivery thereof. The total principal amount of 2018A Bonds shall not exceed \$11,000,000 and the Underwriter's discount or fee (excluding any original issue discount) shall not exceed 1.50% of the original principal amount of the Bonds. The total principal amount of 2018B Bonds shall not exceed \$2,250,000 and the Underwriter's discount or fee (excluding any original issue discount shall not exceed 1.50% of the original principal amount of the Bonds).

**Section 5. General Authorization.** Each Authorized Representative and any other officer of the Successor Agency is hereby authorized to execute and deliver any and all agreements, documents and instruments and to do and cause to be done any and all acts and things deemed necessary or advisable in connection with the delivery of the Preliminary Official Statement and the final Official Statement, the Continuing Disclosure Agreement and the Purchase Agreement and for carrying out the transactions contemplated by this Resolution and the Authorizing Resolution. Such actions heretofore taken by such officers or their designees are hereby ratified, confirmed and approved.

**Section 9. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

PASSED and ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2018, by the following vote:

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
Chairperson

Attest:

\_\_\_\_\_  
Secretary

**Attachment(s):**

1. A Resolution Of The Board Of Directors Of The Successor Agency To The Community Redevelopment Agency Of The City Of Calexico Authorizing A Preliminary And Final Official Statement, A Continuing Disclosure Agreement And Purchase Agreement And Authorizing Certain Actions Relating Thereto



NEW ISSUE—BOOK-ENTRY

INSURED RATING: S&P: “\_\_\_\_\_”

UNDERLYING RATING: S&P: “\_\_\_\_\_”

(See “CONCLUDING INFORMATION – Ratings” herein)

*In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and subject to the matters described in “CONCLUDING INFORMATION – Tax Matters” herein, interest on the 2018A Bonds will be excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income for the owners thereof for federal income tax purposes and will not be included in the federal alternative minimum tax for individuals or, except as described herein, corporations. Interest on the 2018B Bonds will be included in gross income for federal income purposes. See “CONCLUDING INFORMATION – Tax Matters.” It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California.*

**SUCCESSOR AGENCY TO THE  
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO  
Merged Central Business District and Residential Redevelopment Project Area**

\$ \_\_\_\_\_\*  
**Subordinate Tax Allocation Refunding Bonds  
Issue of 2018A**

\$ \_\_\_\_\_\*  
**Subordinate Tax Allocation Refunding Bonds  
Issue of 2018B (Federally Taxable)**

**Dated: Delivery Date**

**Due: August 1, as shown on inside cover**

The above-captioned bonds (the “2018A Bonds,” the “2018B Bonds,” and collectively, the “Bonds”) will be 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 ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. The principal of, premium if any, and semiannual interest (due February 1 and August 1 of each year, commencing February 1, 2019) on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), through the facilities of DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds. See “THE BONDS—Book-Entry System” herein.

**The Bonds are subject to optional redemption and mandatory sinking account redemption prior to maturity, as described herein. See “THE BONDS – Redemption and Purchase of Bonds.”**

The Bonds are being issued by the Successor Agency to the Community Redevelopment Agency of the City of Calexico (the “Agency”) to refinance the Community Redevelopment Agency of the City of Calexico’s (the “Prior Agency”) previously issued: (i) \$10,000,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issue of 2000, currently outstanding in the principal amount of \$\_\_\_\_\_ (the “2000 Bonds”); (ii) \$9,995,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issue of 2006 (the “2006 Bonds”), currently outstanding in the principal amount of \$\_\_\_\_\_; and (iii) \$7,120,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issue of 2011, currently outstanding in the principal amount of \$\_\_\_\_\_ (the “2011 Bonds”). The 2000 Bonds, the 2006 Bonds and the 2011 Bonds are referred to herein as the “Refunded Bonds.”

The Bonds are being issued by the Agency on a subordinate basis to the Agency’s previously issued \$15,395,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Refunding Bonds, Issue of 2014, currently outstanding in the principal amount of \$\_\_\_\_\_ (the “2014 Bonds”).

The Bonds are payable from and secured by the Subordinate Pledged Tax Revenues (as defined herein) to be derived from the Merged Central Business District and Residential Redevelopment Project Area (the “Project Area”). Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll to the extent they constitute Subordinate Pledged Tax Revenues, shall be deposited in the Redevelopment Obligation Retirement Fund, and administered by the Agency and the Trustee in accordance with the Indenture of Trust dated as of \_\_\_\_\_ I, 2018 (the “Indenture”) by and between the Agency and the Trustee providing for the issuance of the Bonds.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by \_\_\_\_\_. See “BOND INSURANCE” and “APPENDIX I – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” herein.

**This cover page of this Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described herein.**

The Bonds are not a debt of the City of Calexico (the “City”), the State of California (the “State”) or any of its political subdivisions (except the Agency) and neither said City, said State or any of its political subdivisions (except the Agency) is liable therefor. The principal of and interest on the Bonds are payable solely from the Subordinate Pledged Tax Revenues allocated to the Agency from the Project Area (all as defined herein and in the Indenture) and other funds as set forth in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

*The Bonds are offered, when, as and if issued, subject to the approval of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed on for the Agency by Nixon Peabody LLP, Los Angeles, California, Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Kutak Rock LLP, Irvine, California. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York, on or about \_\_\_\_\_, 2018.*

**[STIFEL LOGO]**

The date of this Official Statement is \_\_\_\_\_, 2018.

\* Preliminary; subject to change.

**SUCCESSOR AGENCY TO THE  
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO  
Merged Central Business District and Residential Redevelopment Project Area**

**Maturity Schedule**

\$ \_\_\_\_\_  
**Subordinate Tax Allocation Refunding Bonds  
Issue of 2018A**

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP <sup>†</sup> (Base )
-----------------------------	---------------------	---------------	-------	-------------------------------

\$ \_\_\_\_\_ % Term Bonds due August 1, \_\_\_\_\_; Yield \_\_\_\_\_ %; CUSIP \_\_\_\_\_

\$ \_\_\_\_\_  
**Subordinate Tax Allocation Refunding Bonds  
Issue of 2018B (Federally Taxable)**

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP <sup>†</sup> (Base )
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\$ \_\_\_\_\_ % Term Bonds due August 1, \_\_\_\_\_; Yield \_\_\_\_\_ %; CUSIP \_\_\_\_\_

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. Copyright© 1999-2018 American Bankers Association. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP® numbers are provided for convenience of reference only. Neither the Agency, the City nor the Underwriter takes any responsibility for the accuracy of such numbers.

**SUCCESSOR AGENCY TO THE  
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO  
CALEXICO, CALIFORNIA**

**BOARD OF DIRECTORS**

Mayor Lewis Pacheco, *Chair*  
Mayor Pro Tem Jesus Eduardo, *Vice-Chair*  
Council Member Bill Hodge, *Director*  
Council Member Armando G. Real, *Director*  
Council Member Maritza Hurtado, *Director*

**CITY AND AGENCY STAFF**

David B. Dale, *City Manager/Executive Director*  
Karla Lobatos, *Finance Director*  
Gabriela T. Garcia, *City Clerk*

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**SPECIAL SERVICES**

**Municipal Advisor and Fiscal Consultant**

Kosmont Transactions Services  
Manhattan Beach, California

**Bond Counsel**

Norton Rose Fulbright US LLP  
Los Angeles, California

**Disclosure Counsel**

Nixon Peabody LLP  
Los Angeles, California

**Agency Counsel**

Best Best & Krieger LLP  
Riverside, California

**Trustee**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

**Verification Agent**

\_\_\_\_\_  
\_\_\_\_\_

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTORY STATEMENT .....	4	Fire Hazards .....	35
Authority and Purpose.....	4	Changes in the Law.....	35
The City .....	4	Investment Risk .....	35
The Agency .....	5	Additional Parity Obligations .....	36
Redevelopment Plan and the Project Area .....	5	Secondary Market .....	36
Tax Allocation Financing.....	6	No Validation Proceeding Undertaken .....	36
Security for the Bonds.....	6	Loss of Tax-Exemption.....	37
Reserve Account .....	8	PROPERTY TAXATION IN CALIFORNIA .....	37
Further Information.....	8	Property Tax Collection Procedures .....	37
PLAN OF REFUNDING .....	8	Unitary Property.....	39
SOURCES AND USES OF FUNDS .....	9	Article XIII A of the State Constitution .....	39
THE BONDS.....	9	Appropriations Limitation - Article XIII B.....	40
Authority for Issuance.....	9	Articles XIII C and XIII D of the State Constitution ...	41
Description of the Bonds.....	9	Proposition 87 .....	41
Book-Entry System .....	10	Appeals of Assessed Values .....	41
Redemption and Purchase of Bonds.....	10	Proposition 8 .....	42
SECURITY FOR THE BONDS .....	11	Propositions 218 and 26.....	42
Tax Increment Financing .....	13	Future Initiatives .....	42
Recognized Obligation Payment Schedule .....	14	PROJECT AREA .....	42
Reserve Account .....	17	General.....	42
Parity Bonds .....	17	Limitations and Requirements of the Redevelopment	
Bonds Not a Debt of the City of Calexico or the State		Plan .....	43
of California .....	18	Pass-Through Agreements .....	45
BOND INSURANCE.....	18	Statutory Pass-Throughs .....	47
THE INDENTURE.....	19	Largest Taxpayers .....	49
Allocation of Bond Proceeds.....	19	Land Uses .....	50
Subordinate Pledged Tax Revenues - Application.....	19	SUBORDINATE PLEDGED TAX REVENUES.....	50
Investment of Moneys in Funds and Accounts .....	20	Schedule of Historical Assessed Values and Tax	
Covenants of the Agency .....	21	Increment Revenues.....	51
Events of Default and Remedies .....	24	Projected Assessed Values and Tax Increment	
Application of Funds Upon Acceleration.....	24	Revenues.....	52
Amendments .....	25	Debt Service.....	53
THE AGENCY .....	26	Debt Service Coverage.....	54
Members and Officers.....	26	CONCLUDING INFORMATION .....	55
Agency Powers .....	26	Underwriting .....	55
RISK FACTORS .....	28	Legal Opinion .....	56
Reduction in Taxable Value.....	28	Tax Matters .....	56
Concentration of Ownership .....	28	Litigation.....	62
Risks to Real Estate Market .....	29	Rating.....	62
Reduction in Inflationary Rate .....	29	Continuing Disclosure.....	62
Levy and Collection of Taxes .....	29	Miscellaneous .....	63
State Budget Issues .....	29		
Recognized Obligation Payment Schedule .....	31		
AB 1484 Penalty for Failure to Remit Unencumbered			
Funds.....	32		
Bankruptcy and Foreclosure.....	33		
Estimated Revenues .....	34		
Hazardous Substances.....	34		
Seismic Factors .....	34		
Risk of Floods .....	35		

APPENDIX A – SUPPLEMENTAL INFORMATION – THE CITY OF CALEXICO ..... A-1

APPENDIX B – DEFINITIONS ..... B-1

APPENDIX C – FORM OF BOND COUNSEL OPINION ..... C-1

APPENDIX D – BOOK-ENTRY ONLY SYSTEM .. .....D-1

APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT ..... E-1

APPENDIX F – AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR  
ENDED JUNE 30, 2017 ..... F-1

APPENDIX G – FINANCIAL ADVISOR’S REPORT ..... G-1

APPENDIX H –DOF DETERMINATION LETTER APPROVING BONDS .....H-1

APPENDIX I – SPECIMEN MUNICIPAL BOND INSURANCE POLICY ..... I-1

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## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been given or authorized by the Agency or the Underwriter.

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Bonds described in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement does not constitute a contract between any Bond owner and the Agency or the Underwriter.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. 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 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.

\_\_\_\_\_ (“\_\_\_\_\_”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, \_\_\_\_\_ has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding \_\_\_\_\_ supplied by \_\_\_\_\_ and presented under the heading “BOND INSURANCE” and “APPENDIX I – SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure made by the Agency, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the other parties described in this Official Statement, since the date of this Official Statement.

**Document Summaries.** All summaries of the Indenture or other documents contained in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. All references in this Official Statement to the Indenture and such other documents are qualified in their entirety by reference to such documents, which are on file with the Agency.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

**No Registration with the SEC.** The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

**Public Offering Prices.** The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

**Web Page.** The City of Calexico maintains a website. However, the information maintained on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

# OFFICIAL STATEMENT

## SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO Merged Central Business District and Residential Redevelopment Project Area

\$ \_\_\_\_\_\*  
Subordinate Tax Allocation Refunding Bonds  
Issue of 2018A

\$ \_\_\_\_\_\*  
Subordinate Tax Allocation Refunding Bonds  
Issue of 2018B (Federally Taxable)

### INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Community Redevelopment Agency of the City of Calexico (the "Agency") of \$ \_\_\_\_\_\* Merged Central Business District and Residential Redevelopment Project Area, Tax Allocation Refunding Bonds, Issue of 2018A (the "2018A Bonds") and \$ \_\_\_\_\_\* Merged Central Business District and Residential Redevelopment Project Area, Tax Allocation Refunding Bonds, Issue of 2018B (Federally Taxable) (the "2018B Bonds," and together with the 2018A Bonds, the "Bonds").

#### Authority and Purpose

The Bonds are being issued pursuant to the Constitution and laws of the State of California (the "State"), including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Bond Law") and the provisions of Health and Safety Code Section 34177.5, and an Indenture of Trust dated as of \_\_\_\_\_ 1, 2018 (the "Indenture") by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). See "THE BONDS – Authority for Issuance."

The Bonds are being issued by the Agency to refinance the Community Redevelopment Agency of the City of Calexico's (the "Prior Agency") previously issued: (i) \$10,000,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issue of 2000, currently outstanding in the principal amount of \$ \_\_\_\_\_ (the "2000 Bonds"); (ii) \$9,995,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issue of 2006 (the "2006 Bonds"), currently outstanding in the principal amount of \$ \_\_\_\_\_; and (iii) \$7,120,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issue of 2011, currently outstanding in the principal amount of \$ \_\_\_\_\_ (the "2011 Bonds"). The 2000 Bonds, the 2006 Bonds and the 2011 Bonds are referred to herein as the "Refunded Bonds."

#### The City

The City of Calexico (the "City") is located in Imperial County, California, approximately 120 miles east of the City of San Diego and approximately 60 miles west of Yuma, Arizona. The City is a general law city incorporated in 1908 with a Council/Manager form of government consisting of five Council members elected to four-year overlapping terms. The City encompasses an area of approximately four square miles with an average elevation at sea level. As of January 1, 2018, the City had an estimated population of \_\_\_\_\_. The City lies adjacent to the City of Mexicali, with a population of approximately 1 million. Mexicali is the capital of the State of Baja, Mexico. The City's strategic border location makes it a prime link between the interior of Mexico and the major economic markets along the West Coast of the

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\* Preliminary; subject to change.

United States. Each year, more than 1 million vehicles and pedestrians cross into the U.S. through the City's two ports-of-entry. The East Calexico Port-of-Entry provides an important link to major trucking routes, and has increased the efficiency with which people and goods move between Mexico and the United States. Economically and given its geographic location immediately adjacent to the international border crossing, the City largely functions as a suburb of the metropolitan complex of Mexicali. Mexicali is a major business center, with large manufacturing and agricultural industries, and a busy rail line into California. The economic growth in Mexicali relies on numerous assembly plants, mainly for products to be exported to the United States, including facilities operated by corporations that include: Daewoo, Mitsubishi, Honeywell, Cardinal Health, Bosch, Price Pfister, Gulfstream, Goodrich, Kenworth and Kwikset. For additional information relating to the City, see "APPENDIX A – SUPPLEMENTAL INFORMATION – THE CITY OF CALEXICO."

### **The Agency**

The Prior Agency was established on May 13, 1952 by the City Council of the City with the adoption of Resolution No. 1182, pursuant to the Community Redevelopment Law (Part 1, Division 24, commencing with Section 33000 of the Health and Safety Code of the State) (the "Redevelopment Law"). On March 20, 1979, the City Council adopted Ordinance No. 759, appointing the five members of the City Council as the governing body of the Prior Agency, to exercise all rights, powers, duties and privileges of the Prior Agency.

On June 29, 2011, Assembly Bill No. 26 ("AB X1 26") was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 ("AB X1 27"). A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and winding down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health & Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("AB 1484"), enacted as Chapter 26, Statutes of 2012 and as further amended on September 22, 2015 by Senate Bill 107 ("SB 107"), enacted as Chapter 325, Statutes of 2015 (collectively, as amended from time to time, the "Dissolution Act").

On January 10, 2012, pursuant to Resolution No. 2012-08 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as successor agency to the Prior Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484; expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

### **Redevelopment Plan and the Project Area**

The Redevelopment Plan for the Central Business District Redevelopment Project was approved by Ordinance No. 826 adopted by the City Council on July 20, 1982. The Redevelopment Plan for the Residential Redevelopment Project was adopted on June 5, 1979 by Ordinance No. 760 and was amended on September 6, 1983 with the adoption of Ordinance No. 857. The project areas were merged and redesignated the Merged Central Business District and Residential Redevelopment Project Area (the "Project Area") by the adoption of Ordinance No. 864 on November 20, 1984. The Redevelopment Plan for the Project Area was subsequently amended by (i) Amendment No. 1 ("Amendment No. 1") approved

and adopted by Ordinance No. 905 on July 18, 1989, (ii) Amendment No. 2 (“Amendment No. 2”) approved and adopted by Ordinance No. 920 on June 30, 1992, (iii) Amendment No. 3 (“Amendment No. 3”) approved and adopted by Ordinance No. 930 on December 28, 1993 and (iv) Ordinance No. 1022 adopted on June 8, 2005.

Territories were added pursuant to each of Amendment No. 1, Amendment No. 2 and Amendment No. 3 and are referred to in this Official Statement as “Amendment No. 1 Area”, “Amendment No. 2 Area” and “Amendment No. 3 Area,” respectively. Currently, the Project Area consists of approximately 2,298 acres in twenty-four non-contiguous areas. Existing land uses in the Project Area are residential, commercial, industrial, governmental and institutional.

In 2001 the Legislature enacted SB 211 (Chapter 741, Statutes of 2001) allowing redevelopment agencies to eliminate the time limit for incurring indebtedness required by Chapter 942 for redevelopment plans adopted prior to 1994. The limit may be eliminated by an ordinance of the Agency’s legislative body and without going through a formal redevelopment plan amendment. Redevelopment agencies that eliminate the time limit for incurring indebtedness are subject to the statutory tax sharing of Chapter 942. The City Council of the City, acting as the legislative body of the Agency, adopted Ordinance No. 1022 on June 8, 2005 to eliminate the deadline to incur debt under SB 211.

### **Tax Allocation Financing**

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance that adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of monies deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. Under the Indenture, Subordinate Pledged Tax Revenues consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act. See “SECURITY FOR THE BONDS – Tax Increment Financing” herein for additional information.

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “RISK FACTORS.”

### **Security for the Bonds**

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency had the Prior Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller (the “Redevelopment Property Tax Trust Fund”) pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency’s

Recognized Obligation Payment Schedule (see “APPENDIX B – DEFINITIONS” and “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule”).

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the Bonds, are taxes allocated to the Agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law, as described in the foregoing paragraph.

In accordance with the Dissolution Act, “Subordinate Pledged Tax Revenues” are defined under the Indenture as the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, excluding monies on deposit in the Redevelopment Property Tax Trust Fund required to pay debt service on the 2014 Bonds (as defined below) and any refunding bonds issued to refund the 2014 Bonds that were issued on a senior basis to the Bonds, but only to the extent that such monies were pledged to the payment of debt service on the 2014 Bonds or any such refunding bonds. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then the Indenture states that Subordinate Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

The Agency previously issued \$15,395,000 original principal amount of Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Refunding Bonds, Issue of 2014, currently outstanding in the principal amount of \$10,645,000 (the “2014 Bonds”).

The Bonds are payable from and secured by the Subordinate Pledged Tax Revenues to be derived from the Project Area, all of the monies in the Redevelopment Obligation Retirement Fund (as hereinafter defined) established and held by the Agency pursuant to the Dissolution Act, and all of the monies in the Debt Service Fund (including the Interest Account, the Principal Account, the Reserve Account, and the Redemption Account therein) established and held by the Trustee under the Indenture. Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Area, to the extent they constitute Subordinate Pledged Tax Revenues, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule”). Monies deposited by the County Auditor-Controller into the Agency’s Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

Concurrently with the issuance of the Bonds, \_\_\_\_\_ (“\_\_\_\_\_”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. See “BOND INSURANCE” and “APPENDIX I – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

## **Reserve Account**

In order to further secure the payment of the principal of and interest on the Bonds, a Reserve Account within the Debt Service Fund is created pursuant to the Indenture in an amount equal to the "Reserve Requirement" which means, as of the date of computation, an amount equal to the combined lesser of (i) Maximum Annual Debt Service on the Bonds, (ii) 10% of the net proceeds of the Bonds and, or (iii) 125% of the Average Annual Debt Service on all Bonds Outstanding. See "SECURITY FOR THE BONDS – Reserve Account." The Reserve Account will be funded by the purchase of a Municipal Bonds Debt Service Reserve Fund Insurance Policy (the "Reserve Policy") issued by \_\_\_\_\_ in an amount equal to the Reserve Requirement of \$\_\_\_\_\_.

## **Further Information**

Brief descriptions of the Bonds, the Indenture, the Agency, the Prior Agency and the City 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 Bond Law, the Redevelopment Law, the Dissolution Act, the Constitution and the laws of the State as well as the proceedings of the Prior Agency, the Agency and the City are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by the form thereof included in the Indenture and the information with respect thereto included herein, copies of which are all available for inspection at the offices of the Agency. During the period of the offering of the Bonds, copies of the forms of all documents are available at the offices of Stifel, Nicolas and Company, Inc., 515 South Figueroa Street, Suite 1800, Los Angeles, California 90071, and thereafter from the City Clerk's office, City of Calexico, 608 Heber Avenue, Calexico, California 92231.

## **PLAN OF REFUNDING**

A portion of the proceeds of the 2018A Bonds will be used to currently refund and defease all of the Prior Agency's previously issued 2000 Bonds and the 2006 Bonds. A portion of the proceeds of the 2018B Bonds will be used to advance refund and defease all of the Prior Agency's 2011 Bonds.

Concurrently with the issuance of the Bonds, the Agency will enter into a 2000 Bonds Escrow Agreement, dated as of \_\_\_\_\_ 1, 2018 (the "2000 Escrow Agreement"), with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"). Under the 2000 Escrow Agreement, the Escrow Agent will create and establish an escrow fund, to be known as the 2000 Bonds Escrow Fund (the "2000 Escrow Fund"). Amounts in the 2000 Escrow Fund will be held uninvested and will be used to pay the redemption price on the 2000 Bonds, including any accrued and unpaid interest with respect thereto, on \_\_\_\_\_.

Concurrently with the issuance of the Bonds, the Agency will enter into a 2006 Bonds Escrow Agreement, dated as of \_\_\_\_\_ 1, 2018 (the "2006 Escrow Agreement"), with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"). Under the 2006 Escrow Agreement, the Escrow Agent will create and establish an escrow fund, to be known as the 2006 Bonds Escrow Fund (the "2006 Escrow Fund"). Amounts in the 2006 Escrow Fund will be held uninvested and will be used to pay the redemption price on the 2006 Bonds, including any accrued and unpaid interest with respect thereto, on \_\_\_\_\_.

Concurrently with the issuance of the Bonds, the Agency will enter into a 2011 Bonds Escrow Agreement, dated as of \_\_\_\_\_ 1, 2018 (the "2011 Escrow Agreement"), with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"). Under the 2011 Escrow Agreement, the Escrow Agent will create and establish an escrow fund, to be known as the 2011 Bonds Escrow Fund (the "2011 Escrow Fund"). Amounts in the 2011 Escrow Fund will be invested in federal securities or held uninvested and will be used to pay the redemption price on the 2011 Bonds, including any accrued and unpaid interest with respect thereto, on \_\_\_\_\_.

The monies deposited in the Escrow Funds will be held solely for the benefit of the holders of the respective Refunded Bonds and will not serve as a security or be available for payment of principal of, or interest on, or premium, if any, on the Bonds. Sufficiency of the deposits to pay and redeem the respective Refunded Bonds will be verified upon delivery of the Bonds by \_\_\_\_\_. See “CONCLUDING INFORMATION – Verification” herein.

### SOURCES AND USES OF FUNDS

The estimated sources and uses of funds is summarized as follows:

	2018A Bonds	2018B Bonds
<b>Sources:</b>		
Principal amount of Bonds		
Plus/Less Original Issue Premium/Discount		
Transfer from Refunded Bonds funds and accounts		
<b>Total Sources</b>		
<b>Uses:</b>		
2000 Bonds Escrow Fund		
2006 Bonds Escrow Fund		
2011 Bonds Escrow Fund		
Costs of Issuance Fund <sup>(1)</sup>		
<b>Total Uses</b>		

<sup>(1)</sup> Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Agency Counsel, Municipal Advisor, Fiscal Consultant, Trustee, bond insurance premium, surety bond premium, Underwriter’s discount, printing expenses, rating fee and other costs.

### THE BONDS

#### Authority for Issuance

The Bonds were authorized for issuance pursuant to the Indenture, the Bond Law and the Dissolution Act. The issuance of the Bonds and the execution of the Indenture were authorized by the Agency pursuant to Resolution No. \_\_\_\_\_ adopted by the Agency on \_\_\_\_\_, 2018, and by Resolution No. \_\_\_\_\_ adopted by the Oversight Board for the Agency on \_\_\_\_\_, 2018 (the “Oversight Board Resolution”).

Written notice of the Oversight Board Resolution was provided to the State Department of Finance pursuant to the Dissolution Act on \_\_\_\_\_, 2018, and the State Department of Finance requested review within five business days of such written notice. On \_\_\_\_\_, 2018, the State Department of Finance provided a letter to the Agency stating that based on such department’s review and application of the law, the Oversight Board Resolution approving the issuance of the Bonds for the purpose of refunding the Refunded Bonds is approved by the State Department of Finance (the “DOF Determination Letter Approving Bonds”). A copy of the DOF Determination Letter Approving Bonds is set forth as Appendix H hereto.

#### Description of the Bonds

The Bonds will be executed and delivered as one fully-registered Bond in the denomination of \$5,000 or any integral multiple thereof for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, as registered owner of all Bonds. See “Book-Entry System” below. The Bonds will be dated the Delivery Date and mature on August 1 in the years and in the amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will be

calculated at the rates shown on the inside cover page of this Official Statement, payable semiannually on February 1 and August 1 in each year, commencing on February 1, 2019, by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date.

**Book-Entry System**

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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “APPENDIX D – BOOK-ENTRY ONLY SYSTEM.”

**Redemption and Purchase of Bonds**

*Optional Redemption.* The Bonds maturing on or before August 1, 20\_\_ are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 20\_\_ are subject to redemption prior to maturity in whole, or in part in the manner determined by the Agency, on any date on or after August 1, 20\_\_, from any available source of funds, at a redemption price equal to the principal amount of the Bonds being redeemed, without premium, together with accrued interest thereon to the redemption date.

*Mandatory Sinking Account Redemption.* The Bonds maturing on August 1, 20\_\_ are subject to redemption in part by lot on August 1, 20\_\_ and on August 1 in each year shown below until maturity, from sinking account payments made by the Agency, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; provided, however, that if some but not all of the Bonds have been redeemed the total amount of all future sinking account payments will be reduced by an amount corresponding to the aggregate principal amount of Bonds so redeemed, to be allocated among such sinking account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (notice of which determination will be given by the Agency to the Trustee):

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed or Purchased
_____	_____

*Purchase in Lieu of Redemption.* In lieu of optional or sinking account redemption of Bonds, amounts on deposit in the Redevelopment Obligation Retirement Fund (to the extent not required to be transferred to the Trustee during the current Bond Year) may also be used and withdrawn by the Agency at any time for the purchase of the Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of the Bonds so purchased by the Agency and surrendered to the Trustee for cancellation in any twelve-month period ending on July 15 in any year will be credited towards and will

reduce the principal amount of the Bonds otherwise required to be redeemed on the following August 1 pursuant to the Indenture.

Notice of Redemption. The Trustee on behalf of and at the expense of the Agency will mail (by first class mail, postage prepaid) notice of any redemption at least 30 but not more than 60 days prior to the redemption date, to (i) the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access System, or any successor thereto; but such mailing will not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the redemption date and the redemption price, will designate the CUSIP number of the Bonds to be redeemed, state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding (or all Bonds of a maturity) are to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

### **SECURITY FOR THE BONDS**

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Prior Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Agency's Recognized Obligation Payment Schedule. See "APPENDIX B – DEFINITIONS" and "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule".

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Agency under the Dissolution Act, including the Bonds, are taxes allocated to the Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "taxing agencies") after the effective date of the ordinance approving the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable, are to be divided as follows:

(a) *To Taxing Agencies:* That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable (each, a "base year valuation"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) *To the Prior Agency/Agency:* Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limit following the Delivery Date, when collected will be paid into a special fund of the Prior Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Agency to pay the debt service on indebtedness incurred by the Prior Agency or the Agency to finance or refinance the redevelopment projects of the Prior Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above.

The Bonds are payable from and secured by (i) an irrevocable pledge of the Subordinate Pledged Tax Revenues to be derived from the Project Area, (ii) an irrevocable pledge of all of the monies in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act, and (iii) an irrevocable first pledge and lien on all of the monies in the Debt Service Fund (including the Interest Account, the Principal Account, the Reserve Account, and the Redemption Account therein) established and held by the Trustee in trust for the Bondowners under the Indenture.

“Subordinate Pledged Tax Revenues” are defined under the Indenture as the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, excluding monies on deposit in the Redevelopment Property Tax Trust Fund required to pay debt service on the 2014 Bonds and any refunding bonds issued to refund the 2014 Bonds that were issued on a senior basis to the Bonds, but only to the extent that such monies were pledged to the payment of debt service on the 2014 Bonds or any such refunding bonds. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then the Indenture states that Subordinate Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Area, to the extent they constitute Subordinate Pledged Tax Revenues will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule”). Monies deposited by the County Auditor-Controller into the Agency’s Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

The Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Subordinate Pledged Tax Revenues available in any six-month period to pay the principal of and interest on the Bonds. See “SECURITY FOR THE BONDS – Tax Increment Financing” and “– Recognized Obligation Payment Schedule” and “RISK FACTORS”.

The Bonds are not a debt of the City, the State or any of its political subdivisions (except the Agency), and none of the City, the State or any of its political subdivisions (except the Agency) is liable therefor. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

### **Tax Increment Financing**

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of monies deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller. Under the Indenture, Subordinate Pledged Tax Revenues consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See "RISK FACTORS."

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Dissolution Act has only required that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area, the Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states, "It is the intent . . . that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge." The implications of these provisions of the Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area. However, with respect to the Bonds, the Prior Agency established only one redevelopment project area, which is the Project Area. Therefore, all of the Subordinate Pledged Tax Revenues will derive solely from the Project Area, and the Agency has no obligations deriving from any project area other than the Project Area.

The Redevelopment Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. The Prior Agency entered into several agreements for this purpose (the "Pass-Through Agreements"). Additionally, Sections 33607.5 and 33607.7 of the Redevelopment Law required

mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the "Statutory Pass-Through Amounts"). The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under the Pass-Through Agreements and for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund each January 2 and June 1, unless (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Prior Agency, as succeeded by the Agency, or (ii) the Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Agency's enforceable obligations, pass-through payments, and the Agency's administrative cost allowance for the applicable six-month period, and the State Controller has concurred with the Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements stated in clause (ii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Agency's enforceable obligations, pass-through payments, and the Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Agency for administrative costs for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under Pass-Through Agreements and for Statutory Pass-Through Amounts, in order to be paid to the Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted. As described in "MERGED CENTRAL BUSINESS DISTRICT AND RESIDENTIAL REDEVELOPMENT PROJECT AREA – Statutory Pass-Throughs" below, some of the Pass-Through Agreements are expressly made subordinate to indebtedness of the Agency. However, there are also several Pass-Through Agreements which are not subordinate to Agency indebtedness. In addition, the Dissolution Act provides for a procedure by which the Agency may make Statutory Pass-Through Amounts subordinate to the Bonds; however, the Agency has determined not to undertake such procedure, and therefore, Statutory Pass-Through Amounts (other than such amounts relating to the City) are not subordinate to the Bonds. The City has agreed to subordinate its Statutory Pass-Through Amounts to the debt service on the Bonds. See "PROJECT AREA – Statutory Pass-Throughs".

The Agency cannot guarantee that this process prescribed by the Dissolution Act of administering the Subordinate Pledged Tax Revenues and the subordinations provided in the Pass-Through Agreements and of the Statutory Pass-Through Amounts will effectively result in adequate Subordinate Pledged Tax Revenues for the payment of principal and interest on the Bonds when due. See "RISK FACTORS – Recognized Obligation Payment Schedule." See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule." See also "PROJECT AREA, – Pass-Through Agreements" and "– Statutory Pass-Throughs" for additional information regarding the Pass-Through Agreements and the Statutory Pass-Through Amounts applicable to the Agency and the revenues derived from the Project Area.

### **Recognized Obligation Payment Schedule**

By February 1st of each year, the Dissolution Act requires successor agencies to prepare, and submit to the successor agency's oversight board and the Department of Finance for approval, a Recognized Obligation Payment Schedule (the "Recognized Obligation Payment Schedule") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act,

“enforceable obligation” includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the Predecessor Agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from a low and moderate income housing fund.

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board).

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) bond proceeds, (ii) reserve balances, (iii) administrative cost allowance, (iv) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (v) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the Predecessor Agency, as approved by the Oversight Board). A reserve may be included on the Recognized Obligation Payment Schedule and held by a successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following six-month period.

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Each annual Recognized Obligation Payment Schedule may be amended once, provided that (i) the Successor Agency submits the amendment to the Department of Finance no later than October 1, (ii) the Oversight Board makes a finding that the amendment is necessary for the payment of approved enforceable obligations during the second half of the Recognized Obligation Payment Schedule period (from January 1 to June 30, inclusive), and (iii) the Successor Agency may only amend the amount requested for payment of approved enforceable obligations. The Department of Finance is required to notify the Successor Agency and the County Auditor-Controller as to whether the Successor Agency’s requested amendment is approved at least 15 days before the January 2 property tax distribution.

The Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the Department of Finance and the State Controller by February 1 in each year. If the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadline, the City will be subject to a civil penalty equal to \$10,000 per day for every day that the schedule is not submitted. Additionally, the Successor Agency’s administrative cost allowance will be reduced by 25% for any fiscal year for which the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within 10 days of the February 1 deadline. If the Successor Agency fails to submit a Recognized Obligation Payment Schedule by the February 1 deadline, any creditor of the Successor Agency or the department or any affected taxing entity shall have standing to, and may request a writ of mandate to, require the Successor Agency to immediately perform this duty. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see “RISK FACTORS – Recognized Obligation Payment Schedule.”

With respect to each Recognized Obligation Payment Schedule submitted by the Successor Agency, the Dissolution Act requires the Department of Finance to make a determination of the enforceable

obligations and the amounts and funding sources available to pay approved enforceable obligations no later than April 15. Within five business days of the determination by the Department of Finance, the Successor Agency may request additional review by the Department of Finance and an opportunity to meet and confer on disputed items, if any. The Department of Finance will notify the Successor Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the June 1 property tax distribution date preceding the applicable Recognized Obligation Payment Schedule period. Additionally, the County Auditor-Controller may review a submitted Recognized Obligation Payment Schedule and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the County Auditor-Controller must provide notice of any such objections to the Successor Agency, the Oversight Board and the Department of Finance at least 60 days prior to the next June 1 property tax distribution date.

In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of (i) property tax to be allocated and distributed and (ii) the amounts of pass-through payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and the State Department of Finance no later than October 1 and April 1 of each year, as applicable. With respect to the Recognized Obligation Payment Schedule for January 1, 2015 through June 30, 2015, the County Auditor-Controller provided such estimate to the Agency by October 1, 2014. If, after receiving such estimate from the County Auditor-Controller, the Agency determines and reports, no later than December 1 or May 1, as applicable (i.e., by December 1, 2014 with respect to the Recognized Obligation Payment Schedule for January 1, 2015 through June 30, 2015), that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of pass-through obligations, for Agency enforceable obligations listed on the Recognized Obligation Payment Schedule, and for the Agency's administrative cost allowance, the County Auditor-Controller must notify the State Controller and the State Department of Finance no later than 10 days from the date of the Agency's notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under "SECURITY FOR THE BONDS – Tax Increment Financing" above.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date and will be included in the Agency's Recognized Obligation Payment Schedule. Section 34177.5(f) of the Dissolution Act additionally provides that if the State Department of Finance has requested review of the Oversight Board Resolution and, after review, has approved the resolution, the scheduled payments on the Bonds shall be listed in the Recognized Obligation Payment Schedule and will not be subject to further review and approval by the State Department of Finance or the State Controller.

Further, the Agency has covenanted in the Indenture to take all actions required under the Dissolution Act to include scheduled debt service on the Bonds, as well as any amount required under the Indenture to replenish the Reserve Account of the Debt Service Fund, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Existing Parity Bonds and the Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indenture or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Bonds for the next payment due in the following six-month period. See "THE INDENTURE – Covenants of the Agency".

## Reserve Account

A Reserve Account will be maintained under the Indenture for the Bonds in an amount equal to the Reserve Requirement. "Reserve Requirement" means, as of the date of computation, an amount equal to the combined lesser of (i) Maximum Annual Debt Service on the Bonds, (ii) 10% of the net proceeds of the Bonds, or (iii) 125% of the Average Annual Debt Service on all Bonds Outstanding. See "THE INDENTURE – Subordinate Pledged Tax Revenues – Application." The Reserve Account will be funded by the purchase of the Reserve Policy issued by \_\_\_\_\_ in an amount equal to the Reserve Requirement of \$\_\_\_\_\_.

## Parity Bonds

Under the Indenture, in addition to the Bonds and subject to the requirements of the Indenture, the Agency may issue or incur additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) secured by a pledge and lien on Subordinate Pledged Tax Revenues on a parity with the Bonds ("Parity Bonds") in such principal amount as shall be determined by the Agency, pursuant to a separate or Supplemental Indenture adopted or entered into by the Agency and Trustee and for such purposes as are permitted under the Dissolution Act, including without limitation Section 34177.5 thereof.

Section 34177.5 of the Dissolution Act presently permits successor agencies to issue bonds or incurring other indebtedness secured by property tax revenues comprised of former tax increment and required to be deposited into the respective Redevelopment Property Tax Trust Fund for the applicable successor agency under limited circumstances:

- (i) to provide savings to the successor agency;
- (ii) for the purpose of financing debt service spikes, including balloon maturities; provided, (A) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance;
- (iii) for the purpose of amending an existing enforceable obligation under which the successor agency is obligated to reimburse a political subdivision of the state for the payment of debt service on a bond or other obligation of the political subdivision or to pay all or a portion of the debt service on the bond or other obligation of the political subdivision to provide savings to the successor agency, when such amendment is in connection with a refunding of the bonds or other obligations of the separate political subdivision so that the enforceable obligation will apply to the refunding obligations of the political subdivision; or
- (iv) for the purpose of making payments under an existing enforceable obligation when the enforceable obligation includes the irrevocable pledge of property tax increment (i.e., formerly tax increment revenues prior to the effective date of the Dissolution Act) or other funds and the obligation to issue bonds secured by that pledge.

When bonds are issued pursuant to the situations contemplated in clauses (i) and (iii), the following two constraints apply to the size of the financing: (A) the total interest cost to maturity on the refunding bonds or indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance. If the foregoing conditions are satisfied, the initial principal amount of the refunding bonds or indebtedness

may be greater than the outstanding principal amount of the bonds or other indebtedness to be refunded. The successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, having the same lien priority as the pledge of the bonds or other obligations to be refunded.

Subject to the foregoing, the Agency may issue or incur such Parity Bonds subject to the following additional specific conditions precedent:

(a) The Agency will be in compliance with all covenants set forth in the Indenture and any indenture or Supplemental Indenture for Parity Bonds;

(b) The Oversight Board shall have approved the issuance of such Parity Bonds;

(c) The Parity Bonds will be on such terms and conditions as may be set forth in a separate or Supplemental Indenture, which will provide for (i) bonds substantially in accordance with the Indenture, and (ii) the deposit of moneys, one or more letters of credit, surety bonds, bond insurance policies, or other form of guaranty from a financial institution into the Reserve Account in an amount sufficient to equal the reserve requirement on the Parity Bonds to be issued;

(d) Receipt of a certificate or opinion of an Independent Financial Consultant stating that the conditions of Section 34177.5(a)(1) of the Dissolution Act for the issuance of refunding bonds have been met, together with supporting schedules demonstrating such conditions have been met; and

(e) The Parity Bonds will mature on and interest will be payable on the same dates as the Bonds (except the first interest payment may be from the date of the Parity Bonds until the next succeeding February 1 or August 1) provided, however, nothing herein shall preclude the Agency from issuing and selling Additional Parity Bonds which do not pay current interest.

### **Bonds Not a Debt of the City of Calexico or the State of California**

The Bonds are special obligations of the Agency and as such are not a debt of the City, the State or any of its political subdivisions other than the Agency. Neither the City, the State nor any of its political subdivisions other than the Agency is liable for the payment thereof. In no event shall the Bonds be payable out of any funds or properties other than those of the Agency as set forth in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds.

### **BOND INSURANCE**

*The following information has been furnished by \_\_\_\_\_ (the "Insurer" or "\_\_\_\_") for use in this Official Statement. No representation is made by the Agency, the City or the Underwriter as to the accuracy or completeness of such information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to "APPENDIX I – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" for a specimen of the Insurer's policy.*

[TO COME]

## THE INDENTURE

*The following is a summary of certain provisions of the Indenture and does not purport to be complete. Reference is hereby made to the Indenture and to APPENDIX B for the definition of certain terms used herein. Copies of the Indenture are available from the Agency upon request. All capitalized terms used herein and not otherwise defined will have the same meaning as used in the Indenture.*

### **Allocation of Bond Proceeds**

Under the Dissolution Act, the Agency has previously established a special trust fund called the Redevelopment Obligation Retirement Fund (the "Redevelopment Obligation Retirement Fund"), which is held by the Agency and into which the County Auditor-Controller distributes property tax revenues each January 2 and June 1 from the Redevelopment Property Tax Trust Fund for the payment by the Agency of enforceable obligations pursuant to the Recognized Obligation Payment Schedule.

The Indenture establishes a special trust fund known as the "Debt Service Fund," with accounts therein referred to below, which will be held by the Trustee. The Agency will deposit all of the Subordinate Pledged Tax Revenues received in any Bond Year in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Agency, and promptly thereafter shall transfer amounts received therein to the Debt Service Fund established and held by the Trustee under the Indenture and the Existing Parity Bonds Indentures until such time during such Bond Year as the amounts so transferred equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account of the Debt Service Fund in such Bond Year pursuant to the Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in any Supplemental Indenture.

### **Subordinate Pledged Tax Revenues - Application**

The Indenture establishes accounts within the Debt Service Fund as set forth below, to be known respectively as the Interest Account, the Principal Account, the Reserve Account and the Redemption Account. Moneys in the Debt Service Fund will be transferred by the Trustee in the following amounts at the following times, for deposit in the following respective accounts within the Debt Service Fund, which are established with the Trustee, in the following order of priority:

(a) *Interest Account.* On or before the 5th Business Day preceding each Interest Payment Date, the Trustee will withdraw from the Debt Service Fund and transfer to the Interest Account an amount which, when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need to be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. Subject to the Indenture, all moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

(b) *Principal Account.* On or before the 5th Business Day preceding August 1 in each year, beginning August 1, 201\_\_, the Trustee will withdraw from the Debt Service Fund and transfer to the Principal Account an amount equal to the principal or sinking account payments becoming due and payable on the Outstanding Bonds and Additional Parity Bonds on such August 1, to the extent monies on deposit in the Redevelopment Obligation Retirement Fund are available therefor. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal and sinking account payments to become due on such August 1 on all Outstanding Bonds. Subject to the Indenture, all moneys in the Principal

Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal and sinking account payments of the Bonds as they become due and payable.

(c) *Reserve Account.* In the event the moneys on deposit in the Debt Service Fund five (5) Business Days before any Interest Payment Date are less than the full amount of the interest and principal and sinking account payments required to be deposited, the Trustee will, five (5) Business Days before such Interest Payment Date, withdraw from the Reserve Account an amount equal to any such deficiency and will notify the Agency of any such withdrawal. Promptly upon receipt of any such notice, the Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Reserve Account an amount that will be sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there is not sufficient moneys in the Redevelopment Obligation Retirement Fund to transfer an amount, which will be sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency will have an obligation to continue making transfers of Subordinate Pledged Tax Revenues into the Debt Service Fund, as such revenues become available, and thereafter, as moneys become available in the Debt Service Fund, the Trustee will make transfers to the Reserve Account until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account (or any subaccount therein) so long as there is on deposit therein a sum at least equal to the Reserve Requirement. Subject to this Indenture all money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account (and subaccounts therein, as the case may be), in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Successor Agency is not in default hereunder, any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before the 5th Business Day preceding February 1 and August 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the 5th Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and will be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made or, (ii) if the Successor Agency shall have caused to be deposited with the Trustee an amount sufficient to make the deposits required by this Indenture, then at the Written Request of the Successor Agency such amount shall be transferred as directed by the Successor Agency.

(d) *Redemption Account.* On or before the 5th Business Day preceding any date on which Bonds are to be redeemed, the Trustee will transfer from the Debt Service Fund for deposit in the Redemption Account an amount required to pay the principal of, interest and premium, if any, on the Bonds (other than Bonds redeemed from sinking account payments) to be redeemed on such date. Subject to the Indenture, all moneys in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of, interest and premium, if any, on the Bonds to be redeemed on the date set for such redemption.

The Indenture also creates a Rebate Fund for the purpose of collecting the amounts required, if any, to be rebated to the United States in accordance with the requirements of Section 148(f) of the Code. Section 148 of the Code requires, among other things and with certain exceptions, that any amounts earned on nonpurpose investments in excess of the amount which would have been earned if such investments were made at a rate equal to the yield on the Bonds be rebated to the United States. The Indenture requires the Agency to calculate such amount and deposit it into the Rebate Fund for eventual rebate to the United States Treasury.

#### **Investment of Moneys in Funds and Accounts**

Subject to the provisions of the Indenture, all moneys held by the Trustee in the Debt Service Fund, the Costs of Issuance Fund, the Redemption Account, or the Rebate Fund will be invested at the written

direction of the Agency only in Permitted Investments. If the Trustee receives no written directions from the Agency as to the investment of moneys held in any fund or account, the Trustee shall request such written direction from the Agency and, pending receipt of instructions, will invest such moneys only in Permitted Investments described in subsection (5) of the definition thereof.

(a) Moneys in the Redevelopment Obligation Retirement Fund will be invested by the Agency only in obligations permitted by the Redevelopment Law which will by their terms mature not later than the date the Agency estimates the moneys represented by the particular investment will be needed for withdrawal from the Redevelopment Obligation Retirement Fund.

(b) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Debt Service Fund will be invested only in obligations which will by their terms mature on such dates as to ensure that before each interest and principal payment date there will be in such account, from matured obligations and other moneys already in such account, cash equal to the principal and interest payable on such payment date.

(c) Moneys in the Reserve Account will be invested in (i) obligations which will by their terms mature on or before the date of the final maturity of the Bonds or five (5) years from the date of investment, whichever is earlier or (ii) an investment agreement which permits withdrawals or deposits without penalty at such time as such moneys will be needed or in order to replenish the Reserve Account.

(d) Moneys in the Rebate Fund will be invested in Defeasance Securities which mature on or before the date such amounts are required to be paid to the United States.

Obligations purchased as an investment of moneys in any of the funds or accounts will be deemed at all times to be a part of such respective fund or account, and the interest accruing thereon and any gain realized from an investment will be credited to such fund or account and any loss resulting from any authorized investment will be charged to such fund or account without liability to the Trustee. The Agency or the Trustee, as the case may be, will sell or present for redemption any obligation purchased whenever it will be necessary to do so in order to provide moneys to meet any payment or transfer from such fund or account as required by the Indenture and will incur no liability for any loss realized upon such a sale. All interest earnings received on any moneys invested in the Interest Account, Principal Account, Redemption Account or Reserve Account, to the extent they exceed the amount required to be in such account, will be transferred on each Interest Payment Date to the Debt Service Fund. All interest earnings on moneys invested in the Rebate Fund will be retained in such fund and applied as set forth in the Indenture.

### **Covenants of the Agency**

As long as the Bonds are outstanding and unpaid, the Agency will (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued under the Indenture, including the following covenants and agreements for the benefit of the Bondowners which are necessary, convenient and desirable to secure the Bonds and any Parity Bonds and will tend to make them more marketable; provided, however, that the covenants do not require the Agency to expend any funds other than the Subordinate Pledged Tax Revenues.

Use of Proceeds; Management and Operation of Properties. The Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in the Indenture and that it will manage and operate all properties owned by it comprising any part of the Project Area in a sound and businesslike manner.

No Priority. The Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Subordinate Pledged Tax Revenues which have any lien upon the Subordinate Pledged Tax Revenues prior or superior to the lien of the Bonds and any Parity Bonds. Except

as permitted by the Indenture, it will not issue any obligations, payable as to principal or interest, from the Subordinate Pledged Tax Revenues, which have any lien upon the Subordinate Pledged Tax Revenues on a parity with the Bonds authorized in the Indenture. Notwithstanding the foregoing, nothing in the Indenture shall prevent the Agency (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Subordinate Pledged Tax Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding all of the Outstanding Bonds and any Parity Bonds, (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Subordinate Pledged Tax Revenues which is junior to the Bonds, or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Subordinate Pledged Tax Revenues. As used in the Indenture “obligations” includes, without limitation, bonds, notes, interim certificates, debentures or other obligations.

*Punctual Payment.* The Agency covenants and agrees that it will duly and punctually pay, or cause to be paid, the principal of and interest on each of the Bonds and any Parity Bonds on the date, at the place and in the manner provided in the Bonds and any Parity Bonds, and that it will take all actions required under the Dissolution Act to include on the Recognized Obligation Payment Schedules for each six-month period all payments to the Trustee.

*Payment of Taxes and Other Charges.* The Agency covenants and agrees that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Agency or any of the properties then owned by it in the Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the Bonds or the use of Subordinate Pledged Tax Revenues or other legally available funds to pay the principal of and interest on the Bonds, all to the end that the priority and security of the Bonds shall be preserved; provided, however, that nothing in this covenant shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of the payment.

*Books and Accounts; Financial Statements.* The Agency covenants and agrees that it will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Redevelopment Project and the Subordinate Pledged Tax Revenues and other funds relating to the Project Area. The Agency will prepare within one hundred eighty (180) days after the close of each of its Fiscal Years a postaudit of the financial transactions and records of the Agency for the Fiscal Year to be made by an Independent Certified Public Accountant appointed by the Agency, and will furnish a copy of the postaudit to the Trustee and any rating agency which maintains a rating on the Bonds, and, upon written request, to any Bondowner. The Trustee shall have no duty to review such postaudits.

*Eminent Domain Proceeds.* The Agency covenants and agrees that if all or any part of the Redevelopment Project Area should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, it shall take all steps necessary to adjust accordingly the base year property tax roll of the Project Area.

*Disposition of Property.* The Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Project Area (except property shown in the Redevelopment Plan in effect on the date the Indenture is adopted as planned for public use, or property to be used for public streets, public offstreet parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities whose property is tax exempt, unless such disposition will not result in Subordinate Pledged Tax Revenues to be less than the amount required for the issuance of Parity Bonds as provided in the Indenture, based upon the certificate or opinion of an Independent Financial Consultant appointed by the Agency. See “SECURITY FOR THE BONDS – Additional Parity Bonds.”

Protection of Security and Rights of Bondowners. The Agency covenants and agrees to preserve and protect the security of the Bonds and the rights of the Bondowners and to contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Agency that (i) except as modified by the Dissolution Act, the Redevelopment Law is unconstitutional or (ii) that the Subordinate Pledged Tax Revenues pledged under the Indenture cannot be paid to the Agency for the debt service on the Bonds or (b) any other action affecting the validity of the Bonds or diluting the security therefor, including, with respect to the Subordinate Pledged Tax Revenues, the senior lien position of the Bonds to the Pass-Through Agreements.

Compliance with Dissolution Act. The Agency covenants that it will comply with the requirements of the Dissolution Act. Without limiting the generality of the foregoing, the Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Agency with its covenants under the Indenture. Further, it will take all actions required under the Dissolution Act to include scheduled debt service on the Bonds, as well as any amount required to replenish the Reserve Account of the Debt Service Fund, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to transfer to the Trustee to pay principal of, and interest on, the Bonds and any Parity Bonds coming due in the respective six-month period. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest on the Bonds and any other Parity Bonds when the next property tax allocation is projected to be insufficient to pay all obligations due on the Bonds and any other Parity Bonds for the next payment due thereunder in the following six-month period.

Limitation on Indebtedness. The Agency covenants and agrees that it has not and will not incur any loans, obligations or indebtedness repayable from Subordinate Pledged Tax Revenues such that the total aggregate debt service on said loans, obligations or indebtedness incurred from and after the date of adoption of the Redevelopment Plan, when added to the total aggregate debt service on the Bonds and Parity Bonds, will exceed the maximum amount of Subordinate Pledged Tax Revenues to be divided and allocated to the Agency pursuant to the Redevelopment Plan. The Agency shall file annually with the Trustee on or prior to August 1 of each year a Written Certificate of the Agency certifying that Subordinate Pledged Tax Revenues received by the Agency through the date of the certificate combined with the amount remaining to be paid on all outstanding obligations of the Agency will not exceed the Plan Limit. To the extent it does, all Subordinate Pledged Tax Revenues will be deposited in an escrow account and applied to the payment or redemption of such outstanding obligations at the next available redemption date.

Further Assurances. The Agency covenants and agrees to 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 rights and benefits provided in the Indenture.

Continuing Disclosure. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement dated the Closing Date. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any participating underwriter, holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

## **Events of Default and Remedies**

The following events will constitute Events of Default under the Indenture:

(a) if default is made in the due and punctual payment of the principal of or interest 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) if default is made by the Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default is continued for a period of thirty (30) days following receipt by the Agency of written notice from the Trustee or any Owner of the occurrence of such default; or

(c) if the Agency commences a voluntary action under Title 11 of the United States Code or any substitute or successor statute.

If an Event of Default has occurred and is continuing, the Trustee may, or if requested in writing by the Owners of the majority in aggregate principal amount of the Bonds then Outstanding, the Trustee will by written notice to the Agency, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, and (b) upon receipt of indemnity to its satisfaction exercise any other remedies available to the Trustee and the Owners in law or at equity.

Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee will give notice of such Event of Default to the Agency by telephone confirmed in writing. Such notice will also state whether the principal of the Bonds will have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee will, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Agency and the Owners in the same manner as provided herein for notices of redemption of the Bonds, which will include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee has declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Agency deposits with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the net effective rate then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, including but not limited to attorneys' fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provisions deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

## **Application of Funds Upon Acceleration**

All of the Subordinate Pledged Tax Revenues and all sums in the funds and accounts established and held by the Trustee upon the date of the declaration of acceleration as provided in the Indenture, and

all sums thereafter received by the Trustee thereunder, will be applied by the Trustee in the order following, upon presentation of the Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest has been collected), and in case such moneys will be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest or any Bond over any other Bond.

### **Amendments**

Subject to the terms of the Indenture, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which will become binding upon adoption, without consent of any Owners, to the extent permitted by law for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Agency in the Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any rights or powers therein reserved to or conferred upon the Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments will not materially adversely affect the interests of the Owners; or

(c) to provide the issuance of Additional Parity Bonds pursuant to the Indenture, and to provide the terms and conditions under which such Additional Parity Bonds may be issued, including but not limited to the establishment of Redevelopment Obligation Retirement Funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of the Indenture; or

(d) to amend any provision thereof relating to the requirements of or compliance with the Code to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any of the Bonds, in the opinion of a nationally recognized bond counsel.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which will become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment will (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or

modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

## THE AGENCY

The Prior Agency was established by Resolution No. 1182 of the City Council on May 13, 1952, pursuant to the Redevelopment Law. On March 20, 1979, the City Council of the City adopted Ordinance No. 759 appointing the five members of the City Council as the governing body of the Agency. On June 29, 2011, AB X1 26 was enacted as Chapter 5, Statutes of 2011, together with a companion bill, AB X1 27. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

On January 10, 2012, pursuant to Resolution No. 2012-08 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as successor agency to the Prior Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

The Agency is governed by a five-member Board of Directors (the "Board") which consists of the members of the City Council of the City of Calexico. The Mayor acts as the Chair of the Board, the City Manager as its Executive Director, the City Clerk as its Secretary and the Administrative Services Director of the City as the Treasurer of the Agency.

### Members and Officers

The members and officers of the Agency and the expiration dates of their terms are as follows:

<u>Name and Office</u>	<u>Expiration of Term</u>
Mayor Lewis Pacheco, <i>Chair</i>	November 20 ____
Jesus Eduardo, <i>Vice Chair</i>	November 20 ____
Bill Hodge, <i>Director</i>	November 20 ____
Armando G. Real, <i>Director</i>	November 20 ____
Maritza Hurtado, <i>Director</i>	November 20 ____

### Agency Powers

All powers of the Agency are vested in its five members who are elected members of the City Council. Pursuant to the Dissolution Act, the Agency is a separate public body from the City and succeeds to the organizational status of the Prior Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Agency is tasked with expeditiously winding down the affairs of the Prior Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Agency actions are subject to approval by the Oversight Board, as well as review by the State Department of Finance. California has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally

make all Agency and Oversight Board meetings open to the public in a similar manner as City Council meetings.

Under a State initiative enacted in 1974, public officials are required to make extensive disclosures regarding their financial interests by filing such disclosures as public records. As of the date of this Official Statement, the members of the City Council and the Agency, and other City and Agency officials have made the required filings.

Previously, Section 33675 of the Redevelopment Law required the Prior Agency to file not later than the first day of October of each year with the County Auditor a statement of indebtedness certified by the chief fiscal officer of the Prior Agency for each redevelopment plan which provides for the allocation of taxes (i.e., the Redevelopment Plan). The statement of indebtedness was required to contain the date on which the bonds were delivered, the principal amount, term, purposes and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information was required to be given for each loan, advance or indebtedness that the Prior Agency had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor to the Prior Agency could not exceed the amounts shown on the Prior Agency's statement of indebtedness. The Dissolution Act eliminates this requirement and provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness previously required under the Redevelopment Law, and commencing from such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule".

## **RISK FACTORS**

*The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

### **Reduction in Taxable Value**

Subordinate Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Agency's control, such as relocation out of the Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Subordinate Pledged Tax Revenues that provide for the repayment of and secure the Bonds, the Existing Parity Bonds, and any Additional Parity Bonds. Such reduction of Subordinate Pledged Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Bonds.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution" below, Article XIII A provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Subordinate Pledged Tax Revenues securing the Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Subordinate Pledged Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, described herein under the heading "RISK FACTORS," the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Subordinate Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Subordinate Pledged Tax Revenues and adversely affect the source of repayment and security of the Bonds, the Existing Parity Bonds, and any Additional Parity Bonds.

### **Concentration of Ownership**

The ten largest property taxpayers in the Project Area, based upon the Fiscal Year 2018-19 locally assessed tax roll reported by the County Assessor, owned approximately \_\_\_% of the total Project Area value and approximately \_\_\_% of the total incremental assessed value. Concentration of ownership presents a risk in that if one or more of the largest property owners were to default on their taxes, or were

to successfully appeal the tax assessments on property within the Project Area, a substantial decline in Subordinate Pledged Tax Revenues could result.

### **Risks to Real Estate Market**

The Agency's ability to make payments on the Bonds will be dependent upon the economic strength of the Project Area. The general economy of the Project Area will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within the Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Subordinate Pledged Tax Revenues by the Agency from the Project Area.

### **Reduction in Inflationary Rate**

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2 percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2 percent, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2 percent. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2 percent limitation several times but in Fiscal Year 2010-11 the inflationary value adjustment was negative for the first time at -0.237%. In Fiscal Year 2011-12, the inflationary value adjustment was 0.753%, which also is below the 2 percent limitation, but for Fiscal Year 2012-13, the inflationary value adjustment is 2.00%, which is the maximum permissible increase under Article XIII A. The Agency is unable to predict if any adjustments to the full cash value of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

### **Levy and Collection of Taxes**

The Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Subordinate Pledged Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Agency to repay the Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Area, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Agency's ability to make timely payments on the Bonds. Any reduction in Subordinate Pledged Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Agency's ability to pay the principal of and interest on the Bonds.

### **State Budget Issues**

AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively. The 2011-12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011-12 associated with AB X1 27, which would have allowed redevelopment agencies to continue in

operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-12 schools. However, AB XI 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State's Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of \$1.5 billion for the fiscal year).

For fiscal year 2013-14, the State budget implemented a number of changes, unrelated to redevelopment dissolution, to help the State work toward (on a multiyear basis) a \$1 billion reserve, such as extending certain medical fees and taxes and continuing the use of miscellaneous State highway account revenues to pay transportation bond debt service. The 2013-14 budget summary additionally describes Proposition 98 (schools) General Fund savings estimated at \$2.1 billion in fiscal year 2012-13 and \$1.1 billion in fiscal year 2013-14 as a result of monies generated by redevelopment agency dissolution in those years, a portion of which are one-time savings generated from the distribution of unencumbered funds held by former redevelopment agencies. The budget summary for the State's enacted fiscal year 2014-15 budget updates the estimated the Proposition 98 (schools) General Fund savings resulting from dissolution of redevelopment agencies, citing approximately \$2.2 billion in such State General Fund savings in fiscal years 2011-12 and 2012-13 combined, and another estimated \$2.1 billion in such State General Fund savings in fiscal years 2013-14 and 2014-15. As described in the fiscal year 2014-15 budget summary, the State's budget is heavily dependent on the performance of the stock market and the resulting capital gains tax revenues, which are estimated to provide 9.8 percent of General Fund revenues in fiscal year 2014-15. In response to the volatility of such revenues and the resulting boom-and-bust budget cycles, the State Legislature placed a constitutional amendment on the November 2014 ballot, referred to as Proposition 2, which was passed by the voters. Proposition 2 will require, among other things, beginning in fiscal year 2015-16 and annually thereafter, a transfer of 1.5% of estimated general fund revenues to the state budget stabilization account (the State's "Rainy Day Fund"), and a deposit therein of personal capital gains tax revenues exceeding 8 percent of General Fund revenues (up to a maximum Rainy Day Fund balance equal to 10 percent of State General Fund revenues). In addition, Proposition 2 will require half of each year's deposit into the Rainy Day Fund for the next 15 years to be used for supplemental payments to reduce the State's long-term debt or other long-term liabilities. The State deposited funds into the Rainy Day Fund previously in fiscal years 2006-07 and 2007-08, for a total rainy-day fund of \$1.5 billion, but the fund was emptied when revenues plummeted during the financial crisis. Since fiscal year 2007-08, governors have suspended the Rainy Day Fund deposit each year. Proposition 2 will allow limited use of funds from the Rainy Day Fund in case of emergency or if there is a state budget deficit.

Although the State's budgets for fiscal years 2013-14 and 2014-15 did not include any additional legislation dealing with dissolution of redevelopment agencies, there can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or Subordinate Pledged Tax Revenues.

The full text of each State Assembly bill cited above may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

Information about the State budget and State spending is available at various State maintained websites. Text of the current State budget, and other documents related to the State budget may be found at the website of the State Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov). A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

*The websites or webpages referenced herein are in no way incorporated into this Official Statement. They are cited for informational purposes only. The Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.*

### **Recognized Obligation Payment Schedule**

The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Subordinate Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule" and "PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures – Recognized Obligation Payment Schedule." In the event the Agency was to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Subordinate Pledged Tax Revenues to the Agency could be adversely affected for such period.

In the event a successor agency fails to submit to the State Department of Finance an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the State Department of Finance may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) in the following paragraph, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the State Department of Finance to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any monies in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the State Department of Finance.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the County Auditor-Controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act: (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (as described above under "SECURITY FOR THE BONDS – Tax Increment Financing") and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including pursuant to the Pass-Through Agreements and Statutory Pass-Through Amounts; (ii) second, on each January 2 and June 1, to the Agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule; (iii) third, on each January 2 and June 1, to the Agency for the administrative cost allowance, as defined in the Dissolution Act; and (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of

property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the State Department of Finance does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above. However, the Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the Bonds and the Existing Parity Bonds, as well as any amount required under the Indenture to replenish the Reserve Account of the Debt Service Fund, in Recognized Obligation Payment Schedules for each six-month period and to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Bonds and the Existing Parity Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indenture and the Existing Parity Bonds Indentures or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Bonds and the Existing Parity Bonds for the next payment due in the following six-month period. See "THE INDENTURE – Covenants of the Agency".

AB 1484 also adds new provisions to the Dissolution Act implementing certain penalties in the event the Agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than September 1, 2012 with respect to the six-month period of January 1, 2013 through June 30, 2013 and by 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period, commencing with the July 1, 2013 through December 31, 2013 period. If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Agency's administrative cost allowance is reduced by 25% if the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by September 11, 2012, with respect to the Recognized Obligation Payment Schedule for the first half of calendar year 2012, or by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

#### **AB 1484 Penalty for Failure to Remit Unencumbered Funds**

AB1484 further implements certain provisions of ABX1 26, including establishing a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process, which is commonly known as the "due diligence review process", is required to be completed through the final step (review by the State Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Within five business days of receiving notification from the State Department of Finance, the Agency must remit to the county auditor-controller the amount of unobligated balances determined by the State Department of Finance, or it may request a meet and confer with the State Department of Finance to resolve any disputes. If there is a meet and confer process, the Agency must remit the amount of unobligated balances within five working days of receiving a subsequent notification

from the State Department of Finance of the amount of unobligated balances at the conclusion of that process.

If the Agency fails to remit the amounts determined by the State Department of Finance by the respective deadlines, certain penalties and remedies apply under AB 1484. Among such penalties and remedies, if the city that established the redevelopment agency is performing the duties of the successor agency, the State Department of Finance may order an offset to the city's sales and use tax revenues equal to the amount the successor agency fails to remit. If the State Department of Finance does not order an offset, the county auditor-controller may reduce the property tax allocation of the city. Alternatively, or in addition to the remedies discussed in the foregoing sentences, the State Department of Finance may direct the county auditor-controller to deduct the unpaid amount from future allocations of property tax to the successor agency under Section 34183 of the Dissolution Act until the amounts required to be remitted are paid.

Pertinent to the Bonds, if the Agency were to fail to remit to the County Auditor-Controller the amounts of unobligated balances determined by the State Department of Finance within the time frames required under AB 1484, the State Department of Finance may direct the County Auditor-Controller to deduct the unpaid amount from future allocations of Subordinate Pledged Tax Revenues to the Agency under Section 34183 of the Dissolution Act until the amounts required to be remitted are paid.

As to affordable housing funds, the Agency has completed the due diligence review process described above, and on December 3, 2012, the State Department of Finance issued a letter to the Agency making no adjustments and concurring that the Agency has no unencumbered affordable housing fund balances available for distribution to taxing entities. As to non-housing funds, the Agency has also completed the due diligence review process. After meeting and conferring with the Agency, the State Department of Finance issued a letter to the Agency, dated September 12, 2013, making some adjustments and concluding that the Agency had \$3,961,372 in unencumbered non-housing fund balances available for distribution to taxing entities.

On October 3, 2013, the State Department of Finance issued to the Agency a "finding of completion," which confirms that the Agency has, among other things, paid in full the amounts determined during the due diligence reviews and the county auditor-controller has reported those payments to the State Department of Finance. Accordingly, based on this finding of completion, neither the Agency nor the City are subject to any AB 1484 penalties for a failure to remit unencumbered funds.

### **Bankruptcy and Foreclosure**

The payment of property taxes from which Subordinate Pledged Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. 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 bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

## **Estimated Revenues**

In estimating that Subordinate Pledged Tax Revenues will be sufficient to pay debt service on the Bonds, the Agency has made certain assumptions with regard to present and future assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the Subordinate Pledged Tax Revenues available to pay debt service on the Bonds will be less than those projected and such reduced Subordinate Pledged Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Bonds.

## **Hazardous Substances**

An environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required 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. If this situation were to occur with property within the Project Area, the costs of remedying it could reduce the marketability and taxable value of the property.

## **Seismic Factors**

The City, like most regions in the State, is located in an area of seismic activity and, therefore, could be subject to potentially destructive earthquakes. The Project Area is located in a seismically active region of Southern California and faults are located near the Project Area. In the event of property damage caused by an earthquake, the assessed valuation of affected property could be reduced. Such a reduction of assessed valuations could result in a reduction of the Subordinate Pledged Tax Revenues that secure the Bonds, which in turn could impair the ability of the Agency to make payments of principal of and interest on the Bonds when due.

The Alquist-Priolo Earthquake Fault Zone Act, passed in 1972 by the State of California, requires the State Geologist to establish regulatory zones (known as Earthquake Fault Zones) around the surface traces of active faults and issue appropriate maps to assist in the mitigation of the hazard of surface faulting to structures for human occupancy. The State of California is located on the San Andreas Fault which represents a portion of the boundary between the North American Plate and the Pacific Plate. The Imperial Valley is located in what is known as the Salton Trough, bordered on the east by the San Andreas Fault and Imperial Fault, and to the west by the San Jacinto-Coyote Creek Fault and Elsinore-Laguna Salada Fault. The Salton Trough is one of the most seismically active areas in the United States.

In the last one hundred years, there have been eleven earthquakes that have measured at least magnitude 6.0 on the Richter scale. In 1940, there was a magnitude 7.1 earthquake that occurred along the Imperial Fault that killed 7 people, destroyed numerous structures, and caused major crop damage from flooding; the International Canal was moved more than 14 feet off its course during that earthquake. In April, 2010, there was an earthquake about 30 miles southeast of the City, in Baja California, Mexico. The earthquake measured 7.2 on the richter scale and caused damage to the property in the Project Area, which led to a number of requests for rehabilitation loans and grants for homes and businesses. Total assessed valuations decreased by 4.64% from \$701,881,216 in Fiscal Year 2009-10 to \$669,298,639 in Fiscal Year 2010-11, and decreased by 6.38% from \$669,298,639 in Fiscal Year 2010-11 to \$626,609,276 in Fiscal Year 2011-12, possibly in part due to the impact of the 2010 earthquake.

## **Risk of Floods**

According to the Safety Element of the City's General Plan, adopted in 2002, flooding is a natural hazard that is unlikely to affect the City of Calexico under normal rain and run-off conditions. The Federal Emergency Management Agency hazard area map of Calexico shows that the 500-year floodplain of the New River within the City is contained within the area north of the Calexico International Airport that is currently zoned as Open Space land. However, conditions upstream in Mexico do affect the river. As the Mexicali area becomes more urbanized with nothing heretofore having been done to control urban runoff there, the potential for flooding could increase in downstream areas such as Calexico. In addition, flooding could result from seismic damage to a major canal. The City is traversed by two major canals: the All American and the Central Main. For more information, see the Safety Element of the City's General Plan on file with the City Clerk.

As with seismic hazards, the occurrence of flood damage to property located in the Project Area could lead to successful appeals for reduction of assessed values of such property and any reduction of assessed valuations could result in a reduction of the Subordinate Pledged Tax Revenues that secure the Bonds.

## **Fire Hazards**

The Safety Element of the City's General Plan states that downtown Calexico is susceptible to fires because many of the structures were built in the early 1900s and are constructed of wood. Additionally, some buildings lack space between them, thus increasing the chances that a fire could spread to numerous buildings. Also, many of the buildings in downtown Calexico have not been retrofitted for seismic activity and do not contain sprinkler systems.

The City's General Plan states that the City has a low risk of damage from wildfires due to the fact that the undeveloped areas around and outside of the City are either irrigated farm land or sparsely vegetated desert land. For more information, please see the Safety Element of the City's General Plan on file with the City Clerk.

As with seismic hazards and flood hazards, the occurrence of fire damage to property located in the Project Area could lead to successful appeals for reduction of assessed values of such property and any reduction of assessed valuations could result in a reduction of the Subordinate Pledged Tax Revenues that secure the Bonds.

## **Changes in the Law**

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Subordinate Pledged Tax Revenues, which could have an adverse effect on the Agency's ability to pay debt service on the Bonds.

## **Investment Risk**

Funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX B attached hereto for a summary of the definition of Permitted Investments. The funds and accounts of the Agency, into which a portion of the proceeds of the Bonds will be deposited and into which Subordinate Pledged Tax Revenues are deposited, may be invested by the Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of

risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Agency cannot predict the effects on the receipt of Subordinate Pledged Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy. See “RISK FACTORS – Bankruptcy and Foreclosure.”

### **Additional Parity Obligations**

The potential for the issuance of Additional Parity Bonds could, in certain circumstances, increase the risks associated with the Agency’s payment of debt service on the Bonds and the Existing Parity Bonds in the event of a decrease in the Agency’s collection of Subordinate Pledged Tax Revenues. However, Section 34177.5 of the Dissolution Act provides limited authority for successor agencies to issue bonds, and the Agency’s ability to issue Additional Parity Bonds is subject to the requirements of the Dissolution Act as in effect from time to time. See “SECURITY FOR THE BONDS – Additional Parity Bonds.”

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions 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 the then prevailing circumstances.

### **No Validation Proceeding Undertaken**

California Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a “validation proceeding,” for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the Bonds, California Government Code Section 53511 authorizes a local agency to “bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness.” Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters therein adjudicated or which could have been adjudicated, against all persons: “The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive.”

The Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the Bonds. The Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the Bonds and specifying the related deadline for any challenge to the Bonds to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, must be brought within thirty (30) days after the date on which the oversight board approves the resolution of the successor agency approving the such financing. Such challenge period expired with respect to the Bonds and the Oversight Board Resolution on September 20, 2014.

It is possible that a lawsuit challenging the Dissolution Act or specific provisions thereof could be successful and that the mechanisms currently provided for under the Dissolution Act to provide for

distribution of Subordinate Pledged Tax Revenues to the Agency for payment on the Bonds could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the Bonds.

However, the Indenture additionally provides that if, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act (upon which the distribution of Subordinate Pledged Tax Revenues to the Agency rely) are invalidated by a final judicial decision, then Subordinate Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution. Additionally, any action by a court to invalidate provisions of the Dissolution Act required for the timely payment of principal of, and interest on, the Bonds could raise issues regarding the unconstitutional impairment of contracts or an unconstitutional taking without just compensation. The Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Agency and the availability of Subordinate Pledged Tax Revenues for the payment of debt service on the Bonds and the Existing Parity Bonds in the event of successful challenges to the Dissolution Act or portions thereof. However, the Agency does not guarantee that any lawsuit challenging the Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Agency's ability to timely pay debt service on the Bonds.

### **Loss of Tax-Exemption**

As discussed under the caption "CONCLUDING INFORMATION – Tax Matters," interest on the 2018A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2018A Bonds were issued, as a result of future acts or omissions of the Agency in violation of its covenants in the Indenture. In addition, current and future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals. Should such an event of taxability occur, the 2018A Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

## **PROPERTY TAXATION IN CALIFORNIA**

### **Property Tax Collection Procedures**

*Classification.* In the State, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the County assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property arising pursuant to State law, regardless of the time of the creation of other liens.

Generally, ad valorem taxes are collected by a county (the "Taxing Authority") for the benefit of the various entities (cities, schools and special districts) that share in the ad valorem tax (each a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Funds.

*Collections.* Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for

the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (iii) filing a certificate of delinquency for record in the county recorder's office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

*Penalty.* A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

*Delinquencies.* The valuation of property is determined as of the January 1 lien date as equalized in August of each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent August 31.

*Supplemental Assessments.* California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, Subordinate Pledged Tax Revenues may increase.

*Property Tax Administrative Costs.* In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2017-18, the County's administrative charge to the Agency was \$\_\_\_\_\_ and for Fiscal Year 2018-19 the County's administrative charge to the Agency for the Project Area is estimated to be \$\_\_\_\_\_.

*Negotiated Pass-Through Agreements.* Prior to 1994, under the Redevelopment Law, a redevelopment agency could enter into an agreement to pay increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for payment or pass-through of tax increment revenue directed to the affected taxing agency, and, therefore, are commonly referred to as pass-through agreements or tax sharing

agreements. The Agency agreements with affected taxing agencies are referred to herein as “Pass-Through Agreements.” See “PROJECT AREA – Pass-Through Agreements” for a summary of the Pass-Through Agreements. See also “SECURITY FOR THE BONDS – Tax Increment Financing” for additional discussion of the treatment of Pass-Through Agreements under the Dissolution Act.

*Statutory Pass-Throughs.* The payment of Statutory Pass-Through Amounts (defined in APPENDIX B) results from (i) plan amendments which add territory in existing project areas on or after January 1, 1994 and (ii) from plan amendments which eliminates one or more limitations within a redevelopment plan (such as the removal of the time limit on the establishment of loans, advances and indebtedness). The calculation of the amount due affected taxing entities is described in Sections 33607.5 and 33607.7 of the Redevelopment Law. See “PROJECT AREA – Statutory Pass-Throughs” and “SECURITY FOR THE BONDS – Tax Increment Financing.”

*Recognized Obligation Payment Schedule.* The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency’s oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Subordinate Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule” and “RISK FACTORS – Recognized Obligation Payment Schedule.”

## **Unitary Property**

Assembly Bill (“AB”) 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive that same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro-rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modifies chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

## **Article XIII A of the State Constitution**

Article XIII A limits the amount of ad valorem taxes on real property to 1% of “full cash value” of such property, as determined by the county assessor. Article XIII A defines “full cash value” to mean “the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or,

thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” Furthermore, the “full cash value” of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIII A (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional ad valorem taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIII A has been upheld by both the California Supreme Court and the United States Supreme Court.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchase” and “change of ownership,” for the purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIII A to permit the Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the Legislature’s action, the growth of property tax revenues may decline.

Legislation enacted by the Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

### **Appropriations Limitation - Article XIII B**

Article XIII B limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The “base year” for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by an agency of proceeds of taxes levied by or on behalf of an agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of

the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Agency has not adopted an appropriations limit.

### **Articles XIII C and XIII D of the State Constitution**

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIII C and XIII D to the State Constitution. Provisions in the two articles affect the ability of local government to raise revenues. The Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218. See also “– Propositions 218 and 26” below.

### **Proposition 87**

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Prior Agency or the Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies.

### **Appeals of Assessed Values**

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner’s property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner’s property in any one year must submit an application to the County Assessment Appeals Board (the “Appeals Board”). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor’s Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal’s filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as “ongoing hardship”), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the “base year” value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for “ongoing hardship” in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Subordinate Pledged Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted. See “PROJECT AREA – Largest Taxpayers” for information regarding the assessed valuations of the top ten property owners within the Project Area.

## **Proposition 8**

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under this code section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. The Agency cannot guarantee that reductions undertaken by the County Assessor or requested by a property owner pursuant to Proposition 8 will not reduce the assessed valuation of property in the Project Area and, therefore, Subordinate Pledged Tax Revenues that secure the Existing Parity Bonds, the Bonds and any Additional Parity Bonds.

## **Propositions 218 and 26**

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIII C of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. Subordinate Pledged Tax Revenues securing the Bonds are derived from property taxes that are outside the scope of taxes, assessments and property-related fees and charges that are limited by Proposition 218, and are outside of the scope of taxes that are limited by Proposition 26.

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency’s ability to expend revenues.

## **PROJECT AREA**

### **General**

The Merged Central Business District and Residential Redevelopment Project Area (the “Project Area”) are part of the City. The City is located approximately seven miles south of U.S. Interstate 8 at the junction of State Routes 111 and 98. The City serves as a major port of entry for agricultural and industrial goods produced in Baja California, Mexico, and as a retail and service center for surrounding areas. The Southern Pacific Railroad links El Centro to Mexico via Calexico and consists of approximately 2,298 acres in twenty-four non-contiguous areas within the City.

The Project Area was formed by the merger of two former project areas (each, a “Component Area”): (1) the Central Business District Redevelopment Project Area, which contains 183 acres in one contiguous area; and (2) the Residential Redevelopment Project Area, which consists of 328 acres in four non-contiguous areas. Existing land uses in the Project Area are residential, commercial, industrial, governmental and institutional.

The Project Area has increased in size since initially established. The Amendment No. 1 Area, which was added pursuant to Ordinance No. 905, adopted on July 18, 1989, is approximately 342 acres. The Amendment No. 1 Area consists of seven non-contiguous sub-areas generally located in the northern and western sections of the City of Calexico which are predominantly urbanized and contain residential and non-residential uses as well as previously cultivated and vacant land.

The Amendment No. 2 Area, which was added pursuant to Ordinance No. 920, adopted on June 30, 1992, is approximately 991 acres. The Amendment No. 2 Area is divided into five noncontiguous sub-areas, generally located in the northern and western sections of the City. Much of Amendment No. 2 Area is developed with commercial and residential uses.

The Amendment No. 3 Area, added pursuant to Ordinance No. 930, adopted on December 28, 1993, is approximately 454 acres. The Amendment No. 3 Area is divided into five non-contiguous sub-areas, generally located in the northern and western sections of the City. The Amendment No. 3 Area is predominantly urbanized, with residential, commercial, industrial, governmental and institutional land uses.

Since adoption of the Redevelopment Plan the Prior Agency has, both unilaterally and through participation in joint public/private partnerships, facilitated projects directed towards meeting the general purposes and objectives stipulated in the Redevelopment Plan and have worked towards lessening earlier documented conditions of blight that existed in the Project Area and economic revitalization of the Project Area, including business retention and development within the Project Area, correction of public facilities and infrastructure deficiencies, beautification of Downtown areas, infrastructure improvements and the undertaking of low and moderate income housing projects and programs.

### **Limitations and Requirements of the Redevelopment Plan**

In 1993, the State legislature passed AB 1290, which, among other things, required redevelopment agencies to adopt time limits in each redevelopment plan specifying: 1) the last date to incur debt for a redevelopment project; 2) the last date to undertake redevelopment activity within a project area; and 3) the last date to collect tax increment revenue from a project area to repay debt. In order to comply with AB 1290, the City adopted Ordinances with respect to each Component Area.

In 2001, the California Legislature enacted SB 211, Chapter 741, Statutes of 2001, effective January 1, 2002 (“SB 211”). Among other things, SB 211 provides that at any time after January 1, 2002, the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be eliminated by ordinance of the legislative body. However, such elimination triggered statutory tax sharing with those taxing entities that do not have Pass-Through Agreements. Tax sharing is calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective. Amounts payable to taxing agencies under the AB 1290 formula are to be computed after deducting the 20% amount (the “Housing Set-Aside Amount”) attributable to the increase in assessed valuation. The Housing Set-Aside Amount was required under the Redevelopment Law prior to enactment of the Dissolution Act to be set aside by the Agency into a separate fund and used for low and moderate income housing attributable to the increase in assessed valuation.

On June 8, 2005, the City Council adopted Ordinance No. 1022, which pursuant to SB 211 eliminated the limitation on incurring indebtedness contained in the Redevelopment Plan for each Component Area within the Project Area: the Residential Redevelopment Project and the Central Business District Redevelopment Project.

The actions taken by the City Council to date have resulted in the time limitations set forth in the following table, with respect to each Component Area of the Project Area:

<b>Project Area Redevelopment Plan Limitations</b>			
Component Area	Last Day to Incur Debt	Plan Termination Date	Time Limit on Receipt of Tax Increment <sup>(1)</sup>
Residential Redevelopment Project	Eliminated	June 5, 2020	June 5, 2030
Central Business District Redevelopment Project	Eliminated	July 20, 2023	July 20, 2033
Amendment Area No. 1	Eliminated	July 18, 2030	July 18, 2040
Amendment Area No. 2	Eliminated	July 7, 2033	July 7, 2043
Amendment Area No. 3	Eliminated	November 9, 2034	November 9, 2044

- (1) The Redevelopment Plan states that the maximum tax increment to be received by the Prior Agency from the Component Areas shall not exceed a cumulative total of \$300,000,000 for the entire Project Area. In the DOF Santa Cruz Letter (as defined below), the State Department of Finance stated its position and advice to county auditor-controllers to not apply tax increment caps to bar payment of enforceable obligations approved by the State Department of Finance, unless the tax increment cap had been reached prior to the enactment of AB X1 26 in June 2011. The Agency cannot provide any assurance that a court would concur with, or uphold, this position if a lawsuit were filed to challenge it. In addition, from time to time, the State Department of Finance changes its guidance without notice.

Source: Agency.

Pursuant to the Redevelopment Plan, as amended, the total tax increment revenues received by the Agency over the life of the Redevelopment Project cannot exceed a combined total of \$300,000,000 and the total amount of outstanding bonded indebtedness incurred by the Agency, payable from tax increment revenues which can be outstanding at any one time cannot exceed \$75,000,000.

On April 2, 2014, the State Department of Finance issued a letter (the “DOF Santa Cruz Letter”) to the County Auditor-Controller for the County of Santa Cruz, in response to a request for clarification concerning the position of the State Department of Finance on the applicability of tax increment caps (i.e., the maximum tax increment allocable to a redevelopment agency under its redevelopment plan). In the DOF Santa Cruz Letter, the State Department of Finance stated its position and advice to county auditor-controllers to not apply tax increment caps to bar payment of enforceable obligations approved by the State Department of Finance, unless the tax increment cap had been reached prior to the enactment of AB X1 26 in June 2011. The Agency cannot provide any assurance that a court would concur with, or uphold, the position of the State Department of Finance in the DOF Santa Cruz Letter if a lawsuit were filed to challenge this position. In addition, from time to time, the State Department of Finance changes its guidance without notice. As of the date of this Official Statement, the Agency has received approximately \$\_\_\_\_\_ in cumulative tax increment revenues for the Project Area. In any event, based on the estimated debt service for the Bonds and the projections of Subordinate Pledged Tax Revenues prepared by its financial advisor, the Agency believes that the maximum tax increment plan limits for the Project Area will not be reached during the term in which Bonds are scheduled to be outstanding. See “SUBORDINATE PLEDGED TAX REVENUES – Projected Assessed Values and Subordinate Pledged Tax Revenues” and “APPENDIX G – FISCAL CONSULTANT’S REPORT.”

## Pass-Through Agreements

The Agency has not entered into any tax sharing agreements with any taxing entity in connection with the Central Business District Redevelopment Project Area.

The Agency has entered into a tax sharing agreement with the County of Imperial (the "County") with regard to the Residential Redevelopment Project Area. This agreement provides for the County to receive 50% of the tax increment revenues which the County would receive but for the existence of the Residential Redevelopment Plan. For purposes of the County, the base year for valuation purposes is 1980-81. All other tax increment revenues are based on the 1978-79 base year.

The Agency has entered into five agreements (each a "Pass-Through Agreement" and collectively the "Pass-Through Agreements") for allocation and distribution of tax increment funds within the Amendment No. 1 Area which are set forth as follows:

(1) The first agreement, with the County, states that the County shall receive 60% of the annual tax increment revenues which the County would receive but for the Amendment;

(2) The second agreement is with the Calexico Unified School District ("CUSD"), and states that CUSD shall receive its share of the inflationary revenue (as defined by California Revenue and Taxation Code Section 110.1(f)) and 50% of the annual tax increment revenues which CUSD would receive but for the Amendment after reduction of the inflationary revenue. In return, CUSD will contribute a pro rata portion of the Agency's legally required contribution to the Low and Moderate Income Housing Fund. Payments under this pass-through agreement are expressly made subordinate to the Agency's obligations to pay debt service on the Bonds;

(3) The third agreement is with the Heffernan Memorial Hospital District (the "Hospital District"), and states that the Hospital District shall receive 100% of the annual tax increment revenue which the Hospital District would receive but for the Amendment;

(4) The fourth agreement is with the County Superintendent of Schools, and states that the Agency shall deposit annually in a trust fund the Superintendent's share of the Amendment No. 1 Area tax increment revenue generated by a 2% increase in assessed valuation or any tax rate increase on behalf of the Superintendent, and 33% of the Superintendent's share of the Amendment No. 1 Area tax increment revenue generated by assessed valuation growth in excess of 2%; and

(5) The fifth agreement is with the Imperial County Community College District ("ICCCD") and states that the Agency shall deposit annually in a trust fund ICCCD's share of the Amendment No. 1 Area tax increment revenues generated by a 2% increase in assessed valuation or any tax rate increase on behalf of ICCCD, and 33% of ICCCD's share of the Amendment No. 1 Area tax increment revenue generated by assessed valuation growth in excess of 2%.

The Agency has entered into five agreements for allocation and distribution of tax increment funds within the Amendment No. 2 Area which are set forth as follows:

(1) The first agreement, with the County, states that the County shall receive 60% (90% in certain areas of the Amendment No. 2 Area) of the annual tax increment revenues which the County would receive but for the Amendment, less the County's pro rata share of the amount the Agency is required to set aside in the Low and Moderate Income Housing Fund. Payments under this pass-through agreement are expressly made subordinate to the Agency's obligations to pay debt service on the Bonds;

(2) The second agreement is with CUSD and states that CUSD shall receive 50% of the annual tax increment revenues, which CUSD would receive but for the Amendment No. 2 Area, less CUSD's pro rata share of the amount the Agency is required to set aside in the Low and Moderate Income Housing Fund. Payments under this pass-through agreement are expressly made subordinate to the Agency's obligations to pay debt service on the Bonds;

(3) The third agreement is with the Hospital District, and states that the Hospital District shall receive 100% of the annual tax increment revenues which the Hospital District would receive but for the Amendment No. 2 Area. Payments under this pass-through agreement are expressly made subordinate to the Agency's obligations to pay debt service on the Bonds;

(4) The fourth agreement is with the County Superintendent of Schools District, and states that the District shall receive its share of the Amendment No. 2 Area tax increment generated by a 2% increase in assessed valuation or any tax rate increase on its behalf, and one-third of the annual tax increment revenues, which the District would receive but for the Amendment No. 2 Area; and

(5) The fifth agreement is with ICCCD, and states that ICCCD shall receive its share of the Amendment No. 2 Area tax increment generated by a 2% increase in assessed valuation or any tax rate increase on his behalf, and one-third of the annual tax increment revenues, which ICCCD would receive but for the Amendment No. 2 Area.

The Agency has entered into five agreements for allocation and distribution of tax increment funds within the Amendment No. 3 Area which are set forth as follows:

(1) The first agreement, with the County, states that the County shall receive 60% of the annual tax increment revenues, which the County would receive but for the Amendment net of the Low and Moderate Income Housing Fund. Payments under this pass-through agreement are expressly made subordinate to the Agency's obligations to pay debt service on the Bonds;

(2) The second agreement is with CUSD, and states that CUSD shall receive 50% of the annual tax increment revenues, which CUSD would receive but for the Amendment No. 3 Area, less CUSD's pro rata share of the amount the Agency is required to set aside in the Low and Moderate Income Housing Fund. Payments under this pass-through agreement are expressly made subordinate to the Agency's obligations to pay debt service on the Bonds;

(3) The third agreement is with the Hospital District, and states that the Hospital District shall receive 100% of the annual tax increment revenues which the Hospital District would receive but for the Amendment No. 3 Area. Payments under this pass-through agreement are expressly made subordinate to the Agency's obligations to pay debt service on the Bonds;

(4) The fourth agreement is with the County Superintendent of Schools District, and states that the District shall receive 50% of the annual tax increment revenues, which the District would receive but for the Amendment No. 3 Area net of Low and Moderate Income Housing Funds and the County Property Tax Administration fee. Payments under this pass-through agreement are expressly made subordinate to the Agency's obligations to pay debt service on the Bonds; and

(5) The fifth agreement is with ICCCD, and states that ICCCD shall receive 37.5% of the annual tax increment revenues, which ICCCD would receive but for the Amendment No. 3 Area net of Low and Moderate Income Housing Funds and the County Property Tax Administration fee. Payments under this pass-through agreement are expressly made subordinate to the Agency's obligations to pay debt service on the Bonds.

*Subordinate Pass-Through Agreements.* The Agency's obligations under the Pass-Through Agreements with CUSD (with respect to the Amendment No. 1 Area, the Amendment No. 2 Area and Amendment No. 3 Area) and the Pass-Through Agreements with the County and the Hospital District (with respect to the Amendment No. 2 Area and Amendment No. 3 Area only), and ICCCD and County Superintendent of Schools District (with respect to Amendment No. 3 Area only) are subordinate to the Agency's obligations to pay debt service on the Bonds and any Additional Parity Bonds, provided that the Agency obtains an opinion of an independent redevelopment or financial consultant that it is not reasonably foreseeable that such indebtedness would impair the Agency's obligations under such Pass-Through Agreements. The Agency will be receiving such an opinion from Kosmont Transactions Services, its financial advisor, in order to make the pass-through payments under such pass-through agreements subordinate to the Bonds. See "SUBORDINATE PLEDGED TAX REVENUES" herein.

Under the Dissolution Act, the Agency is no longer responsible for the payment of pass-through amounts under the Pass-Through Agreements. Instead, the Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under the Pass-Through Agreements to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund each January 2 and June 1. If, however, (a) the Agency determines and reports, no later than December 1 or May 1, as applicable (i.e., by December 1, 2018 with respect to the Recognized Obligation Payment Schedule for January 1, 2019 through June 30, 2019), that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations, are insufficient to fund the payment of pass-through obligations, for Agency enforceable obligations listed on the Recognized Obligation Payment Schedule, and for the Agency's administrative cost allowance, and (b) the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions.

The Agency cannot guarantee that the process prescribed by the Dissolution Act of administering the Subordinate Pledged Tax Revenues and the subordinations provided in the Pass-Through Agreements will effectively result in adequate Subordinate Pledged Tax Revenues for the payment of principal and interest on the Bonds when due. See "SECURITY FOR THE BONDS – Tax Increment Financing" and "–Recognized Obligation Payment Schedule."

See "TAX REVENUES—Projected Taxable Valuation and Tax Revenues" herein.

### **Statutory Pass-Throughs**

Assembly Bill No. 1290, enacted on October 8, 1993 as Chapter 942, Statutes of 1993, and effective January 1, 1994, eliminated the statutory authority for negotiated pass-through agreements and provided a formula, pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, for mandatory tax sharing applicable to projects adopted after January 1, 1994 or amended after that date to add territory ("Added Territory Amendment").

AB 1290 also added a maximum outside time limit on the establishment of loans, advances and indebtedness. Plans adopted prior to January 1, 1994 with existing time limits that were shorter than what was allowable under AB 1290 could extend such time limits to such limits allowable under AB 1290; however, such time limit extensions could trigger payments to the affected taxing agencies, which do not otherwise have a Pass-Through Agreement, pursuant to Section 33607.7 of the Redevelopment Law. In addition, the Redevelopment Law was subsequently amended by SB 211 (see "PROPERTY TAXATION

IN CALIFORNIA – Redevelopment Time Limits”) so as to allow agencies to eliminate this limitation provided that the Agency makes payment to the affected taxing agencies, which do not otherwise have a Pass-Through Agreement, pursuant to Section 33607.7 of Redevelopment Law (and through it Section 33607.5) of the Redevelopment Law. Such increases or eliminations of time limits are referred to herein as a “Time Limit Amendment”. In the case of a Time Limit Amendment, the Agency is to pay affected taxing agencies a percentage of tax increment generated throughout the Project Area based on the assessed value of the property within the Project Area in the year in which the limitation on the establishment of loans, advances and indebtedness which would have otherwise become effective, with payment commencing in the first fiscal year following the fiscal year in which the limitation was eliminated.

In the case of a Time Limit Amendment, the Agency adopted Ordinance No. 1022 on June 8, 2005, which eliminated the time limit on the establishment of loans, advancements, and indebtedness for all territories within the Project Area. In the case of a Time Limit Amendment, the Statutory Pass-Through Amounts are only payable to taxing entities which do not otherwise have Pass-Through Agreements with the Agency.

In addition, under the Redevelopment Law, the Statutory Pass-Through Amounts were paid, in both cases, after deducting the amount required to be deposited in the Low and Moderate-Income Housing Fund. The Dissolution Act preserves this calculation method, stating that the amount of pass-through payments computed for distribution by the County Auditor-Controller to the taxing entities, such as the Pass-Through Agreements or the Statutory Pass-Through Amounts, will be computed as though the requirement to set aside funds for the Low and Moderate income Housing Fund were still in effect.<sup>1</sup>

The formula Statutory Pass-Through Amounts is described in Section 33607.5 of the Redevelopment Law and is, generally, as follows:

1. commencing in the first fiscal year after the limitation has been reached (or the amendment has been adopted in the case of a post January 1, 1994 plan amendment adding territory to the redevelopment plan), an amount equal to 25% of tax increment generated by the incremental increase of the current year assessed valuation over the assessed valuation in the fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted;

2. in addition to amounts payable as described in (a) above, commencing in the 11th fiscal year after the limitation has been reached (or the amendment has been adopted in the case of a post January 1, 1994 plan amendment adding territory to the redevelopment plan), an amount equal to 21% of tax increment generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding 10th fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted; and

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<sup>1</sup> The Dissolution Act states that commencing on its effective date, all provisions of the Redevelopment Law that depend on the allocation of tax increment to redevelopment agencies shall be inoperative; therefore, the State Department of Finance has previously provided guidance to the effect that low-moderate income housing set-aside is not a continuing obligation, except for funds which would have been deposited into the Low and Moderate Income Housing Fund to pay for enforceable housing obligations, such as payments for housing bond debt service, which should be placed on the Recognized Obligation Payment Schedule. The periodic deposits by the County Auditor-Controller to the Redevelopment Property Tax Trust Fund are equivalent in amount to the tax increment revenues formerly allocated under the Redevelopment Law to the Prior Agency (including former housing set-aside), less permitted administrative costs of the County Auditor-Controller. See “SECURITY FOR THE BONDS – Tax Increment Financing,” “SUBORDINATE PLEDGED TAX REVENUES – Projected Taxable Valuation and Tax Increment Revenues” and “APPENDIX G – FISCAL CONSULTANT’S REPORT.”

3. in addition to amounts payable, as described in (a) and (b) above, commencing in the 31st fiscal year after the limitation has been reached (or the amendment has been adopted in the case of a post January 1, 1994 plan amendment adding territory to the redevelopment plan), an amount equal to 14% of tax increment generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding 30th fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.

Under the Dissolution Act, the Agency is no longer responsible for the payment of Statutory Pass-Through Amounts. Instead, the Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund each January 2 and June 1.

As provided in the Redevelopment Plan, as amended, the amounts payable pursuant to the Statutory Pass-Through Amounts will not be used to calculate the Agency's maximum tax increment limit for the Redevelopment Plan. The Dissolution Act provides for a procedure by which the Agency may make Statutory Pass-Through Amounts subordinate to the Bonds; however, the Agency has determined not to undertake such procedure, and therefore, Statutory Pass-Through Amounts (other than such amounts relating to the City) are not subordinate to the Bonds. The City has agreed to subordinate its Statutory Pass-Through Amounts to the debt service on the Bonds. See "TAX REVENUES—Projected Taxable Valuation and Tax Revenues" herein.

### Largest Taxpayers

Set forth below are the ten largest taxpayers in the Project Area based on the 2018-19 secured property tax roll.

	Name	Primary Land Use	2018-19 Assessed Valuation	% of Total Secured Assessed Valuation <sup>(1)</sup>
1)	WAL-MART REAL ESTATE BUSINESS TRUST	Commerical	\$21,052,050	2.9%
2)	LIBERTY BANKERS LIFE INSURANCE CO.	Indutrial	16,918,342	2.3
3)	PWIP LLC	Commercial	9,606,414	1.3
4)	PWIP LLC 17.50 INT ETAL	Industrial	8,358,819	1.2
5)	CW & ASSOCIATES LTD	Commercial	6,108,282	0.8
6)	PACLEXICO LLC	Commercial	5,721,118	0.8
7)	EL PASEO-CALEXICO LLC	Commercial	5,459,500	0.8
8)	SMITH'S FOOD & DRUG CENTERS INC	Commercial	5,200,000	0.7
9)	BORDER PATROL PROPERTIES INC	Governmental	5,130,892	0.7
10)	CHOI JOHN H & STACY UNYONG TRS	Commercial	4,680,000	0.6
			<b>\$88,235,417</b>	<b>12.25%</b>

<sup>(1)</sup> Based on Fiscal Year 2018-19 secured assessed valuation of \$720,432,765. The ten largest taxpayers in the Project Area comprised approximately 13.6% of the incremental valuation.

Source: Fiscal Consultant with information from the Imperial County 2018-19 Secured Property Tax Roll.

## Land Uses

The types of land use in the Project Area for Fiscal Year 2018-19 is set forth in the following table:

**Project Area  
Secured Assessed Value and Parcels by Land Use  
Fiscal Year 2018-19**

Land Use	Number of Parcels	2018-19 Secured Assessed Value	Percent of Secured Assessed Value
Residential	2,408	\$397,798,306	57.9%
Commercial	328	205,025,340	29.8
Industrial	187	77,696,028	11.3
Government/Instructional/Other	52	5,884,387	0.9
Vacant Land	2	501,337	0.1
Agricultural	1	105,054	0.02
Recreational	2	155,096	0.02
<b>Total</b>	<b>2,980</b>	<b>\$687,165,548</b>	<b>100.00%</b>

Source: Kosmont Transactions Services with information from the Imperial County 2018-19 Secured Property Tax Roll.

## SUBORDINATE PLEDGED TAX REVENUES

Subordinate Pledged Tax Revenues (as described in the section "SECURITY FOR THE BONDS" herein) are to be deposited in the Redevelopment Obligation Retirement Fund, and thereafter, transferred by the Agency to the Debt Service Fund, administered by the Trustee and applied to the payment of the principal of and interest on the Bonds.

## Schedule of Historical Assessed Values and Tax Increment Revenues

The following table is a schedule of the assessed valuations and resulting tax increment revenues in the Project Area for the Fiscal Years 2013-14 through 2017-18.

### Project Area Historical Assessed Values and Tax Increment Revenues

	2013-14	2014-15	2015-16	2016-17	2017-18
Total Assessed Valuation	\$604,676,147	\$601,069,427			
Less: Base Year Valuation	(77,079,261)	(77,079,261)			
Incremental Valuation	\$527,596,886	\$523,990,166			
Typical Tax Rate/\$100	1.00000%	1.00000%			
Gross Incremental Revenues	\$5,275,969	\$5,239,902			
Unitary Revenues <sup>(1)</sup>	86,483	86,483			
Total Gross Revenue	\$5,362,452	\$5,326,385			
Less: County Admin Fee	(130,266)	(129,431)			
Less Senior Pass Throughs <sup>(2)</sup>	(427,656)	(402,698)			
<b>Net Tax Increment Revenues</b>	<b>\$4,804,530</b>	<b>\$4,794,256</b>			

<sup>(1)</sup> Estimated, based on fiscal year 2010-11 actual amount of unitary revenues.

<sup>(2)</sup> Certain of the Pass-Through Agreements are subordinate to the Bonds. See "PROJECT AREA – Pass-Through Agreements."

Source: Kosmont Transactions Services.

**Projected Assessed Values and Tax Increment Revenues**

The Agency has retained Kosmont Transactions Services of Manhattan Beach, California to provide projections of taxable valuation and incremental revenues. The Agency believes the assumptions (set forth in the footnotes below and “APPENDIX G- FINANCIAL ADVISOR’S REPORT”) upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see “RISK FACTORS”). Therefore, the actual Subordinate Pledged Tax Revenues received during the forecast period may vary from the projections and the variations may be material. A summary of the projected taxable valuation and tax increment revenues is as follows:

**Project Area  
Projected Assessed Values and Tax Increment Revenues**

	2018-19	2019-20	2020-21	2021-22	2022-23
Total Assessed Valuation <sup>(1)</sup>					
Less: Base Year Valuation					
Incremental Valuation					
Typical Tax Rate/\$100					
Gross Incremental Revenues					
Unitary Revenues <sup>(2)</sup>					
Total Gross Revenues					
Less: County Admin Fee <sup>(3)</sup>					
Less: Senior Pass Throughs <sup>(4)</sup>					
<b>Net Tax Increment Revenues</b>					

<sup>(1)</sup> Based on actual fiscal year 2018-19 assessed valuation, with projected 2% assessed valuation growth annually thereafter.

<sup>(2)</sup> Estimated, based on fiscal year 2010-11 actual amount of unitary revenues.

<sup>(3)</sup> County administration fee is based on \_\_\_\_% of Gross Revenues.

<sup>(4)</sup> Certain of the Pass-Through Agreements are subordinate to the Bonds. See “PROJECT AREA – Pass-Through Agreements.”

Source: Kosmont Transactions Services.

**Debt Service**

Set forth below is the annualized debt service (assuming minimum sinking account payments) for the term of the Bonds.

<b>Bond Year Ending (August 1)</b>	<b>2018A Bonds</b>			<b>2018B Bonds</b>			<b>Total Debt Service</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	
	\$	\$	\$	\$	\$	\$	\$
<b>Total</b>	\$	\$	\$	\$	\$	\$	\$

*Combined Annual Debt Service*

Set forth below is the annualized debt service (assuming minimum sinking account payments) for the term of the Bonds and the 2014 Bonds.

<b>Bond Year Ending (August 1)</b>	<b>2014 Bonds</b>	<b>Bonds</b>	<b>Total Aggregate Debt Service</b>
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**Total** \_\_\_\_\_

## Debt Service Coverage

Set forth below is the estimated debt service coverage of the Bonds and the 2014 Bonds using a no growth Fiscal Year 2018-19 tax increment revenues through maturity.

### Estimated Debt Service Coverage (No Growth Scenario)

<u>Fiscal Year</u>	<u>Projected Tax Increment Revenues<sup>(1)</sup></u>	<u>Total Aggregate Debt Service</u>	<u>Debt Service Coverage<sup>(2)</sup></u>
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<sup>(1)</sup> Based on actual fiscal year 2018-19 assessed valuation, with no valuation growth annually thereafter. Includes former low and moderate income housing set-aside amounts. Includes unitary revenues of \$\_\_\_\_\_ and is less county administration fee and senior pass-throughs. See "PROJECT AREA – Pass-Through Agreements" and "SUBORDINATE PLEDGED TAX REVENUES – Projected Assessed Values and Tax Increment Revenues."

<sup>(2)</sup> Excess coverage amounts are not available to the Agency unless for approved administrative amounts or other approved enforceable obligations. See "RISK FACTORS – Recognized Obligation Payment Schedule."

Source: Underwriter for debt service and coverage calculations. Kosmont Transactions Services for projected tax increment revenues.

Set forth below is the estimated debt service coverage of the Bonds and the Existing Parity Bonds using a 2% annual growth scenario for Fiscal Year 2018-19 incremental revenues through maturity.

**Estimated Debt Service Coverage  
(2% Growth Scenario)**

<u>Fiscal Year</u>	<u>Projected Tax Increment Revenues <sup>(1)</sup></u>	<u>Total Aggregate Debt Service</u>	<u>Debt Service Coverage<sup>(2)</sup></u>
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<sup>(1)</sup> Based on actual fiscal year 2018-19 assessed valuation, with projected 2% assessed valuation growth annually thereafter. Includes former low and moderate income housing set-aside amounts. Includes unitary revenues of \$\_\_\_\_\_ and is less county administration fee and senior pass-throughs. See “PROJECT AREA – Pass-Through Agreements” and “SUBORDINATE PLEDGED TAX REVENUES – Projected Assessed Values and Tax Increment Revenues.”

<sup>(2)</sup> Excess coverage amounts are not available to the Agency unless for approved administrative amounts or other approved enforceable obligations. See “RISK FACTORS – Recognized Obligation Payment Schedule.”

Source: Underwriter for debt service and coverage calculations. Kosmont Transactions Services for projected tax increment revenues.

**CONCLUDING INFORMATION**

**Underwriting**

The original purchase price (equal to the principal amount of the 2018A Bonds plus/less an original issue premium/discount in the amount of \$\_\_\_\_\_, less an underwriter’s discount of \$\_\_\_\_\_) to be paid for the 2018A Bonds is \$\_\_\_\_\_. The original purchase price (equal to the principal amount of the 2018B Bonds plus/less an original issue premium/discount in the amount of \$\_\_\_\_\_, less an underwriter’s discount of \$\_\_\_\_\_) to be paid for the 2018B Bonds is \$\_\_\_\_\_. The Underwriter intends to offer the Bonds to the public initially at the yields set forth on the cover page of this Official Statement, which yields may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing

Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

## **Legal Opinion**

The opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, approving the validity of the Bonds and stating that interest and original issue discount on the Bonds is excluded from gross income for federal income tax purposes and such interest and original issue discount is also exempt from personal income taxes of the State of California under present State income tax laws, will be furnished to the purchaser at the time of delivery of the Bonds at the expense of the Agency. The legal opinion is only as to legality and is not intended to be nor is it to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Bonds. A copy of the proposed form of Bond Counsel's final approving opinion with respect to the Bonds is attached hereto as APPENDIX C. Compensation for Bond Counsel's services is entirely contingent upon the sale and delivery of the Bonds.

In addition, certain legal matters will be passed on by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel.

## **Tax Matters**

### 2018A Bonds

*General.* The delivery of the 2018A Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the 2018A Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the 2018A Bonds (the "Code"), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The delivery of the 2018A Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State that interest on the 2018A Bonds is exempt from personal income taxes of the State. A form of Bond Counsel's anticipated opinion is included as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion will be based are subject to change.

For taxable years that began before January 1, 2018, interest on the 2018A Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Agency made in a certificate of even date with the initial delivery of the 2018A Bonds pertaining to the use, expenditure and investment of the proceeds of the 2018A Bonds and will assume continuing compliance with the provisions of the Indenture by the Agency subsequent to the issuance of the 2018A Bonds. The Indenture and the tax certificate with respect to the 2018A Bonds contain covenants by the Agency with respect to, among other matters, the use of the proceeds of the 2018A Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the 2018A Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information

to the United States Treasury. Failure to comply with any of these covenants may cause interest on the 2018A Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the 2018A Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the 2018A Bonds. Prospective purchasers of the 2018A Bonds should be aware that the ownership of tax-exempt obligations such as the 2018A Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of Agency described above. No ruling has been sought from the IRS or the State with respect to the matters addressed in the opinion of 2018A Bond Counsel, and Bond Counsel's opinion is not binding on the IRS or the State. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the 2018A Bonds is commenced, under current procedures, the IRS is likely to treat the Agency as the "taxpayer," and the owners of the 2018A Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2018A Bonds, the Agency may have different or conflicting interests from the owners of the 2018A Bonds. Public awareness of any future audit of the 2018A Bonds could adversely affect the value and liquidity of the 2018A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to owners of the 2018A Bonds of the exclusion of interest on the 2018A Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the 2018A Bonds. Prospective purchasers of the 2018A Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

***Tax Accounting Treatment of Discount and Premium on Certain 2018A Bonds.*** The initial public offering of certain of the 2018A Bonds (the "Discount 2018A Bonds") may be less than the amount payable on such 2018A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount 2018A Bond (assuming that a substantial amount of the Discount 2018A Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount 2018A Bond. A portion of such original issue discount, allocable to the holding period of such Discount 2018A Bond by the initial purchaser, will, upon the disposition of such Discount 2018A Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the 2018A Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount 2018A Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount 2018A Bond, and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum tax on corporations for taxable years that began before January 1, 2018, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount 2018A Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount 2018A Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount 2018A Bond was held) is includable in gross income.

Owners of Discount 2018A Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued original issue discount on Discount 2018A Bonds and with respect to the state and local tax consequences of owning and disposing of Discount 2018A Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount 2018A Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain 2018A Bonds (the "Premium 2018A Bonds") may be greater than the amount payable on such 2018A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium 2018A Bond (assuming that a substantial amount of the Premium 2018A Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium 2018A Bonds. The basis for federal income tax purposes of a Premium 2018A Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium 2018A Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium 2018A Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium 2018A Bonds for federal income purposes and with respect to the state and local tax consequences of owning and disposing of Premium 2018A Bonds.

### 2018B Bonds

**General.** The delivery of the 2018B Bonds is subject to the receipt of an opinion of Bond Counsel, based upon existing provisions of the laws of the State, that interest on the 2018B Bonds is exempt from personal income taxes of the State.

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the 2018B Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the 2018B Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment

under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the 2018B Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the 2018B Bonds as “capital assets” within the meaning of section 1221 of the Code, and acquire such 2018B Bonds for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to beneficial owners of the 2018B Bonds who are United States persons within the meaning of Section 7701(a)(30) of the Code (“U.S. persons”) and, except as discussed below, does not address any consequences to persons other than U.S. persons. Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2018B BONDS.

***Payments of Stated Interest on the 2018B Bonds.*** The stated interest paid on the 2018B Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

***Original Issue Discount.*** If a substantial amount of the 2018B Bonds of any stated maturity is purchased at original issuance for a purchase price (the “Issue Price”) that is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the 2018B Bonds of such maturity will be treated as being issued with “original issue discount.” The amount of the original issue discount will equal the excess of the principal amount payable on such Bonds at maturity over its Issue Price, and the amount of the original issue discount on the Bonds will be amortized over the life of the 2018B Bonds using the “constant yield method” provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the 2018B Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the 2018B Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner’s gross income while the beneficial owner holds the 2018B Bonds will increase the adjusted tax basis of the 2018B Bonds in the hands of such beneficial owner.

***Premium.*** If a beneficial owner purchases a 2018B Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the 2018B Bond with “amortizable bond premium” equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the Bond and may offset interest otherwise required to be included in respect of the 2018B Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a 2018B Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a 2018B Bond. However, if the 2018B Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the 2018B Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

**Medicare Contribution Tax.** Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the 2018B Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the 2018B Bonds as well as gain on the sale of a 2018B Bond.

**Disposition of Bonds and Market Discount.** A beneficial owner of 2018B Bonds will generally recognize gain or loss on the redemption, sale or exchange of a 2018B Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner’s adjusted tax basis in the 2018B Bonds. Generally, the beneficial owner’s adjusted tax basis in the 2018B Bonds will be the beneficial owner’s initial cost, increased by the original issue discount previously included in the beneficial owner’s income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner’s holding period for the 2018B Bonds.

If Agency elects to defease the 2018B Bonds by depositing in escrow sufficient cash and/or obligations to pay when due outstanding 2018B Bonds (a “legal defeasance”), under current tax law, a beneficial owner of 2018B Bonds may be deemed to have sold or exchanged its 2018B Bonds. In the event of such a legal defeasance, a beneficial owner of 2018B Bonds generally would recognize gain or loss in the manner described above. Ownership of the 2018B Bonds after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described above, and each beneficial owner should consult its own tax advisor regarding the consequences to such beneficial owner of a legal defeasance of the 2018B Bonds.

Under current law, a purchaser of a 2018B Bond who did not purchase the 2018B Bonds in the initial public offering (a “subsequent purchaser”) generally will be required, on the disposition of the 2018B Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued “market discount.” Market discount is the amount by which the price paid for the Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the 2018B Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire 2018B Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of 2018B Bonds could have a material effect on the market value of the 2018B Bonds.

**Backup Withholding.** Under section 3406 of the Code, a beneficial owner of the 2018B Bonds who is a U.S. person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to “backup withholding” on payments of current or accrued interest on the Bonds. This withholding applies if such beneficial owner of Bonds: (i) fails to furnish to payor such beneficial owner’s social security number or other taxpayer identification number (“TIN”); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other “reportable payments” as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the 2018B Bonds. Beneficial owners of the 2018B Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

***Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations.*** Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the 2018B Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a U.S. person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the 2018B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the 2018B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the 2018B Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8BEN, Form W-8BEN-E, Form W-8EXP or Form W-8IMY, as applicable, provided the payor does not have actual knowledge that such person is a U.S. person.

***Foreign Account Tax Compliance Act.*** Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("FATCA") imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the 2018B Bonds and sales proceeds of 2018B Bonds held by or through a foreign entity. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

***Reporting of Interest Payments.*** Subject to certain exceptions, interest payments made to beneficial owners with respect to the 2018B Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a 2018B Bond for U.S. federal income tax purposes.

## **Litigation**

There is no action, suit or proceeding known to the Agency to be pending and notice of which has been served upon and received by the Agency, or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Agency taken with respect to any of the foregoing.

## **Ratings**

In connection with the issuance and delivery of the Insured Bonds, S&P Global Ratings (“S&P”) is expected to assign their municipal bond rating of “\_\_\_” to the Bonds with the understanding that, upon delivery of such Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by \_\_\_\_\_. S&P has assigned their underlying municipal bond rating of “\_\_\_” to the Bonds. Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings may be obtained from such rating agency at the following addresses: S&P Global Ratings, 55 Water Street, New York, New York 10041, (212) 438-2000. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

## **Financial Statements**

Financial information regarding the Agency for the Fiscal Year ended June 30, 2017, are set forth in the City’s audited financial statements, which are included in Appendix F hereto. The Agency’s audited financial statements have been audited by The Pun Group, LLP, San Diego, California (the “Auditor”), as stated in the report appearing in Appendix F hereto. The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit work on the financial statements.

## **Continuing Disclosure**

The Agency has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Agency not later than [\_\_\_\_\_] following the end of the City’s Fiscal Year (currently its Fiscal Year ends on June 30), commencing with the report for Fiscal Year ending June 30, 2018 (the “Annual Report”), and to provide notices of the occurrences of certain enumerated events. The Annual Report and any notices of enumerated events will be filed by the Agency with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website. The Municipal Securities Rulemaking Board has made such information available to the public without charge through such internet portal. The specific nature of information to be contained in the Annual Report or the notice of enumerated events is set forth in “APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made by the Agency in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the “Rule”) promulgated by the Securities and Exchange Commission.

During the past five years, the Agency failed to comply with its continuing disclosure obligations with respect to the Refunded Bonds and the 2014 Bonds. The Agency’s Fiscal Year 2014-15 audited financial statements and the Agency’s Fiscal Year 2015-16 audited financial statements were filed 112 days and 30 days late, respectively. The Agency also failed to its unaudited financial statements when its audited financial statements were not available at such time the annual reports were due. Also, the financial

information and operating data with respect to the 2014 Bonds for the Fiscal Year ended June 30, 2014 were filed 21 days late and the same information with respect to the Refunded Bonds for the same fiscal year was filed 65 days late. Lastly, rating downgrades with respect to the Agency's certain other tax allocation bonds were filed 14 and 164 days late.

[As of the date of this Official Statement, the Agency has cured such past failures identified by the examination. The Agency believes that its procedures with its Dissemination Agent are sufficient in the normal due course to assure substantial compliance with its continuing disclosure undertakings in the future.]

A failure by the Agency to comply with the provisions of the Disclosure Agreement is not an event of default under the Indenture (although the Trustee does have remedies at law and in equity). However, a failure to comply with the provisions of the Disclosure Agreement must be reported in accordance with the SEC Rule 15c2-12(b)(5) and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds. Therefore, a failure by the Agency to comply with the provisions of the Disclosure Agreement may adversely affect the marketability of the Bonds on the secondary market.

#### **Miscellaneous**

All of the preceding summaries of the Indenture, the Bond Law, the Dissolution Act, the Redevelopment Law, other applicable legislation, the Redevelopment Plan for the Project Area, agreements and 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 Agency for further information in connection therewith.

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

The execution and delivery of this Official Statement by its Interim Executive Director has been duly authorized by the Agency.

SUCCESSOR AGENCY TO THE COMMUNITY  
REDEVELOPMENT AGENCY OF THE CITY OF  
CALEXICO

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

## APPENDIX A

### SUPPLEMENTAL INFORMATION – THE CITY OF CALEXICO

*The following information concerning the City of Calexico is presented as general background data. The Bonds are not a debt of the City, and are payable solely from Subordinate Pledged Tax Revenues to be derived from the Project Area as described in the Official Statement.*

#### **General Information**

The City of Calexico (the “City”) is located in Imperial County, California, approximately 120 miles east of the City of San Diego and approximately 60 miles west of Yuma, Arizona. The City lies adjacent to the City of Mexicali, the capital of the State of Baja, Mexico, and its strategic border location makes it a prime link between the interior of Mexico and the major markets along the West Coast of the United States. Economically and given its geographic location immediately adjacent to the international border crossing, the City largely functions as a suburb of the metropolitan complex of Mexicali. Mexicali’s population is approximately 1 million. As of January 1, 2018, the City had an estimated population of 41,199. The City encompasses an area of approximately four square miles with an average elevation at sea level. Its summers are hot and dry, with the winters being mild and generally dry. The average rainfall is 1.75 inches. The City is a general law city incorporated in 1908 with a Council/City Manager form of government consisting of five Council members elected to four-year overlapping terms.

#### **Transportation and Economy**

The City is served by California State Highways 98 and 111, with direct connection to Interstate 8 which lies seven miles north of the City. The City’s location adjacent to the United States - Mexican border provides overnight trucking access to regional transportation hubs and the ports of Long Beach, California and Ensenada, Mexico. There are eighteen common carriers for intrastate and interstate truck service to the City. Rail service is provided by Union Pacific Railroad and connects the City with the main line to Portland, Oregon; Rock Island, Illinois; Tucumcari, New Mexico; St. Louis, Missouri; and New Orleans, Louisiana. The City is served by Calexico International Airport which is the U.S. Customs and Border Protection check-point for private passenger and air-cargo flights entering the U.S. from Mexico. General aviation facilities and scheduled passenger and air-cargo service to Los Angeles International Airport, Phoenix Sky Harbor International Airport, and other points are available at Imperial County Airport (Boley Field), located 17 miles north of the City.

Each year, more than 1 million vehicles and pedestrians cross into the United States through the City’s two ports-of-entry. The East Calexico Port-of-Entry provides an improved link to major trucking routes, and has increased the efficiency with which people and goods move between Mexico and the United States. Mexicali is a major business center, with large manufacturing and agricultural industries and a busy rail line into California. The economic growth in Mexicali relies on numerous assembly plants, mainly for products to be exported to the United States, including facilities operated by corporations that presently include: Daewoo, Mitsubishi, Honeywell, Cardinal Health, Bosch, Price Pfister, Gulfstream, Goodrich, Kenworth and Kwikset.

## Population

The following table shows the estimated population growth for the City, the County and the State of California for calendar years 1980, 1990, 2000, 2010 and 2014 through 2018.

**CITY OF CALEXICO**  
**City, County and State Population Growth**  
**Calendar Years 1980, 1990, 2000, 2010, 2014 through 2018<sup>(1)</sup>**

Calendar Year	City of Calexico	% Change from Prior Period	Imperial County	% Change from Prior Period	State of California	% Change from Prior Year
1980	14,412	35.64% <sup>(2)</sup>	92,110	23.65% <sup>(2)</sup>	23,782,000	18.68% <sup>(2)</sup>
1990	18,633	29.29	109,303	18.66	29,558,000	24.29
2000	27,109	45.49	142,361	30.24	33,873,086	14.60
2010	40,075	47.83	183,029	28.57	38,648,090	14.10
2014	40,218	0.36	182,006	(0.56)	38,568,628	(0.21)
2015	40,329	0.28	184,569	1.41	38,912,464	0.89
2016	40,436	0.27	186,019	0.79	39,179,627	0.69
2017	40,732	0.73	187,921	1.02	39,500,973	0.82
2018	41,199	1.15	190,624	1.44	39,809,693	0.78

<sup>(1)</sup> Except for years 1990 and 2000 where estimates are as of April 1, all estimates are as of January 1.

<sup>(2)</sup> Percent change since 1970.

Source: State of California, Department of Finance estimates.

## Agriculture

The City is located in the southeast portion of the Imperial Valley for which the Colorado River is the source of irrigation water. The eighty-mile-long All-American Canal delivers water to the region which is known for its midwinter vegetables crops (lettuce, cauliflower, broccoli, cabbage, asparagus and carrots) as well as spring production of warm-season vegetables (onions, sweet corn, bell pepper, chili peppers, cantaloupes, and melons). Alfalfa, baled for shipment to dairies throughout California, is the area's major agronomic crop, comprising approximately forty percent of the irrigated acreage in the Imperial Valley. Sugar beets are also a major crop, as well as wheat, and sudangrass for hay which is used for export. Livestock is also an integral part of the agricultural industry in Imperial County, including large-scale feedlot operations for cattle.

The adjacent Mexicali Valley is the agricultural heart of Baja, Mexico, responsible for some of the largest crops in Mexico, including wheat and cotton. With an ensured supply of water from the Colorado River, Mexicali has also become an important exporter of asparagus, broccoli, green onion and radish.

**Tax Rate**

A typical tax rate in the City of Calexico is made up as follows: [SAME FOR CURRENT FISCAL YEAR?]

**CITY OF CALEXICO  
TYPICAL TAX RATE (Fiscal Year 2014-15)  
(TRA 002-009)**

	<i>Bill Rate</i>
Basic 1% Levy	1.000000%
Calexico Unified Bonds	0.064600
Imperial Community College District 2004 Bonds	0.032500

Source: Kosmont Transactions Services.

**City's Taxable Valuation**

Taxable valuation within the City is established by the Imperial County Assessor (the "County Assessor"), except for utility property, which is assessed by the State Board of Equalization. Article XIII A of the State Constitution provides that, beginning with the 1978-79 fiscal year, property taxes in California are limited to one percent of full cash value, except for taxes to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and debt service on bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by a two-thirds vote of the people. Article XIII A defines full cash value as the County Assessor's valuation of real property as shown on the 1975-76 tax bill ("base year") except in the case of newly-constructed property or property which undergoes a change in ownership. Yearly taxable value increases following the base year are limited to the growth in the consumer price index, but may not exceed two percent annually. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

A ten-year summary of the City's taxable valuation is set forth below. [NEED CURRENT INFORMATION]

**CITY OF CALEXICO  
TAXABLE VALUATION  
FOR THE PERIOD 2005-2014**

<b>Fiscal Year Ending June 30</b>	<b>Secured Property Valuation<sup>(1)</sup></b>	<b>Unsecured Property Valuation</b>	<b>Homeowners Exemption</b>	<b>Net Secured Valuation</b>
2005	\$892,832,477	\$46,483,442	\$23,107,967	\$962,423,886
2006	1,115,402,355	52,014,072	24,781,082	1,192,197,509
2007	1,220,076,346	59,801,312	25,629,812	1,305,507,470
2008	1,455,449,206	61,412,763	26,552,099	1,543,414,068
2009	1,546,160,140	71,120,072	26,678,203	1,643,958,415
2010	1,481,620,454	67,535,957	26,570,510	1,575,726,921
2011	1,435,339,986	59,552,243	25,955,833	1,520,848,062
2012	1,340,653,302	57,840,885	25,401,433	1,423,895,620
2013	1,309,487,551	53,023,396	24,528,033	1,387,038,980
2014	1,345,801,540	60,906,084	24,227,033	1,430,934,657

<sup>(1)</sup> Includes secured utility values.

Source: County of Imperial.

## Construction Activity

The tables below summarize construction activity in Calexico and Imperial County for both single-family and attached living units and commercial units.

### CITY OF CALEXICO BUILDING PERMIT VALUATION (VALUATION IN THOUSANDS OF DOLLARS)

	2011	2012	2013	2014	2015
<b>Permit Valuation</b>					
New Single-Family	\$ 1,173.0	\$2,785.0	\$ 3,659.0	\$ 765.9	\$1,438.0
New Multi-Family	7,700.0	4,235.0	0.0	8,740.0	1,020.0
Residential Alterations/Additions	2,251.1	1,017.5	1,134.3	1,161.4	1,636.7
<b>Total Residential<sup>(1)</sup></b>	<b><u>\$11,124.1</u></b>	<b><u>\$8,037.5</u></b>	<b><u>\$ 4,793.3</u></b>	<b><u>\$10,667.3</u></b>	<b><u>\$4,094.7</u></b>
New Commercial	16.5	1,985.4	10,537.7	32.9	9.0
New Industrial	0.0	200.0	110.0	0.0	0.0
New Other	20.0	0.0	978.3	1,021.1	664.8
Commercial Alterations/Additions	3,753.0	1,013.7	9,591.3	3,423.1	2,081.5
<b>Total Nonresidential<sup>(1)</sup></b>	<b><u>\$ 3,789.5</u></b>	<b><u>\$3,199.1</u></b>	<b><u>\$21,217.3</u></b>	<b><u>\$ 4,477.1</u></b>	<b><u>\$2,755.3</u></b>
<b>New Dwelling Units</b>					
Single-Family	14	24	29	4	6
Multiple-Family	52	52	0	53	14
<b>Total</b>	<b><u>66</u></b>	<b><u>76</u></b>	<b><u>29</u></b>	<b><u>57</u></b>	<b><u>20</u></b>

<sup>(1)</sup> Columns may not add due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

**IMPERIAL COUNTY  
BUILDING PERMIT VALUATION  
(VALUATION IN THOUSANDS OF DOLLARS)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Permit Valuation</b>					
New Single-Family	\$ 67,396.6	\$33,809.0	\$26,492.3	\$48,224.3	\$36,490.5
New Multi-Family	0.0	9,582.3	20,797.8	7,761.8	733.7
Residential Alterations/Additions	4,389.1	4,211.5	6,386.9	10,004.3	5,166.4
<b>Total Residential<sup>(1)</sup></b>	<b><u>\$ 71,785.7</u></b>	<b><u>\$47,602.8</u></b>	<b><u>\$53,677.0</u></b>	<b><u>\$65,990.4</u></b>	<b><u>\$42,390.6</u></b>
New Commercial	44,242.9	6,833.1	18,009.0	22,447.5	63,056.3
New Industrial	17,735.4	10,009.0	2,000.0	1,239.2	1,977.2
New Other	507,195.9	3,971.0	13,405.1	48,814.3	94,446.5
Commercial Alterations/Additions	22,475.6	12,257.6	13,616.3	18,720.0	12,701.0
<b>Total Nonresidential<sup>(1)</sup></b>	<b><u>\$591,649.8</u></b>	<b><u>\$33,070.7</u></b>	<b><u>\$47,030.4</u></b>	<b><u>\$91,221.0</u></b>	<b><u>\$172,181.0</u></b>
<b>New Dwelling Units</b>					
Single-Family	334	179	125	230	191
Multiple-Family	0	59	33	41	8
<b>Total</b>	<b><u>334</u></b>	<b><u>238</u></b>	<b><u>158</u></b>	<b><u>271</u></b>	<b><u>190</u></b>

<sup>(1)</sup> Columns may not add due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

## Commerce

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions are presented in the following tables.

### CITY OF CALEXICO TAXABLE RETAIL STORES NUMBER OF PERMITS AND VALUATION OF TAXABLE TRANSACTIONS<sup>(2)</sup>

Year	Retail Stores		Total All Outlets	
	Taxable Permits	Value of Transactions	Taxable Permits	Value of Transactions
2008	1,308	\$368,274,000	1,955	\$395,621,000
2009 <sup>(1)</sup>	1,269	301,824,000	1,509	316,895,000
2010	1,255	307,762,000	1,506	323,116,000
2011	1,204	320,653,000	1,444	335,833,000
2012	1,079	315,968,000	1,308	333,144,000
2013	1,037	340,794,000	1,258	355,217,000
2014	1,029	386,313,000	1,229	406,013,000
2015	1,054	376,490,363	1,316	392,723,405
2016 <sup>(2)</sup>	1,074	357,313,554	1,351	373,308,411

<sup>(1)</sup> Food Stores are included in the Retail Stores category as of 2009.

<sup>(2)</sup> Latest data available.

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

### IMPERIAL COUNTY NUMBER OF PERMITS AND VALUATION OF TAXABLE TRANSACTIONS (Valuations in Thousands)

Year	Retail Stores			Total All Outlets		
	No. of Permits	Taxable Transactions	Percent Change	No. of Permits	Taxable Transactions	Percent Change
2008	2,481	\$1,426,909	-8.2%	4,118	\$2,179,276	-3.3%
2009 <sup>(1)</sup>	2,373	1,216,423	-14.8	3,432	1,773,930	-18.6
2010	2,371	1,317,759	8.3	3,432	1,970,332	11.0
2011	2,339	1,414,803	7.4	3,390	2,181,800	10.7
2012	2,258	1,482,810	4.8	3,288	2,356,313	8.0
2013	2,222	1,561,647	5.3	3,239	3,661,582	55.4
2014	2,293	1,615,754	3.5	3,266	2,893,261	-21.0
2015	2,337	1,612,423	-0.2	3,509	2,652,906	-8.3
2016 <sup>(2)</sup>	2,360	1,600,491	-0.7	3,557	2,458,984	-7.3

<sup>(1)</sup> Food Stores are included in the Retail Stores category as of 2009.

<sup>(2)</sup> Latest data available.

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

## Employment and History

The following table summarizes the civilian labor force in Imperial County for the calendar years 2013 through 2017. These figures are countywide statistics and may not accurately reflect employment trends in the City.

### IMPERIAL COUNTY

**Annual Average Industrial Employment <sup>(1)</sup>**  
**Calendar Years 2013 through 2017**

Industry	2013	2014	2015	2016	2017
<b>Private, non-farm</b>					
<i>Goods producing:</i>					
Natural resources, mining and construction	2,000	2,300	2,600	1,800	1,800
Manufacturing – durable goods	500	600	500	500	500
Manufacturing – non-durable goods	2,000	1,200	700	900	900
<i>Service Providing:</i>					
Wholesale trade	1,800	1,800	1,800	1,900	2,000
Retail trade	7,500	8,100	8,200	8,000	8,000
Transport., warehousing and utilities	2,000	2,100	2,100	2,400	2,500
Information	300	300	300	300	300
Financial activities	1,500	1,500	1,500	1,400	1,300
Professional and business services	2,600	2,600	2,300	2,400	2,600
Educational and health services	8,300	8,600	8,800	9,200	9,500
Leisure and hospitality	3,900	4,000	4,200	4,400	4,300
Other services	800	800	800	900	1,000
<b>Subtotal</b>	33,200	33,900	33,800	34,100	34,700
<b>Government</b>	18,600	17,900	17,900	18,200	18,500
<b>Farm</b>	10,900	12,200	13,100	11,400	11,700
<b>Total</b>	62,700	64,000	64,800	63,700	64,900

<sup>(1)</sup> Employment reported by place of work; does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add due to rounding. Based on March 2017 benchmark. Not seasonally adjusted.  
Source: State of California, Employment Development Department.

## Personal Income

Personal income information for Imperial County, the State of California and the United States are summarized in the table below.

### MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME (EBI) IMPERIAL COUNTY, CALIFORNIA AND UNITED STATES (2013-2017)

Year	Imperial County	State of California	United States
2013	34,775	48,340	43,715
2014	36,760	50,072	45,448
2015	40,946	53,589	46,738
2016	37,868	55,681	48,043
2017	39,772	59,646	50,735

Source: The Nielsen Company (US), LLC.

## Industrial Development

The City has become a prime target area for manufacturing and assembly plants. Industrial development is on the move with the near future completion and expansion of several properties. Several sites within the City limits are zoned for light industry, the premier development being the 66-acre Industrial Park. The Industrial Park was developed by the Calexico Community Action Council, Inc. This Park is in a prime industrial location situated two miles north of the Point of Entry along the State Highway 111. Seven miles to the north is Interstate 8 which provides highway access to all major western markets. Airport and rail services are also available.

There are 410 acres in the city limits zoned for light industry; about 40% is vacant and available in parcels ranging in size from 1 to 10 acres. Included in this acreage total is one industrial park. The terrain is 1% slope. Drainage is generally good.

Subsoil is adobe, and piling is not required. Sizes of water mains range from two to 18 inches. Sizes of sewer lines range from six to 36 inches. Description of sites zoned for industry outside the City limits in other tracts or districts: approximately 168 acres are zoned light industry and adjoin the City in the North.

## Utilities

Water is supplied by the Calexico Water Department. Southern California Gas Company supplies natural gas, and electric power is provided by Imperial Irrigation District. Telephone service is available through Verizon Communications and trash collection is provided by Newco Company.

## Community Service Facilities

The City has two general hospitals (El Centro Regional Medical Center and Pioneer Memorial Healthcare District) and several medical clinics serving its residents.

The City has ten churches, one library, one daily newspaper, one weekly newspaper, two radio stations, one television station, one television cable system, four banks, one savings and loan, seven parks, two playgrounds and one theater. Other recreational facilities include the International Golf Course and Country Club and a multitude of activities in Mexicali, Baja California, and Mexico.

The Calexico Community Center provides entertainment and recreation facilities for the community. A monthly publication "Calexico Today" also serves the City by providing important community information. Police and fire protection is maintained by the City to serve the residents.

### **Education**

The Calexico Unified School District includes seven elementary schools (Blanche Charles Elementary, Cesar Chavez Elementary, Dool Elementary, Jefferson Elementary, Kennedy Gardens Elementary, Mains Elementary and Rockwood Elementary), two junior high schools (William Moreno Junior High and Enrique Camarena Junior High), two high schools (Aurora High and Calexico High) and the Robert F. Moreno Adult Education Center. Advanced education is available at two colleges: Imperial Valley College (a two-year campus) in Imperial, California and the Imperial Valley Campus (the "Campus") of the San Diego State University ("SDSU"), which is located in the City. Established in 1959 by an act of the State legislature, the Campus is accredited as an integral division of SDSU and offers the last two years of undergraduate education, graduate programs, and fifth year credential programs for teacher preparation. The Campus accepts students who have at least 60 transferable units from community colleges or other accredited institutions.

The City of Mexicali offers many educational opportunities that contribute to the skilled work force in the region, including the Universidad Autónoma de Baja California, Instituto Tecnológico de Mexicali, UNIVER Mexicali, and Universidad del Valle de Mexico Campus Mexicali.

### **Other**

Geothermal energy is being produced in the area and solar and wind energy are both potentially important sources for future development. In addition, significant archaeological discoveries have been made in the area and there is continuing archaeological fieldwork. Recreational areas include the Glamis Dunes, the Salton Sea, which is the State's largest inland lake, the Laguna Mountains and the Colorado River.

## **APPENDIX B**

### **DEFINITIONS**

*The following are definitions of certain terms contained in the Indenture and used in this Official Statement.*

**APPENDIX C**  
**FORM OF BOND COUNSEL OPINION**

## APPENDIX D

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Agency takes no responsibility for the completeness or accuracy thereof. The Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

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

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

Beneficial Owners will not receive certificates 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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency 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).

Principal, premium (if any), and interest 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 Agency 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 Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof.

**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

**APPENDIX F**

**AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2017**

**APPENDIX G**  
**FISCAL CONSULTANT'S REPORT**

**APPENDIX H**  
**DOF DETERMINATION LETTER APPROVING BONDS**

**APPENDIX I**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



**SUCCESSOR AGENCY TO THE  
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO  
Merged Central Business District and Residential Redevelopment Project Area**

**§[PARA]  
Subordinate Tax Allocation  
Refunding Bonds  
Issue of 2018A**

**§[PARB]  
Subordinate Tax Allocation  
Refunding Bonds  
Issue of 2018B (Federally Taxable)**

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**BOND PURCHASE AGREEMENT**

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[ \_\_\_\_\_ ], 2018

Successor Agency to the Community  
Redevelopment Agency of the City of Calexico  
608 Heber Avenue  
Calexico, California 92231

Ladies and Gentlemen:

Stifel, Nicolas and Company, Incorporated (the “**Underwriter**”) offers to enter into this Bond Purchase Agreement (the “**Bond Purchase Agreement**”) with the Successor Agency to the Community Redevelopment Agency of the City of Calexico (the “**Agency**”), which will be binding upon the Agency and the Underwriter upon the acceptance hereof by the Agency. This offer is made subject to its acceptance by the Agency by execution of this Bond Purchase Agreement and its delivery to the Underwriter on or before 5:00 P.M., California time, on the date hereof.

The Agency acknowledges and agrees that: (i) the purchase and sale of the above-captioned Bonds (and defined below) pursuant to this Bond Purchase Agreement is an arm’s-length commercial transaction between the Agency and the Underwriter; (ii) in connection with such transaction, including the process leading thereto, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Agency; (iii) the Underwriter has neither assumed an advisory or fiduciary responsibility in favor of the Agency with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Agency on other matters) nor has it assumed any other obligation to the Agency except the obligations expressly set forth in this Bond Purchase Agreement; (iv) the Underwriter has financial and other interests that differ from those of the Agency; and (v) the Agency has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

The Agency hereby acknowledges receipt from the Underwriter of disclosures required by the Municipal Securities Rulemaking Board (“**MSRB**”) Rule G-17 (as set forth in MSRB Notice 2012-25 (May 7, 2012), relating to disclosures concerning the Underwriter’s role in the transaction, disclosures concerning the Underwriter’s compensation, conflict disclosures, if any, and disclosures concerning complex municipal securities financing, if any. The Agency acknowledges that it has engaged Kosmont Transactions Services, as its municipal advisor (the “**Municipal Advisor**”) (as

defined in Securities and Exchange Commission Rule 15Ba1), and for financial advice purposes, will rely only on the advice of the Municipal Advisor.

Capitalized terms used and not otherwise defined in this Bond Purchase Agreement shall have the same meanings given them in that certain Indenture of Trust, dated as of [\_\_\_\_\_] 1, 2018 (the “**Indenture**”), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), pursuant to which the Bonds are being issued.

1. Purchase and Sale; Use of Proceeds.

(a) Upon the terms and conditions and in reliance upon the representations, warranties and covenants herein, the Agency hereby agrees to sell to the Underwriter and the Underwriter hereby agrees to purchase from the Agency for offering to the public, all (but not less than all) of the (i) \$[PARA] Successor Agency to the Community Redevelopment Agency of the City of Calexico, Merged Central Business District and Residential Redevelopment Project Area, Subordinate Tax Allocation Refunding Bonds, Issue of 2018A (Tax-Exempt) (the “**2018A Bonds**”), at the purchase price of \$[\_\_\_\_\_] (the “**2018A Purchase Price**”) (being the principal amount of the 2018A Bonds of \$[PARA], less an Underwriter’s discount of \$[\_\_\_\_\_] , and [plus/minus] [a/an] [net] original issue [premium/discount] of \$[\_\_\_\_\_] ) and the (ii) \$[PARB] Successor Agency to the Community Redevelopment Agency of the City of Calexico, Merged Central Business District and Residential Redevelopment Project Area, Subordinate Tax Allocation Refunding Bonds, Issue of 2018B (Federally Taxable) (the “**2018B Bonds**,” and together with the 2018A Bonds, the “**Bonds**”), at the purchase price of \$[\_\_\_\_\_] (the “**2018B Purchase Price**,” and together with the 2018A Purchase Price, the “**Purchase Price**”) (being the principal amount of the 2018B Bonds of \$[PARB], less an Underwriter’s discount of \$[\_\_\_\_\_] , and [plus/less] [a/an] [net] original issue [premium/discount] of \$[\_\_\_\_\_] ). The Purchase Price will be delivered to the Trustee on behalf of the Agency.

The Purchase Price is to be paid on the Closing Date (as defined in Section 6 below). The Bonds shall be dated the Closing Date, and shall bear interest at the rates, shall mature on the dates and in the principal amounts, all as set forth in the attached Exhibit A.

As an accommodation to the Agency, the Underwriter will pay, from the Purchase Price, the sum of \$[\_\_\_\_\_] to [\_\_\_\_\_] (the “**Insurer**”) as the premium for the portion of its municipal bond insurance policy issued for the Bonds (the “**Municipal Bond Insurance Policy**”) and allocable to the Bonds and the sum of \$[\_\_\_\_\_] to the Insurer as the premium for its reserve account municipal bond insurance policy issued for the Bonds (the “**Reserve Account Insurance Policy**”) and allocable to the Bonds. Such amounts shall be credited against the Purchase Price to be remitted by the Underwriter to the Trustee pursuant to the foregoing paragraph.

(b) The Bonds are being issued for the purpose of (a) providing funds to the Agency to refund in whole the following bonds issued by the Community Redevelopment Agency of the City of Calexico (the “**Prior Agency**”), (i) the outstanding Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issue of 2000 (the “**2000 Bonds**”), (ii) the outstanding Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issue of 2006 (the “**2006 Bonds**”) and (iii) the outstanding Merged Central Business District and Residential Redevelopment Project Area Tax Allocation Bonds, Issue of 2011 (the “**2011 Bonds**” and, together with the 2000 Bonds, and the 2006 Bonds, the “**Refunded Bonds**”);

(b) purchasing the Municipal Bond Insurance Policy for the Bonds; (c) purchasing the Reserve Account Insurance Policy for the Bonds, and (d) paying the costs of issuing the Bonds.

The Bonds are special obligations of the Agency, payable from, and secured by a lien on Tax Revenues.

The payment of principal of and interest on the Bonds, when due, will be insured by the Municipal Bond Insurance Policy issued by the Insurer concurrently with the delivery of the Bonds.

(a) Under a 2000 Bonds Escrow Agreement, dated as of [\_\_\_\_\_] 1, 2018 (the “**2000 Escrow Agreement**”), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “**Escrow Bank**”), provision will be made for the redemption of the 2000 Bonds. Under a 2006 Bonds Escrow Agreement, dated as of [\_\_\_\_\_] 1, 2018 (the “**2006 Escrow Agreement**”), by and between the Agency and the Escrow Bank, provision will be made for the redemption of the 2006 Bonds. Under a 2011 Bonds Escrow Agreement, dated as of [\_\_\_\_\_] 1, 2018 (the “**2011 Escrow Agreement**” and, together with the 2000 Escrow Agreement and the 2006 Escrow Agreement, the “**Escrow Agreements**”), by and between the Agency and the Escrow Bank, provision will be made for the redemption of the 2011 Bonds.

(b) Issuance of the Bonds was authorized by resolutions of the Agency, adopted on [\_\_\_\_\_] 2018 (the “**Agency Resolution**”), and Resolution No. OB-[\_\_\_\_\_] of the Oversight Board of the Agency, adopted on [\_\_\_\_\_] 2018 (the “**Oversight Board Resolution**”).

2. *Bona Fide Public Offering.* The Underwriter agrees to make a bona fide public offering of all of the Bonds, at prices not in excess of the initial public offering yields or prices set forth in Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

3. *Official Statement.* The Agency shall deliver or cause to be delivered to the Underwriter promptly after acceptance of this Bond Purchase Agreement copies of the Official Statement relating to the Bonds, dated the date hereof (which, together with all exhibits and appendices included therein or attached thereto and with such amendments or supplements thereto which shall be approved by the Underwriter, the “**Official Statement**”). The Agency authorizes the Official Statement, including the cover page and Appendices thereto and the information contained therein, to be used in connection with the sale of the Bonds and ratifies, confirms and approves the use and distribution by the Underwriter for such purpose, prior to the date hereof, of the Preliminary Official Statement dated [\_\_\_\_\_] 2018 relating to the Bonds (the “**Preliminary Official Statement**”). The Agency deems the Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“**Rule 15c2-12**”), except for information allowed to be omitted by Rule 15c2-12.

The Agency also agrees to deliver to the Underwriter, at the Agency’s sole cost and at such address as the Underwriter shall specify, as many copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12, with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. At least one copy of the Official Statement shall be in word searchable portable document format (PDF). The Agency agrees to deliver such copies of the Official Statement within seven (7) business days after the date hereof, but in any event no later than the Closing Date. The Official Statement shall contain all

information previously permitted to be omitted from the Preliminary Official Statement by Rule 15c2-12.

The Underwriter agrees to deliver or cause to be delivered to each purchaser of the Bonds from it, upon request, a copy of the Official Statement, for the time period required under Rule 15c2-12. The Underwriter also agrees to promptly file a copy of the final Official Statement, including any supplements prepared by the Agency and delivered to the Underwriter, with a nationally recognized municipal securities information repository (currently, the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at [www.emma.msrb.org](http://www.emma.msrb.org)), and to take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and Municipal Securities Rulemaking Board rules governing the use of the Official Statement in connection with offering, sale and delivery of the Bonds to the ultimate purchasers thereof.

4. *Representations, Warranties and Agreements of the Agency.* The Agency represents and warrants to the Underwriter that, as of the Closing Date:

(a) The Agency is a public entity existing under the laws of the State, including the Dissolution Act, and is authorized, among other things, (i) to issue the Bonds, and (ii) to secure the Bonds in the manner contemplated by the Indenture.

(b) The Agency has the full right, power and authority (i) to enter into the Indenture, the Escrow Agreements, the Continuing Disclosure Agreement, and this Bond Purchase Agreement (collectively, the “Agency Documents”), (ii) to issue, sell and deliver the Bonds to the Underwriter as provided herein, and (iii) to carry out and consummate all other transactions on its part contemplated by each of the aforesaid documents, and the Agency has complied with all provisions of applicable law in all matters relating to such transactions.

(c) The Agency has duly authorized (i) the execution and delivery of the Bonds and the execution, delivery and due performance by the Agency of the Agency Documents, (ii) the distribution and use of the “deemed final” Preliminary Official Statement and the execution, delivery and distribution of the final Official Statement, and (iii) the taking of any and all such action as may be required on the part of the Agency to carry out, give effect to and consummate the transactions on its part contemplated by such instruments. All consents or approvals necessary to be obtained by the Agency in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) The information contained in the Preliminary Official Statement (excluding therefrom for any information relating to the Insurer, the Municipal Bond Insurance Policy, the Reserve Account Insurance Policy, The Depository Trust Company (“DTC”) and its book-entry system included therein and the information therein under the caption “CONCLUDING INFORMATION - Underwriting”) is true and correct in all material respects, and the Preliminary Official Statement did not as of its date contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) The information contained in the Official Statement (excluding therefrom for any information relating to the Insurer, the Municipal Bond Insurance Policy, the Reserve Account Insurance Policy, DTC and its book-entry system included therein and the information therein under the caption "CONCLUDING INFORMATION - Underwriting") is true and correct in all material respects, and the Official Statement does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) Neither the execution and delivery by the Agency of the Agency Documents and of the Bonds nor the consummation of the transactions on the part of the Agency contemplated herein or therein or the compliance with the provisions hereof or thereof will conflict with, or constitute on the part of the Agency a violation of, or a breach of or default under, (i) any statute, indenture, mortgage, note or other agreement or instrument to which the Agency is a party or by which it is bound, (ii) any provision of the State Constitution, or (iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which the Agency (or the Board members of the Agency or any of its officers in their respective capacities as such) is subject.

(g) The Agency has never been in default at any time, as to principal of or interest on any obligation which it has issued except as otherwise specifically disclosed in the Official Statement; and the Agency has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the Tax Revenues (senior to or on a parity with the pledge thereof under the Indenture), except as is specifically disclosed in the Preliminary Official Statement and the Official Statement.

(h) Except as will be specifically disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, which has been served on the Agency or, to the knowledge of the Agency, threatened, which in any way questions the powers of the Agency referred to in paragraph (b) above, or the validity of any proceeding taken by the Agency in connection with the issuance of the Bonds, or wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the Agency Documents, or which, in any way, could adversely affect the validity or enforceability of the Agency Documents or the Bonds or, to the knowledge of the Agency, which in any way questions the exclusion from gross income of the recipients thereof the interest on the 2018A Bonds for federal income tax purposes or in any other way questions the status of the 2018A Bonds under federal or state tax laws or regulations or which in any way could materially adversely affect the availability of Tax Revenues to pay the debt service on the Bonds.

(i) Any written certificate signed by any official of the Agency and delivered to the Underwriter in connection with the offer or sale of the Bonds shall be deemed a representation and warranty by the Agency to the Underwriter as to the truth of the statements therein contained.

(j) The Agency has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

(k) The Agency will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter and at the expense of the Underwriter as the Underwriter may reasonably request in order (i) 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 and (ii) 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 Agency will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification or determination in any jurisdiction.

(l) All authorizations, approvals, licenses, permits, consents, elections, and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required by the Closing Date for the due authorization of, which would constitute a condition precedent to or the absence of which would adversely affect the due performance by the Agency of, its obligations under the Indenture and the Escrow Agreements have been duly obtained or made and are in full force and effect.

(m) Between the date of this Bond Purchase Agreement and the Closing Date, the Agency will not offer or issue any bonds, notes or other obligations for borrowed money not previously disclosed in writing to the Underwriter.

(n) The Agency will apply the proceeds of the Bonds in accordance with the Indenture and as described in the Preliminary Official Statement and the Official Statement.

(o) Except as otherwise described in the Official Statement, as of the Closing Date, the Agency will not have outstanding any indebtedness which indebtedness is secured by a lien on the Tax Revenues on a parity with or senior to the lien provided for in the Indenture on the Tax Revenues.

(p) Except as described in the Preliminary Official Statement and the Official Statement and based upon a review of their previous undertakings, neither the Prior Agency nor the Agency has failed, within the last five years, to comply in all material respects with any undertaking of the Agency or the Prior Agency, respectively, pursuant to Rule 15c2-12.

(q) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, an event occurs which would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the information therein, in the light of the circumstances under which it was presented, not misleading, the Agency will notify the Underwriter, and, if in the opinion of the Underwriter or the Agency, or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will cooperate in the preparation of an amendment or supplement to the Official Statement in a form and manner approved by the Underwriter, and shall pay all expenses thereby incurred. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the Agency will furnish such information with respect to itself as the Underwriter may from time to time

reasonably request. As used herein, the term “End of the Underwriting Period” means the later of such time as: (i) the Agency delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Notwithstanding the foregoing, unless the Underwriter gives notice to the contrary, the Agency may assume that the “End of the Underwriting Period” is the Closing Date.

(r) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (q) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact required to be stated therein or necessary to make the information therein in the light of the circumstances under which it was presented, not misleading.

(s) The Oversight Board has duly adopted the Oversight Board Resolution and no further Oversight Board approval or consent is required for the issuance of the Bonds or the consummation of the transactions described in the Official Statement.

(t) The Department of Finance of the State (the “**Department of Finance**”) has issued a letter, dated [\_\_\_\_], 2018, approving the issuance of the Bonds. No further Department of Finance approval or consent is required for the issuance of the Bonds or the consummation of the transactions described in the Official Statement. The Agency has received its Finding of Completion from the Department of Finance pursuant to section 34179.7 of the Dissolution Act. Except as disclosed in the Official Statement, the Agency is not aware of the Department of Finance directing or having any basis to direct the County Auditor-Controller to deduct unpaid unencumbered funds from future allocations to the Agency pursuant to Section 34183 of the Dissolution Act.

(u) As of the time of acceptance hereof and as of the Closing Date, the Agency has complied with the filing requirements of the Law, including, without limitation, the filing of all Recognized Obligation Payment Schedules as required by law, as well as sections 33080 to 33080.6 of the Law.

5. *Covenants of the Agency.* The Agency covenants with the Underwriter as of the Closing Date as follows:

(a) The Agency covenants and agrees that it will execute a continuing disclosure agreement, constituting an undertaking to provide ongoing disclosure about the Agency, for the benefit of the owners of the Bonds as required by Section (b)(5)(i) of Rule 15c2-12, substantially in the form attached to the Official Statement (the “**Continuing Disclosure Agreement**”).

(b) The Agency agrees to cooperate with the Underwriter in the preparation of any supplement or amendment to the Official Statement deemed necessary by the Underwriter to comply with Rule 15c2-12 and any applicable rule of the MSRB.

(c) If at any time prior to the Closing Date, any event occurs with respect to the Agency as a result of which the Official Statement, as then amended or supplemented, might include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Agency shall promptly notify the Underwriter in writing of such event. Any information supplied by the Agency for inclusion in any amendments or supplements to the Official Statement will not contain any untrue or misleading statement of a material fact or omit to state any such fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Agency will not knowingly take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Indenture or which would cause the interest on the 2018A Bonds to be includable in gross income of the owners of the 2018A Bonds for federal income tax purposes.

6. *Closing.* On [\_\_\_\_], 2018, or at such other date and times as shall have been mutually agreed upon by the Agency and the Underwriter (the “**Closing Date**”), the Agency will deliver or cause to be delivered the Bonds to the Underwriter, and the Agency shall deliver or cause to be delivered to the Underwriter the certificates, opinions and documents hereinafter mentioned, each of which shall be dated as of the Closing Date. The activities relating to the execution and delivery of the Bonds, opinions and other instruments as described in Section 8 of this Bond Purchase Agreement shall occur on the Closing Date, unless otherwise specified herein. The delivery of the certificates, opinions and documents as described herein shall be made at the offices Norton Rose Fulbright US LLP, in Los Angeles, California (“**Bond Counsel**”), or at such other place as shall have been mutually agreed upon by the Agency and the Underwriter. Such delivery is herein called the “**Closing**.”

The Bonds will be prepared and physically delivered to the Trustee on the Closing Date in the form of a separate single fully registered bond for each of the maturities of the Bonds. The Bonds shall be registered in the name of the Cede & Co., as registered owner and nominee for DTC, New York, New York. The Bonds will be authenticated by the Trustee in accordance with the terms and provisions of the Indenture and shall be delivered to DTC prior to the Closing Date as required by DTC to assure delivery of the Bonds on the Closing Date. It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Bonds in accordance with the terms of this Bond Purchase Agreement.

At or before 8:00 a.m., Pacific Standard time, on the Closing Date, the Agency will deliver, or cause to be delivered, the Bonds to DTC, in definitive form duly executed and authenticated by the Trustee, and the Underwriter will pay the Purchase Price of the Bonds by delivering to the Trustee, for the account of the Agency a wire transfer in federal funds of the Purchase Price payable to the order of the Trustee, less the amounts remitted by the Underwriter to the Insurer as described in the third paragraph of Section 1(a).

7. *Establishment of Issue Price.*

(a) The Underwriter agrees to assist the Agency in establishing the issue price of the 2018A Bonds and shall execute and deliver to the Agency at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit E, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Agency and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2018A Bonds.

(b) Except as otherwise set forth in Exhibit A attached hereto, the Agency will treat the first price at which 10% of each maturity of the 2018A Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Bond Purchase Agreement, the Underwriter shall report to the Agency the price or prices at which it has sold to the public each maturity of 2018A Bonds. If at that time the 10% test has not been satisfied as to any maturity of the 2018A Bonds, the Underwriter agrees to promptly report to the Agency the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all 2018A Bonds of that maturity or (ii) the 10% test has been satisfied as to the 2018A Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Agency or Bond Counsel. For purposes of this Section, if 2018A Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the 2018A Bonds.

(c) The Underwriter confirms that it has offered the 2018A Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the 2018A Bonds for which the Underwriter represents that (i) the 10% test has been satisfied (assuming orders are confirmed by the close of the business day immediately following the date of this Bond Purchase Agreement) and (ii) the 10% test has not been satisfied and for which the Agency and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Agency to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the 2018A Bonds, the Underwriter will neither offer nor sell unsold 2018A Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the 2018A Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Agency promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the 2018A Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the 2018A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold 2018A Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all 2018A Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the 2018A Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be reasonable periodic intervals or otherwise upon request of the Underwriter and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of 2018A Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the 2018A Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the 2018A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the 2018A Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold 2018A Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all 2018A Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the 2018A Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The Agency acknowledges that, in making the representation set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the 2018A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the 2018A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2018A Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the 2018A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the 2018A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2018A Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Agency further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the

requirements for establishing issue price of the 2018A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2018A Bonds.

(f) The Underwriter acknowledges that sales of any 2018A Bonds to any person that is a related party to an underwriter participating in the initial sale of the 2018A Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Agency (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2018A Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2018A Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the 2018A Bonds to the public);

(iii) a purchaser of any of the 2018A Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(iv) “sale date” means the date of execution of this Bond Purchase Agreement by all parties.

8. *Closing Conditions.* The obligations of the Underwriter hereunder shall be subject to the performance by the Agency of its obligations hereunder at or prior to the Closing Date and are also subject to the following conditions:

(a) the representations, warranties and covenants of the Agency contained herein shall be true and correct in all material respects as of the Closing Date;

(b) as of the Closing Date, there shall have been no material adverse change in the financial condition of the Agency since June 30, 2017[8];

(c) as of the Closing Date, all official action of the Agency relating to this Bond Purchase Agreement, the Continuing Disclosure Agreement, the Escrow Agreements and the Indenture shall be in full force and effect;

(d) as of the Closing Date, the Underwriter shall receive the following certificates, opinions and documents, in each case satisfactory in form and substance to the Underwriter:

(i) a copy of the Indenture, as duly executed and delivered by the Agency and the Trustee;

(ii) a copy of the Continuing Disclosure Agreement, as duly executed and delivered by the Agency;

(iii) a copy of the Escrow Agreements, as duly executed and delivered by the Agency and the Escrow Bank;

(iv) the opinions of Bond Counsel, dated the Closing Date and addressed to the Underwriter, in the form attached as Appendix C to the Official Statement and reliance letters, dated the Closing Date and addressed to the Underwriter which shall include a statement that the opinions substantially in the form attached as Appendix C to the Official Statement may be relied upon by the Underwriter to the same extent as if such opinions was addressed to them;

(v) a certificate, dated the Closing Date, of the Agency executed by its Executive Director (or other duly appointed officer of the Agency authorized by the Agency by resolution of the Agency) to the effect that (A) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body which has been served on the Agency or, to the knowledge of the Executive Director, threatened against or affecting the Agency to restrain or enjoin the Agency's participation in, or in any way contesting the existence of the Agency or the powers of the Agency with respect to, the transactions contemplated by the Escrow Agreements, this Bond Purchase Agreement, the Continuing Disclosure Agreement or the Indenture, and consummation of such transactions; (B) the representations and warranties of the Agency contained in this Bond Purchase Agreement are true and correct in all material respects, and the Agency has complied with all agreements and covenants and satisfied all conditions to be satisfied at or prior to the Closing Date as contemplated by the Indenture and this Bond Purchase Agreement; (C) no event affecting the Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (D) no further consent is required to be obtained for the inclusion of the Audited Financial Statements of the City of Calexico for the Fiscal Year End June 30, 2017, as Appendix F to the Official Statement;

(vi) an opinion of the City Attorney, as counsel to the Agency, dated the Closing Date, addressed to the Agency and the Underwriter, in substantially the form attached hereto as Exhibit C:

(vii) an opinion of counsel to the Trustee, dated the Closing Date and addressed to the Agency and the Underwriter, to the effect that:

(A) The Trustee is a national banking association organized and existing under the laws of the United States of America, having full power to enter into, accept and administer the trust created under the Indenture;

(B) The Indenture has been duly authorized, executed and delivered by the Trustee and the Indenture constitutes a legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought; and

(C) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery by the Trustee of the Indenture or the consummation of the transactions on the part of the Trustee contemplated by the Indenture;

(viii) an opinion of counsel to the Escrow Bank, dated the Closing Date and addressed to the Agency and the Underwriter, to the effect that:

(A) The Escrow Bank is a national banking association organized and existing under the laws of the United States of America, having full power to enter into, accept and administer its obligations created under the Escrow Agreements;

(B) The Escrow Agreements have been duly authorized, executed and delivered by the Escrow Bank and the Escrow Agreements constitute the legal, valid and binding obligations of the Escrow Bank enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought; and

(C) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Escrow Bank that has not been obtained is or will be required for the execution and delivery by the Escrow Bank of the Escrow Agreements or the consummation of the transactions on the part of the Escrow Bank contemplated by the Escrow Agreements;

(ix) a certificate, dated the Closing Date, of the Trustee, signed by a duly authorized officer of the Trustee, to the effect that (A) the Trustee is duly organized and validly existing as a national banking association, with full corporate power to undertake the obligations of the Indenture; (B) the Trustee has duly authorized, executed and delivered the Indenture and by all proper corporate action has authorized the acceptance of the trust of the Indenture; and (C) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body which has been served on the Trustee (either in state or federal courts), or to the knowledge of the Trustee threatened against the Trustee which would restrain or

enjoin the execution or delivery of the Indenture, or which would affect the validity or enforceability of the Indenture, or the Trustee's participation in, or in any way contesting the powers or the authority of the Trustee with respect to, the transactions contemplated by the Indenture, or any other agreement, document or certificate related to such transactions;

(x) a certificate, dated the Closing Date, of the Escrow Bank, signed by a duly authorized officer of the Escrow Bank, to the effect that (A) the Escrow Bank is duly organized and validly existing as a national banking association, with full corporate power to undertake of its obligations under the Escrow Agreements; (B) the Escrow Bank has duly authorized, executed and delivered the Escrow Agreements and by all proper corporate action has authorized the acceptance of the obligations of the Escrow Bank under the Escrow Agreements; and (C) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body which has been served on the Escrow Bank (either in state or federal courts), or to the knowledge of the Escrow Bank threatened against the Escrow Bank which would restrain or enjoin the execution or delivery of the Escrow Agreements, or which would affect the validity or enforceability of the Escrow Agreements or the Escrow Bank's participation in, or in any way contesting the powers or the authority of the Escrow Bank with respect to, the transactions contemplated by the Escrow Agreements, or any other agreement, document or certificate related to such transactions;

(xi) a supplemental opinion of Bond Counsel addressed to the Underwriter, in substantially the form attached hereto as Exhibit B;

(xii) the opinion of Underwriter's counsel satisfactory to Underwriter;

(xiii) a Tax Certificate in the form satisfactory to Bond Counsel;

(xiv) the final Official Statement executed by an authorized officer of the Agency;

(xv) certified copies of the Agency Resolution and the Oversight Board Resolution;

(xvi) specimen Bonds;

(xvii) evidence that the federal tax information form 8038-G with respect to the 2018A Bonds has been prepared by Bond Counsel for filing;

(xviii) a verification report of [\_\_\_\_], as to the sufficiency to pay in full the redemption price of the Refunded Bonds of the moneys in the respective escrow funds created under the Escrow Agreements;

(xix) a copy of the Municipal Bond Insurance Policy;

(xx) a copy of the Reserve Account Insurance Policy;

(xxi) an opinion of counsel to the Insurer, addressed to the Agency and the Underwriter to the effect that:

(A) the descriptions of the Insurer, the Municipal Bond Insurance Policy and the Reserve Account Insurance Policy included in the Official Statement are accurate;

(B) the Municipal Bond Insurance Policy and the Reserve Account Insurance Policy constitute legal, valid and binding obligations of the Insurer, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditor's rights generally and by the application of equitable principles if equitable remedies are sought, and

(C) as to such other matters as the Agency or the Underwriter may reasonably request;

(xxii) a certificate of the Insurer, signed by an authorized officer of the Insurer, to the effect that:

(A) the information contained in the Official Statement relating to the Insurer, the Municipal Bond Insurance Policy and the Reserve Account Insurance Policy is true and accurate and

(B) as to such other matters as the Agency or the Underwriter may reasonably request;

(xxiii) satisfactory evidence that the Bonds have been assigned the ratings as set forth in the Official Statement;

(xxiv) a certificate of an officer of Kosmont Transactions Services, as its fiscal consultant (the "**Fiscal Consultant**"), dated the Closing Date, addressed to the Agency and the Underwriter, to the effect that, to the best of its knowledge, the assessed valuations and other fiscal information contained in the Official Statement, including such firm's Fiscal Consultant's Report attached thereto as APPENDIX G, are presented fairly and accurately, and consenting to the use of their report as APPENDIX G to the Preliminary Official Statement and the Official Statement;

(xxv) evidence of required filings with the California Debt and Investment Advisory Commission;

(xxvi) a defeasance opinion of Bond Counsel with respect to the Refunded Bonds, dated the Closing Date and addressed to the Trustee, the Insurer and the Underwriter, in form and substance satisfactory to the Underwriter;

(xxvii) an opinion or letter of Nixon Peabody LLP, as Disclosure Counsel, addressed to the Agency and the Underwriter, in substantially the form attached hereto as Exhibit D; and

(xxviii) such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy as of the time of the Closing Date of the representations and warranties of the Agency contained in this Bond Purchase Agreement and the due performance or satisfaction by the Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Agency pursuant to this Bond Purchase Agreement.

9. *Termination.* The Underwriter shall have the right to cancel its obligations to purchase the Bonds if between the date hereof and the Closing Date:

(a) a decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or legislation shall be favorably reported by such a committee or be introduced, by amendment or otherwise, in or be passed by the House of Representatives or the Senate, or recommended to the Congress of the United States for passage by the President of the United States, or be enacted or a decision by a federal court of the United States or the United States Tax Court shall have been rendered, or a ruling, release, order, regulation or offering circular by or on behalf of the United States Treasury Department, the Internal Revenue Service or other governmental agency shall have been made or proposed to be made having the purpose or effect, or any other action or event shall have occurred which has the purpose or effect, directly or indirectly, of adversely affecting the federal income tax consequences of owning the 2018A Bonds, including causing interest on the 2018A Bonds to be included in gross income of the owners of the 2018A Bonds for purposes of federal income taxation, or imposing federal income taxation upon revenues or other income of the general character to be derived by the Agency or by any similar body under the Indenture or similar documents or upon interest received on obligations of the general character of the Bonds which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of or market for the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(b) legislation shall have been enacted, or considered for enactment with an effective date prior to the Closing Date, or a decision by a court of the United States shall have been rendered, the effect of which is that of the Bonds, including any underlying obligations, or the Indenture, as the case may be, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, 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

(c) a stop order, ruling, regulation or offering circular by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, including any underlying obligations, or the delivery or performance of the Indenture, the Escrow Agreements or the Continuing Disclosure Agreement, as contemplated hereby or by the Official Statement, is or would be in violation of any provisions of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, 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

(d) any event shall have occurred or any information shall have become known to the Underwriter which causes the Underwriter to reasonably believe that the Official Statement as then amended or supplemented includes an untrue statement of a material fact, or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or

(e) there shall have occurred any outbreak or escalation of hostilities or any national or international calamity or crisis, including a financial crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(f) there shall be in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(g) a general banking moratorium shall have been declared by federal, New York or California authorities; or

(h) any proceeding shall be pending or threatened by the Securities and Exchange Commission against the Agency or the Prior Agency; or

(i) 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; or

(j) the New York Stock Exchange or other national securities exchange, or any governmental or regulatory 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 the Underwriter; or

(k) there shall exist any event which in the reasonable opinion of the Underwriter that either: (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement; or (ii) is not reflected in the Official Statement but should be reflected therein to make the statements and information contained therein not misleading in any material respect; or

(l) there shall have occurred or any notice shall have been given of any intended downgrade, suspension, withdrawal or negative change in credit watch status by any national credit agency of the Insurer; or

(m) a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(n) any rating of the Bonds shall have been downgraded, suspended or withdrawn or placed on negative outlook or negative watch by a national rating service, which, in the

Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds.

10. *Contingency of Obligations.* The obligations of the Agency hereunder are subject to the performance by the Underwriter of its obligations hereunder.

11. *Duration of Representations, Warranties, Agreements and Covenants.* All representations, warranties, agreements and covenants of the Agency shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter or the Agency and shall survive the Closing Date.

12. *Expenses.* (a) The Agency will pay or cause to be paid all reasonable expenses incident to the performance of its obligations under this Bond Purchase Agreement, including, but not limited to, execution and delivery of the Bonds, costs of printing the Bonds, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto, the fees and disbursements of Bond Counsel, Disclosure Counsel, and counsel to the Agency, the fees and expenses of the Agency's accountants, fees of the Municipal Advisor, fees of the Fiscal Consultant, any fees charged by rating agencies for the rating of the Bonds and fees of the Trustee and the Escrow Bank. In the event this Bond Purchase Agreement shall terminate because of the default of the Underwriter, the Agency will, nevertheless, pay, or cause to be paid, all of the expenses specified above.

(b) The Underwriter shall pay the fees and expenses of any counsel retained by it, all advertising expenses incurred in connection with the public offering of the Bonds, fees of the California Debt and Investment Advisory Commission, CUSIP fees and all other expenses incurred by it in connection with the public offering and distribution of the Bonds (including out-of-pocket expenses and related regulatory expenses).

13. *Notices.* Any notice or other communication to be given to the Agency under this Bond Purchase Agreement may be given by delivering the same in writing to the Executive Director, Successor Agency to the Community Redevelopment Agency of the City of Calexico 608 Heber Avenue, Calexico, California 92231, and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to Stifel, Nicolas and Company, Incorporated, 515 South Figueroa Street, Suite 1800, Los Angeles, California 90071; Attention: Jose Vera, Managing Director.

14. *Parties in Interest.* This Bond Purchase Agreement is made solely for the benefit of the Agency and the Underwriter (including the successors or assigns of the Underwriter) and no other person, including any purchaser of the Bonds, shall acquire or have any right hereunder or by virtue hereof.

15. *Governing Law.* This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in California.

16. *Headings.* The headings of the paragraphs of this Bond Purchase Agreement are inserted for convenience of reference only and shall not be deemed to be a part hereof.

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.

18. *Effectiveness.* This Bond Purchase Agreement shall become effective upon its acceptance hereof by the Agency.

19. *Counterparts.* This Bond Purchase Agreement may be executed in several counterparts which together shall constitute one and the same instrument.

Very truly yours,

**STIFEL, NICOLAS AND COMPANY,  
INCORPORATED,** as Underwriter

By \_\_\_\_\_  
Authorized Representative

The foregoing is hereby agreed to and accepted as  
of the date first above written:

**SUCCESSOR AGENCY TO THE  
COMMUNITY REDEVELOPMENT  
AGENCY OF THE CITY OF CALEXICO**

By \_\_\_\_\_  
Authorized Representative

Time of Execution: \_\_\_\_\_ p.m.  
California time

**EXHIBIT A TO THE  
BOND PURCHASE AGREEMENT**

**SUCCESSOR AGENCY TO THE  
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO  
Merged Central Business District and Residential Redevelopment Project Area**

\$ \_\_\_\_\_  
**Subordinate Tax Allocation Refunding Bonds  
Issue of 2018A**

**MATURITY SCHEDULE**

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	10% Test Satisfied*	10% Test Not Satisfied	Subject to Hold-The- Offering- Price Rule
2019							
2020							
2021							
2022							
2023							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
20__ <sup>(T)</sup>							

<sup>(T)</sup> Term Bond.

<sup>(I)</sup> Insured Bond.

<sup>(C)</sup> Priced to optional call at [par] on August 1, 20\_\_.

\* At the time of execution of this Purchase Agreement and assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement.

**SUCCESSOR AGENCY TO THE  
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF CALEXICO  
Merged Central Business District and Residential Redevelopment Project Area**

\$ \_\_\_\_\_  
**Subordinate Tax Allocation Refunding Bonds  
Issue of 2018B (Federally Taxable)**

**MATURITY SCHEDULE**

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price
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**EXHIBIT B**  
**FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL**

[TO COME]

**EXHIBIT C**  
**FORM OF CITY ATTORNEY OPINION**

Stifel, Nicolas and Company, Incorporated  
Los Angeles, California

Successor Agency to the Former  
Community Redevelopment Agency of  
the City of Calexico  
Calexico, California

**Re: Successor Agency to the Community Redevelopment Agency of the City of Calexico, Merged Central Business District and Residential Redevelopment Project Area, Subordinate Tax Allocation Refunding Bonds Issue of 2018A and Issue of 2018B (Federally Taxable)**

Ladies and Gentlemen:

We serve as City Attorney to the City of Calexico and counsel to the Successor Agency to the Community Redevelopment Agency of the City of Calexico (the "Agency"). This letter is addressed to you pursuant to Section 8(d)(vi) of the Bond Purchase Agreement dated \_\_\_\_\_, 2018 (the "Purchase Agreement"), between Stifel, Nicolas and Company, Inc., as underwriter (the "Underwriter") and the Agency, providing for the purchase of \$\_\_\_\_\_ principal amount of the above-captioned bonds (collectively, the "Bonds").

We have been furnished with and have examined copies of the (i) Resolution No. \_\_\_\_\_, adopted by the Agency on \_\_\_\_\_, 2018 (the "Agency Resolution"); (ii) the Indenture, dated as of \_\_\_\_\_ 1, 2018 (the "Indenture"), between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"); (iii) the Continuing Disclosure Agreement, dated \_\_\_\_\_, 2018 (the "Continuing Disclosure Agreement") between the Agency and [\_\_\_\_\_], as dissemination agent; (iv) the 2000 Bonds Escrow Agreement, dated as of \_\_\_\_\_ 1, 2018 (the "2000 Escrow Agreement") by and between the Agency and The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent"); (v) 2006 Bonds Escrow Agreement, dated as of \_\_\_\_\_ 1, 2018 (the "2006 Escrow Agreement") by and between the Agency and the Escrow Agent; (vi) 2011 Bonds Escrow Agreement, dated as of \_\_\_\_\_ 1, 2018 (the "2011 Escrow Agreement" and, together with the 2000 Escrow Agreement and the 2006 Escrow Agreement, the "Escrow Agreements") by and between the Agency and the Escrow Agent; and (vii) the Purchase Agreement. The Indenture, Continuing Disclosure Agreement, Purchase Agreement, and Escrow Agreements are collectively referred to herein as the "Agency Agreements." All capitalized terms used herein and not otherwise defined shall have the meanings given to such terms as set forth in the Indenture, or if not defined in the Indenture, in the Purchase Agreement.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the Agency contained in the Indenture and the certified proceedings and other certifications of public officials furnished to us. In the course of our representation, nothing has come to our attention that caused us to believe that any of the factual representations upon which we have relied are untrue, but we have made no other factual investigations.

When used herein, the phrase “to our current actual knowledge” means that, during the course of our representation of the Agency, no information that would give us current actual knowledge of the inaccuracy of such statement has come to the attention of those attorneys in the firm who have rendered legal services in connection with the representation described in the introductory paragraph of this opinion letter. However, we have not undertaken any independent investigation or inquiry to determine the accuracy of such statement other than inquiry of officials of the Agency.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Agency is a public entity, duly organized and validly existing under and by virtue of the Constitution and the laws of the State.

2. The Agency has full legal power and lawful authority to enter into the Agency Agreements.

3. The Agency Resolution approving and authorizing the execution and delivery of the Agency Agreements and the preparation and distribution of the Preliminary Official Statement and the Official Statement was duly adopted at a meeting of the Agency which was called and held on, \_\_\_\_\_, 2018, pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Agency Resolution is in full force and effect and has not been modified, amended or rescinded.

4. To the best of our knowledge, the authorization, execution and delivery of the Agency Agreements by the Agency and compliance with the provisions thereof by the Agency of its obligations thereunder, will not conflict with, or constitute a breach or default under, in any material respect, any law, administrative regulation, court decree, resolution, ordinance or other agreement to which the Agency is subject or by which it is bound.

5. To our current actual knowledge, except as otherwise disclosed in the Official Statement, there is no litigation pending (having been served) or overtly threatened in writing against the Agency that (a) challenges the right or title of any member or officer of the Agency to hold his or her respective office or exercise or perform the powers and duties pertaining thereto; (b) challenges the validity or enforceability of the Bonds or the Agency Agreements; (c) seeks to restrain or enjoin the issuance and sale of the Bonds, the adoption or effectiveness of the Agency Resolution and the Indenture, or the execution and delivery by the Agency of, or the performance by the Agency of its obligations under the Bonds or the Agency Agreements; or (d) if determined adversely to the Agency or its interests, would have a material and adverse effect upon availability of Tax Revenues to pay the debt service on the Bonds, or which, in any manner, questions the right of the Agency to enter into, and perform its obligations under, the Agency Agreements.

6. The Agency Agreements have been duly authorized, executed and delivered by the Agency and are valid, legal and binding agreements of the Agency, enforceable in accordance with its 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).

Our opinions are subject to the following qualifications:

(a) Our opinions are limited to the matters expressly set forth herein and no opinion is to be implied or may be inferred beyond the matters expressly so stated;

(b) We are licensed to practice law in the State of California. Accordingly, the foregoing opinions only apply insofar as the laws of the State of California and the United States may be concerned, and we express no opinion with respect to the laws of any other jurisdiction;

(c) We express no opinion as to the enforceability under certain circumstances of contractual provisions respecting various summary remedies without notice or opportunity for hearing or correction, especially if their operation would work a substantial forfeiture or impose a substantial penalty upon the burdened party;

(d) We express no opinion as to the effect or availability of any specific remedy provided for in any agreement under particular circumstances, except that we believe such remedies are, in general, sufficient for the practical realization of the rights intended thereby;

(e) We express no opinion as to the enforceability of any indemnification, contribution, choice of law, choice of forum, or waiver provisions contained in the Agency Agreements;

(f) We disclaim any obligation to update this letter for events occurring after the date hereof;

(g) We express no opinion concerning the application to or compliance with federal securities law, including but not limited to the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, any state securities or "Blue Sky" law, or any federal, state or local tax law, of the Bonds or the issuance and sale thereof; and

(h) We express no opinion concerning the defeasance of the Refunded Bonds.

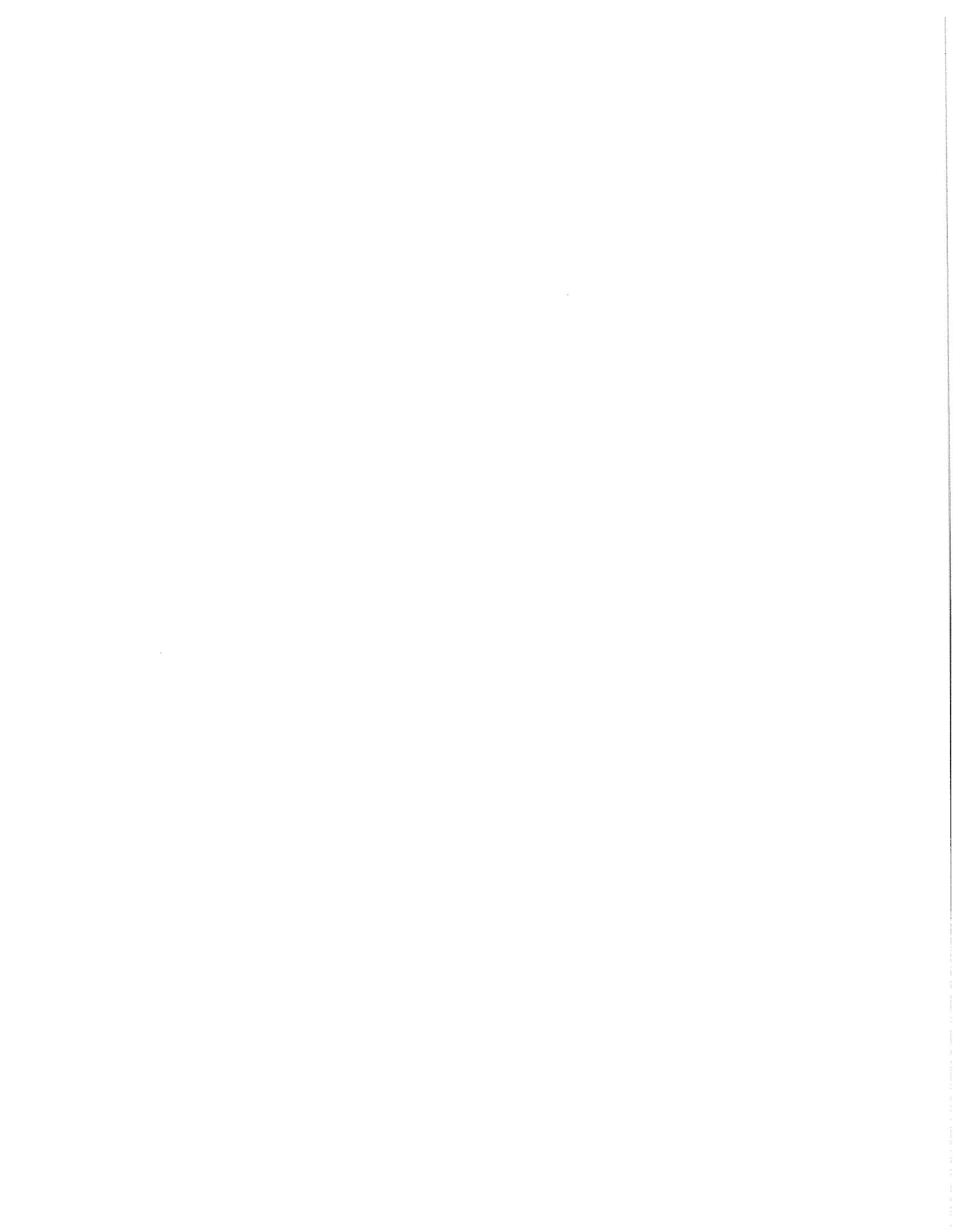
As counsel to the Agency in this matter, we have not rendered financial advice to the Agency and do not represent, by this opinion or otherwise, that we have reviewed or made any assessment about, nor do we offer any opinion about, the financial condition of the Agency, past, present or future, including any financial information contained in the documents; nor have we reviewed the financial feasibility of this transaction, and, accordingly, we offer no opinion whatsoever regarding such financial feasibility.

This letter is furnished by us as counsel to the Agency. No attorney-client relationship has existed or exists between our firm and the Underwriter in connection with the Bonds or by virtue of this letter. This letter is delivered to the Underwriter solely for their benefit in connection with the transactions covered by the first paragraph of this letter and may not be relied upon or used by, circulated, quoted or referred to, nor may copies hereof be delivered to, any other person or for any other purpose without our prior written approval; provided, however, that copies of this opinion may be included in the closing transcripts for the transactions covered by the first paragraph of this letter. This letter is not intended to be relied upon by owners of Bonds.

Very truly yours,

**EXHIBIT D**  
**FORM OF OPINION OF DISCLOSURE COUNSEL**  
[TO COME]

**EXHIBIT E**  
**FORM OF ISSUE PRICE CERTIFICATE**  
**[TO COME]**



## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by and between the Successor Agency to the Community Redevelopment Agency of the Agency of Calexico (the “Agency”) and Kosmont Transactions Services, as dissemination agent (the “Dissemination Agent”), in connection with the issuance and delivery of \$\_\_\_\_\_ Successor Agency to the Community Redevelopment Agency of the Agency of Calexico Merged Central Business District and Residential Redevelopment Project Area Subordinate Tax Allocation Refunding Bonds, Issue of 2018A and \$\_\_\_\_\_ Successor Agency to the Community Redevelopment Agency of the Agency of Calexico Merged Central Business District and Residential Redevelopment Project Area Subordinate Tax Allocation Refunding Bonds, Issue of 2018B (Federally Taxable) (collectively, the “Bonds”). The Bonds are issued pursuant to an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2018 (the “Indenture”), by and between the Agency and The Bank of New York Mellon Trust Company, N.A (the “Trustee”).

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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 Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Annual Report Date” shall mean March 31 of each year (beginning in March 31, 2019).

“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 tax purposes.

“Fiscal Year” shall mean the one-year period ending on June 30 of each year or such other date.

“Holder” means a registered owner of the Bonds.

“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 established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

SECTION 3. Provision of Annual Reports.

(a) The Agency shall provide, or cause the Dissemination Agent to provide, not later than the Annual Report Date to MSRB an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Agreement, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement.

(b) Not later than 15 business days prior to the Annual Report Date the Agency shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency to determine if the Agency is in compliance with the first sentence of this subsection (b).

(c) If the Agency is unable to provide to MSRB an Annual Report by the date required in subsection (a), the Agency shall send to MSRB a notice in substantially the form attached hereto as Exhibit A.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the Agency for the most recently completed Fiscal Year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the Agency and by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

2. An update, for the fiscal year ended the June 30 next preceding the Annual Report Date, of the information contained in the Official Statement in Table Nos. \_\_\_ and \_\_\_.

In addition to any of the information expressly required to be provided under subsections (1), (2), and (3) of this Section, the Agency shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which are available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission.

SECTION 5. Reporting of Listed Events. The Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds (in each case to the extent applicable) in a timely manner not more than ten business days after the occurrence of the event:

1. principal or interest payment delinquencies;
2. non-payment related defaults, if material;
3. modifications to the rights of the Holders, if material;
4. optional, contingent or unscheduled calls, if material, and tender offers;
5. defeasances;
6. rating changes;
7. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on the credit enhancements reflecting financial difficulties;
10. substitution of the credit or liquidity providers or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds, if material;
12. bankruptcy, insolvency, receivership or similar proceedings of the Agency, which shall occur as described below;
13. appointment of a successor or additional trustee or the change of name of a trustee, if material, or;
14. the consummation of a merger, consolidation, or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency 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, if material.

For these purposes, any event described in item 12 of this Section 5 is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Agency 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 Agency, or if such jurisdiction has been assumed by leaving the existing governing 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 Agency.

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

SECTION 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the Agency and the Trustee (if the Trustee is not the Dissemination Agent). The Dissemination Agent shall have no duty to prepare or review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Agency in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Agency shall give notice of such amendment or waiver in the same manner as for a Listed Event under Section 5.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency 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 notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Agency shall not thereby have any obligation under this Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Agreement, any Holder 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 Agency to comply with its 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 Agency to comply with this Disclosure Agreement shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Agency satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Agency shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article \_\_\_\_\_ of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall not be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss,

expense and liabilities which it may incur in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, and which are not due to its negligence or its willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by MSRB and shall be accompanied by identifying information as prescribed by MSRB.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. 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.

Date: \_\_\_\_\_, 2018

SUCCESSOR AGENCY TO THE COMMUNITY  
REDEVELOPMENT AGENCY OF THE CITY OF  
CALEXICO

\_\_\_\_\_  
Authorized Signatory

KOSMONT TRANSACTIONS SERVICES, as  
Dissemination Agent

\_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY  
OF THE CITY OF CALEXICO

Name of Issue: SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY  
OF THE CITY OF CALEXICO MERGED CENTRAL BUSINESS DISTRICT AND  
RESIDENTIAL REDEVELOPMENT PROJECT AREA SUBORDINATE TAX  
ALLOCATION REFUNDING BONDS, ISSUE OF 2018A/ISSUE OF 2018B  
(FEDERALLY TAXABLE)

Date of Issuance: \_\_\_\_\_, 2018

NOTICE IS HEREBY GIVEN that the Agency has not provided to the MSRB an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated \_\_\_\_\_, 2018. The Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated:

SUCCESSOR AGENCY TO THE COMMUNITY  
REDEVELOPMENT AGENCY OF THE CITY OF  
CALEXICO

By \_\_\_\_\_