

ORDINANCE NO. 1588**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2006-1 OF THE CITY OF SAN CLEMENTE LEVYING SPECIAL TAXES PURSUANT TO THE AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT**

WHEREAS, pursuant to Resolution No. 07-03, adopted on January 9, 2007, this City Council authorized the formation of Community Facilities District No. 2006-1 of the City of San Clemente (the "**CFD**"), the levy of the special tax as set forth in the amended rate and method of apportionment of the special tax to be levied within the CFD to pay the costs of providing facilities and/or the principal and interest on bonds proposed to be issued with respect to the CFD (the "**Initial RMA**"), preliminarily established an appropriation limit therefor, and submitted the levy of the special tax pursuant to the Initial RMA and the establishment of the appropriation limit to the qualified voters thereof, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Section 53311 et seq. of the California Government Code (the "**Act**"); and

WHEREAS, pursuant to Resolution No. 07-06, adopted on January 9, 2007, this City Council, acting as the legislative body of the CFD, declared the results of a special election and directed the recording of a Notice of Special Tax Lien; and

WHEREAS, pursuant to Ordinance No. 1327 (the "**Initial Ordinance**"), this City Council, acting as the legislative body of the CFD, levied special taxes within the CFD pursuant to the Initial RMA; and

WHEREAS, on July 1, 2014, this City Council, acting as the legislative body of the CFD, adopted Resolution No. 14-25, entitled "A Resolution of the City Council of the City of San Clemente, California, Acting as the Legislative Body of the Community Facilities District No. 2006-1 of the City of San Clemente, Declaring its Intention to Consider Altering the Rate and Method of Apportionment of the Special Taxes" (the "**Resolution of Consideration**"); and

WHEREAS, the City Council, acting as the legislative body of the CFD, had properly and lawfully noticed a public hearing for August 19, 2014 to consider the altering of the Initial RMA (the "**Hearing**") as set forth in the Resolution of Consideration; and

WHEREAS, at said Hearing, evidence was presented to this City Council, acting as the legislative body of the CFD, on said matters before it; and

WHEREAS, at said Hearing, the Hearing was opened and evidence was presented to this City Council, acting as the legislative body of the CFD, on said matters before it; and

WHEREAS, prior to the close of the Hearing, the City Council extended the Hearing to September 16, 2014; and

WHEREAS, on September 16, 2014, the City Council held the continued Hearing; and

WHEREAS, prior to the close of the Hearing, the City Council further extended the Hearing to November 18, 2014; and

WHEREAS, on November 18, 2014, the City Council held the continued Hearing and evidence was presented to this City Council, acting as the legislative body of the CFD, on said matters before it, including the Revised Community Facilities District Report prepared by Koppel & Gruber Public Finance, dated October 30, 2014; and

WHEREAS, on November 18, 2014, the City Council closed the Hearing; and

WHEREAS, the alteration of the Initial RMA was not eliminated by protest by fifty percent (50%) or more of the registered voters residing within the territory of the CFD or the owners of one-half (1/2) or more of the area of land within the CFD and not exempt from the special tax; and

WHEREAS, on November 18, 2014, this City Council, acting as the legislative body of the CFD, adopted Resolution No. 14-56 entitled "A Resolution of the City Council of the City of San Clemente, California, Acting as the Legislative Body of Community Facilities District No. 2006-1 of the City of San Clemente, Calling a Special Election on Proposed Changes to the Amended Rate and Method of Apportionment of Special Tax" adopted by the City Council of the City of San Clemente on November 18, 2014 (the "**Resolution Calling Special Election**"); and

WHEREAS, a special election was duly called and held on November 18, 2014, and the City Clerk of the City filed a Canvass and Statement of Results of Election which showed that the ballot measure was duly adopted by the qualified electors within the CFD by at least 2/3 of the votes cast in said election; and

WHEREAS, on November 18, 2014, this City Council, acting as the legislative body of the CFD, adopted Resolution No. 14-57, entitled "A Resolution of Change of the City Council of the City of San Clemente, California, Acting as the Legislative Body of Community Facilities District No. 2006-1 of the City of San Clemente, Declaring the Results of a Special Election, Approving Changes to the Amended Rate and Method of Apportionment of Special Tax, Directing the Clerk of the Legislative Body to Record an Amended and Restated Notice of Special Tax Lien and Approving the Form of the Restated Acquisition Agreement" (the "**Resolution of Change**"); and

WHEREAS, pursuant to the Act and the Resolution of Change, this City Council, acting as the legislative body of the CFD, has determined that the Initial RMA should be altered and modified pursuant to the amended and restated rate and method of apportionment attached as Exhibit A to the Resolution Calling Special Election (the "**Amended and Restated RMA**").

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2006-1 OF THE CITY OF SAN CLEMENTE DOES ORDAIN AS FOLLOWS:

Section 1. The City Council, acting as the legislative body of the CFD, hereby authorizes and levies special taxes within the CFD pursuant to Sections 53338 and 53340 of the Act, at the rate and in accordance with the method of apportionment set forth in the Amended and Restated RMA attached hereto as Exhibit A. The special taxes are hereby levied commencing in fiscal year 2014-15 and in each fiscal year thereafter until the last fiscal year in which such special taxes are authorized to be levied pursuant to the Amended and Restated RMA. The City Council may, in accordance with subdivision (b) of Section 53340 of the Act, provide, by resolution, for the levy of the special tax in future tax years at the same rate or at a lower rate than the rate provided by this Ordinance, subject to the provisions in the Amended and Restated RMA. In no event shall the special tax be levied on any parcel within the CFD in excess of the maximum tax specified therefor in the Amended and Restated RMA. The special tax shall be levied on all of the parcels in the CFD, unless exempted by law or by the Amended and Restated RMA.

Section 2. The proceeds of the special taxes shall only be used to pay, in whole or in part, the cost of providing the facilities and incidental expenses authorized by the CFD pursuant to the Act.

Section 3. The special taxes shall be collected in the same manner as ordinary *ad valorem* property taxes are collected and shall be subject to the same penalties and the same procedure, sale and lien priority in the case of delinquency as is provided for *ad valorem* taxes, unless another procedure is adopted by the City Council.

Section 4. If for any reason any portion of this Ordinance is found to be invalid, or if any special tax is found inapplicable to any particular parcel within the CFD, as applicable, by a court of competent jurisdiction, the balance of this Ordinance and the application of such special tax to the remaining parcels within the CFD shall not be affected.

Section 5. This Ordinance shall take effect and shall be in force 30 days after the date of its adoption, at which time it shall supersede and replace the Initial Ordinance.

PASSED AND ADOPTED by the City Council at a regular meeting held on the 18th day of November, 2014.

CITY COUNCIL OF THE CITY OF SAN CLEMENTE ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2006-1 OF THE CITY OF SAN CLEMENTE

By: _____
Tim Brown,
Mayor of the City of San Clemente

ATTEST:

Joanne Baade
City Clerk of the City of San Clemente

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF SAN CLEMENTE)

I, Joanne Baade, City Clerk of the City of San Clemente, do hereby certify that the foregoing Ordinance No. _____ having been regularly introduced at the meeting of November 18, 2014, was again introduced, the reading in full thereof unanimously waived and duly passed and adopted at a regular meeting of the City Council held on the _____ day of _____, 2014, and said ordinance was adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Clemente, California, this _____ day of _____, 2014.

By: _____
City Clerk of the City of San Clemente

EXHIBIT A

AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT

**REVISED AMENDED AND RESTATED
RATE AND METHOD OF APPORTIONMENT FOR
CITY OF SAN CLEMENTE
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(MARBLEHEAD COASTAL)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in the City of San Clemente Community Facilities District No. 2006-1 (Marblehead Coastal) ("CFD No. 2006-1") and collected each fiscal year commencing in Fiscal Year 2014-15, in an amount determined by the City Council through the application of the appropriate Special Tax for "Developed Property" and "Undeveloped Property" as described below. All of the real property in CFD No. 2006-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area (excluding rights-of-way) of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded parcel map (excluding rights-of-way). If the land area is presented in square footage, then the Acreage equals the parcel square footage divided by 43,560 sq. ft.

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2006-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2006-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2006-1 or any designee thereof of complying with disclosure requirements of the City, CFD No. 2006-1 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2006-1 or any designee thereof related to any appeal of the Special Tax; the costs associated with the release of funds from an escrow, if any, including appraisal costs; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2006-1 for any other administrative purposes of CFD No. 2006-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"**Assessor's Parcel**" means a parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

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

"**Assigned Special Tax**" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C (1) below.

"**Backup Special Tax**" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C (1) below.

"**Bonds**" means any binding obligation including bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2006-1 under the Act.

"**CFD Administrator**" means the person or firm that the City chooses to make responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"**CFD No. 2006-1**" means City of San Clemente Community Facilities District No. 2006-1 (Marblehead Coastal).

"**City**" means the City of San Clemente.

"**City Council**" means the City Council of the City, acting as the legislative body of CFD No. 2006-1.

"**County**" means the County of Orange.

"**Developed Property**" means for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

"**Exempt Property**" means all Assessor's Parcels not subject to Special Tax as described under Section H.

"**Final Map**" means (i) a final tract map or parcel map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots for which building permits may be issued, or (ii) for condominiums, a final map approved by the City and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual lots.

"**Fiscal Year**" means the period starting July 1 and ending on the following June 30.

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

"**Land Use Class**" means any of the classes listed in Table 1.

"Lot" means a legal, developable parcel of land as designated on the Final Map for Tract No. 8817, recorded at Book 880, pages 1 -31, of Miscellaneous Maps in the Office of the Recorder of the County.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C below that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit(s) was issued for a non-residential use.

"Outstanding Bonds" means all Bonds that are deemed to be outstanding under the Indenture.

"Parcel" means an Assessor's Parcel.

"Property Owner Association Property" means any Assessor's Parcel within the boundaries of CFD No. 2006-1 that is owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association.

"Proportionately" means for Developed Property, in any Fiscal Year, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property, or where the Backup Special Tax is being levied, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels upon which a Backup Special Tax is being levied. For Undeveloped Property, in any Fiscal Year, "Proportionately" means that the ratio of the actual Special Tax levy per Lot to the Maximum Special Tax per Lot is equal for all Assessor's Parcels of Undeveloped Property.

"Public Property" means any Assessor's Parcel within the boundaries of CFD No. 2006-1 that is transferred to a public agency or public utility prior to, on or after the date of formation of CFD No. 2006-1 and is used for rights-of-way, or any other purpose and is owned by, dedicated or irrevocably offered for dedication to the federal government, the State, the County, the City, a public utility or any other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. Privately owned-property that is otherwise constrained by public use and necessity through easement, lease or license shall be considered Public Property.

"Recreation Center Property" means all Assessor's Parcels to be used as a community recreation center, anticipated to be located on Lots 207 through 211 of Tract No. 8817, however if Lots are substituted for the Recreation Center Property, the Acreage shall not exceed 0.4569 Acres.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property and Undeveloped Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 2006-1 to pay the sum of: (i) debt service on all Outstanding Bonds; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds for all Bonds issued or to be issued by CFD No. 2006-1; and (v) accumulate funds to pay directly for acquisition or construction of facilities provided the inclusion of these amounts will not result in or increase the levy of Special Taxes on Undeveloped Property. In arriving at the Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available, in the sole judgment of the City, to reduce the annual Special Tax levy.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2006-1, which are not Exempt Property.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

"Zone 1" means a geographic area as depicted in Exhibit A, attached hereto.

"Zone 1-A" means a geographic sub-area of Zone 1, incorporating Lots 183-313 of Tract No. 8817, excluding Recreation Center Property as depicted in Exhibit A, attached hereto.

"Zone 1-B" means a geographic sub-area of Zone 1, incorporating Lots 1-77 of Tract No. 8817, as depicted in Exhibit A, attached hereto.

"Zone 1-C" means a geographic sub-area of Zone 1, incorporating Lots 121-182 of Tract No. 8817, as depicted in Exhibit A, attached hereto.

"Zone 1-D" means a geographic sub-area of Zone 1, incorporating Lots 78-120 of Tract No. 8817, as depicted in Exhibit A, attached hereto.

"Zone 2" means a geographic area as depicted in Exhibit A, attached hereto.

B. CLASSIFICATION OF PROPERTIES

Each Fiscal Year, all Assessor's Parcels shall be assigned to either Zone 1 or Zone 2. All Assessor's Parcels within Zone 1 shall be further classified as Taxable Property or Exempt Property. All Taxable Property shall be classified as Developed Property or Undeveloped Property and shall be subject to Special Taxes in accordance with this Amended and Restated Rate and Method of Apportionment determined pursuant to Sections C and D. All Assessor's Parcels within Zone 2 shall be classified as Exempt Property.

Once classified as Developed Property, a parcel may not be subsequently re-classified as Undeveloped Property. Further, once classified as Developed Property, a parcel may not be subsequently changed to Exempt Property.

C. SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel within Zone 1 classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class for Fiscal Year 2014-15 is shown below in Table 1.

TABLE 1

Assigned Special Tax for Developed Property
For Fiscal Year 2014-15
Community Facilities District No. 2006-1

Land Use Class	Classification by Residential Floor Area	Description	Assigned Special Tax
1	1,800 or less	Residential Property	\$6,457 per Parcel
2	1,801-2,000	Residential Property	\$6,798 per Parcel
3	2,001-2,200	Residential Property	\$7,157 per Parcel
4	2,201-2,400	Residential Property	\$7,535 per Parcel
5	2,401-2,600	Residential Property	\$8,200 per Parcel
6	2,601-2,800	Residential Property	\$8,597 per Parcel
7	2,801-3,000	Residential Property	\$9,027 per Parcel
8	3,001-3,200	Residential Property	\$9,480 per Parcel
9	3,201-3,400	Residential Property	\$11,138 per Parcel
10	3,401-3,600	Residential Property	\$11,361 per Parcel

11	3,601-3,800	Residential Property	\$11,508 per Parcel
12	3,801-4,000	Residential Property	\$12,098 per Parcel
13	4,001-4,200	Residential Property	\$13,081 per Parcel
14	4,201 or greater	Residential Property	\$13,475 per Parcel
15	N/A	Non-Residential	\$73,253 per Acre

c. Increase in the Assigned Special Tax

The Assigned Special Taxes for Zone 1 specified in Table 1 above shall be applicable for Fiscal Year 2014-15, and shall increase on July 1 of each Fiscal Year commencing July 1, 2015 by an amount equal to two percent (2%) of the Assigned Special Tax for the previous Fiscal Year.

d. Backup Special Tax

The Backup Special Taxes for Assessor's Parcels of Developed Property within Zone 1 for Fiscal Year 2014-15 are shown below in Table 2.

TABLE 2
Backup Special Tax for Developed Property
For Fiscal Year 2014-15
Community Facilities District No. 2006-1

Zone 1 Sub-Area	Backup Special Tax
Zone 1-A	\$7,535 per Lot
Zone 1-B	\$11,508 per Lot
Zone 1-C	\$13,081 per Lot
Zone 1-D	\$13,475 per Lot

In the event a Lot subdivides, the Backup Special Tax shall be apportioned to the new Parcels based in proportion to the Acreage of the new Parcels. If two or more Lots combine, the Backup Special Tax for the new Parcel shall be the combined Backup Special Tax for each of the Lots.

e. Increase in the Backup Special Tax

The Backup Special Taxes for Zone 1 specified in Table 2 above shall increase on July 1 of each Fiscal Year commencing on July 1, 2015, by an amount equal to two percent (2%) of the Backup Special Tax for the previous Fiscal Year.

2. Undeveloped Property

a. Maximum Special Tax

The Maximum Special Taxes for Undeveloped Property in Zone 1 for Fiscal Year 2014-15 are shown below in Table 3.

TABLE 3

Undeveloped Property Special Tax
For Fiscal Year 2014-15
Community Facilities District No. 2006-1

Zone 1 Sub-Area	Undeveloped Property Special Tax
Zone 1-A	\$7,535 per Lot
Zone 1-B	\$11,508 per Lot
Zone 1-C	\$13,081 per Lot
Zone 1-D	\$13,475 per Lot

In the event a Lot subdivides, the Undeveloped Property Special Tax shall be apportioned to the new Parcels based in proportion to the Acreage of the new Parcels. If two or more Lots combine, the Undeveloped Special Tax for the new Parcel shall be the combined Undeveloped Property Special Tax for each of the Lots.

b. Increase in the Undeveloped Property Special Tax

The Undeveloped Property Special Taxes for Zone 1 specified in Table 3 above shall increase on July 1 of each Fiscal Year commencing on July 1, 2015, by an amount equal to two percent (2%) of the Undeveloped Property Special Tax for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2014-15 and for each following Fiscal Year, the City Council shall levy the Special Tax on Assessor's Parcels within Zone 1 as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property within Zone 1 at (i) 100% of the applicable Assigned Special Tax, until Bonds have been issued and (ii) thereafter, up to 100% of the applicable Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each

Assessor's Parcel of Undeveloped Property within Zone 1 at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property within Zone 1 whose Maximum Special Tax is the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Zone 1.

E. MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2006-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

F. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section F:

"CFD Public Facilities Costs" means \$45 million, or such lower number as shall be determined either by

- (a) the CFD Administrator as sufficient to finance the CFD Public Facilities, or
- (b) the City Council concurrently with a covenant that it will not issue any more Bonds to be secured by Special Taxes levied under the Amended and Restated Rate and Method of Apportionment.

"Construction Fund" means an account specifically identified in the Indenture, which is used to disburse funds to pay the cost and acquisition of public improvements funded with the bond proceeds or Special Taxes.

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

"Future Facilities Costs" means the CFD Public Facilities Costs minus

- (a) the portion of the CFD Public Facilities Costs previously funded
 - (i) from the proceeds of all previously issued Bonds,

- (ii) from interest earnings on the Construction Fund actually earned prior to the date of prepayment, and
 - (iii) directly from Special Tax revenues; and
- (b) the amount of the proceeds of all previously issued Bonds then on deposit in the Construction Fund.

"Outstanding Bonds" means all previously issued Bonds that have been issued prior to the date of the prepayment which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Taxes.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 2006-1 prior to the date of prepayment.

Prepayment of a Special Tax in Full or in Part

The Special Tax obligation applicable to an Assessor's Parcel may be prepaid at any time and the obligation of such Assessor's Parcel to pay any Special Tax may be fully or partially satisfied as described herein. The CFD Administrator may charge a reasonable fee for calculation of the Prepayment Amount as defined below.

1. Prepayment in Full

The Maximum Special Tax obligation may be prepaid permanently satisfied for any Assessor's Parcel. The Maximum Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Annual Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount in writing of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this figure.

The Prepayment Amount (defined below) shall be calculated as follows (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Prepayment Fees and Expenses
less	Reserve Fund Credit
<u>less</u>	<u>Capitalized Interest Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below)

shall be calculated as follows:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. Compute the Maximum Special Tax for the Assessor's Parcel to be prepaid.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the sum of the total expected Maximum Special Tax revenues that may be levied within CFD No. 2006-1 excluding any Assessors Parcels for which the Maximum Special Tax obligation has been previously prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the principal amount of Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. If all the Bonds authorized to be issued have not been issued, compute the Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be allocated to such Assessor's Parcel (the "Future Facilities Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Prepayment Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. The administrative fees and expenses of CFD No. 2006-1 are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2006-1 Bonds, removing unpaid Special Taxes from the County tax roll, and the costs of recording any notices to evidence the prepayment and the redemption (the "Prepayment Fees and Expenses").

13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of:

- a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment; or
- b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

No Reserve Fund Credit shall be granted if the amount then on deposit in the reserve fund for the Outstanding Bonds is below 100% of the reserve fund requirement (as defined in the Indenture).

14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").

15. The Maximum Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").

16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13, and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited in the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2006-1.

If the Prepayment Amount is insufficient to redeem Bonds in \$5,000 increments, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under Paragraph 9 above the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Special Taxes, net of Administrative Expenses, that may be levied on

Taxable Property both prior to and after the proposed prepayment is at least 1.10 times the maximum annual debt service on all Outstanding Bonds.

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

2. Prepayment in Part

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Annual Special Tax obligation shall notify the CFD Administrator of:

- (i) such owner's intent to partially prepay the Maximum Annual Special Tax obligation,
- (ii) the percentage by which the Maximum Annual Special Tax obligation shall be prepaid, and
- (iii) the company or agency that will be acting as the escrow agent, if applicable.

The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Maximum Special Tax obligation for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service.

The Maximum Special Tax obligation of an Assessor's Parcel may be partially prepaid. The amount of the prepayment shall be calculated as in Section F.1; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

PP = the partial prepayment

PE = the Prepayment Amount calculated according to Section F.1, minus Prepayment Fees and Expenses pursuant to paragraph 12.

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

A = the Administration Fees and Expenses pursuant to paragraph 12 from Section F.1.

With respect to any Assessor's Parcel that is partially prepaid, the City shall

- (i) distribute the funds remitted to it according to Paragraph 16 of Section F.1, and
- (ii) indicate in the records of CFD No. 2006-1 that there has been a partial prepayment of the Maximum Special Tax obligation and that portion of the Maximum Special Tax obligation equal to the outstanding percentage (1.00-

F) of the remaining Maximum Special Tax obligation shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

G. TERM OF SPECIAL TAX

The Special Tax shall be levied on Developed Property for a period not to exceed 40 years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property unless there is no longer any Special Tax Requirement for CFD No. 2006-1 after all bonds have been paid off. The Special Tax shall not be levied on Developed Property or Undeveloped Property after Fiscal Year 2060-2061.

H. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property:

- (i) Assessor's Parcels of Public Property,
- (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization,
- (iii) Assessor's Parcels of Recreation Center Property,
- (iv) Assessor's Parcels of Property Owner Association Property that are designated lettered Lots in Tract No. 8817,
- (v) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, and
- (vi) Property in Zone 2.

Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which Assessor's Parcels become Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax exempt status will be revoked.

Exhibit A

PROPOSED BOUNDARY OF
COMMUNITY FACILITIES DISTRICT No. 2006-1
OF THE CITY OF SAN CLEMENTE
(MARBLEHEAD COASTAL)
COUNTY OF ORANGE,
STATE OF CALIFORNIA

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF SAN CLEMENTE
THIS _____ DAY OF _____, 2006.

A.B. _____
CITY CLERK OF THE CITY OF SAN CLEMENTE

I HEREBY CERTIFY THAT THE REFERRED MAP SHOWS THE PROPOSED BOUNDARY
OF COMMUNITY FACILITIES DISTRICT No. 2006-1 OF THE CITY OF SAN CLEMENTE
(MARBLEHEAD COASTAL), COUNTY OF ORANGE, STATE OF CALIFORNIA, HAS APPROVED
THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, AT A REGULAR MEETING HELD
ON THE _____ DAY OF _____, 2006, BY ITS RESOLUTION No. _____

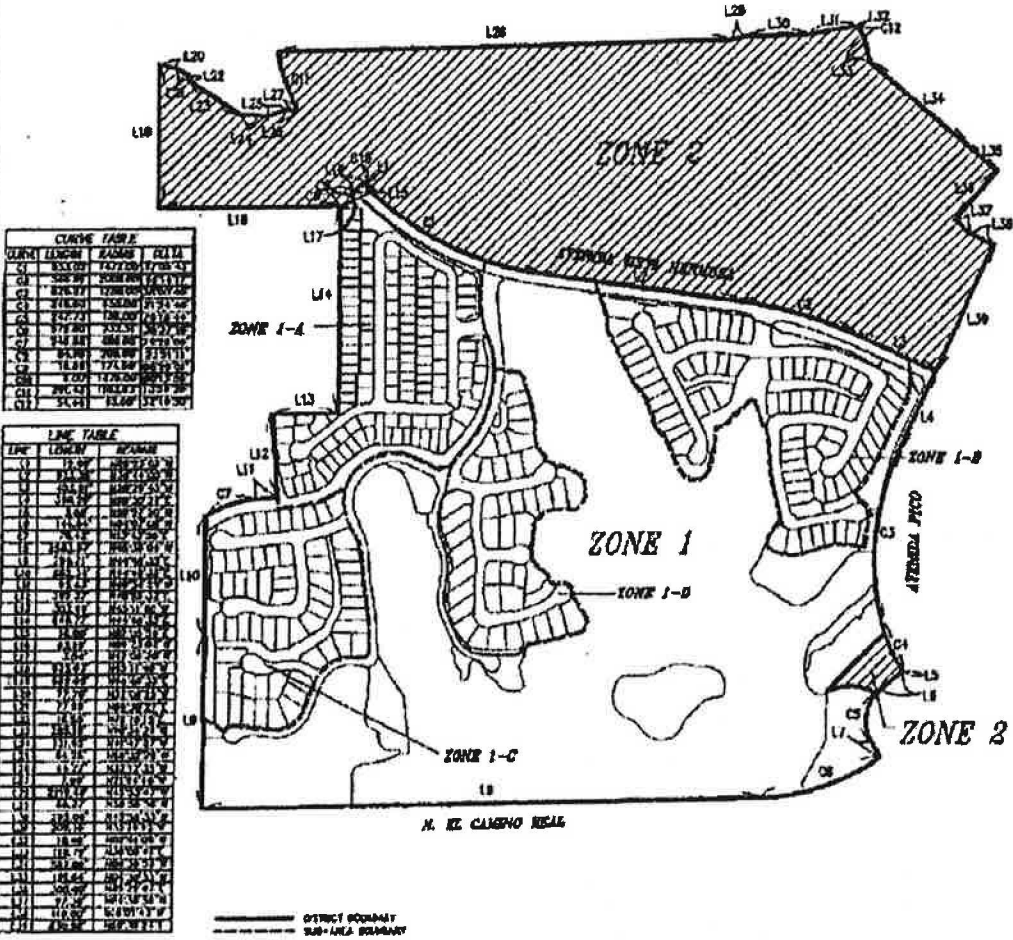
B.B. _____
CITY CLERK OF THE CITY OF SAN CLEMENTE

APPROVED AND FILED BY THE
RECORDS OFFICER

DATE _____
FILE # _____
APPROVED BY _____
IN THE NAME OF THE BOARD OF SUPERVISORS
AND COMMUNITY FACILITIES DISTRICT

THE CITY
CLERK'S OFFICE

DATE _____



LINE	LENGTH	BEARING	AREA
L1	85.00	T42°20'00"W	17,000.00
L2	300.00	S00°00'00"E	25,500.00
L3	280.00	T00°00'00"E	22,400.00
L4	210.00	T00°00'00"E	16,800.00
L5	150.00	T00°00'00"E	11,200.00
L6	100.00	T00°00'00"E	7,000.00
L7	50.00	T00°00'00"E	3,500.00
L8	25.00	T00°00'00"E	1,750.00
L9	12.50	T00°00'00"E	875.00
L10	6.25	T00°00'00"E	437.50
L11	3.125	T00°00'00"E	218.75
L12	1.5625	T00°00'00"E	109.375
L13	0.78125	T00°00'00"E	54.6875
L14	0.390625	T00°00'00"E	27.34375
L15	0.1953125	T00°00'00"E	13.671875
L16	0.09765625	T00°00'00"E	6.8359375
L17	0.048828125	T00°00'00"E	3.41796875
L18	0.0244140625	T00°00'00"E	1.708984375
L19	0.01220703125	T00°00'00"E	0.8544921875
L20	0.006103515625	T00°00'00"E	0.42724609375
L21	0.0030517578125	T00°00'00"E	0.213623046875
L22	0.00152587890625	T00°00'00"E	0.1068115234375
L23	0.000762939453125	T00°00'00"E	0.05340576171875
L24	0.0003814697265625	T00°00'00"E	0.026702880859375
L25	0.00019073486328125	T00°00'00"E	0.0133514404296875
L26	0.000095367431640625	T00°00'00"E	0.00667572021484375
L27	0.0000476837158203125	T00°00'00"E	0.003337860107421875
L28	0.00002384185791015625	T00°00'00"E	0.0016689300537109375
L29	0.000011920928955078125	T00°00'00"E	0.00083446502685546875
L30	0.000059604644775390625	T00°00'00"E	0.000417232513427734375
L31	0.0000298023223876953125	T00°00'00"E	0.0002086162567138671875
L32	0.00001490116119384765625	T00°00'00"E	0.00010430812835693359375
L33	0.000007450580596923828125	T00°00'00"E	0.000052154064178466796875
L34	0.0000037252902984619140625	T00°00'00"E	0.0000260770320892333984375
L35	0.00000186264514923095703125	T00°00'00"E	0.00001303851604461666921875
L36	0.000000931322574615478515625	T00°00'00"E	0.000006519258022308334609375
L37	0.0000004656612873077392578125	T00°00'00"E	0.00000325962901115416671484375
L38	0.00000023283064365386962890625	T00°00'00"E	0.000001629814505577083357421875

LINE	LENGTH	BEARING
L1	85.00	T42°20'00"W
L2	300.00	S00°00'00"E
L3	280.00	T00°00'00"E
L4	210.00	T00°00'00"E
L5	150.00	T00°00'00"E
L6	100.00	T00°00'00"E
L7	50.00	T00°00'00"E
L8	25.00	T00°00'00"E
L9	12.50	T00°00'00"E
L10	6.25	T00°00'00"E
L11	3.125	T00°00'00"E
L12	1.5625	T00°00'00"E
L13	0.78125	T00°00'00"E
L14	0.390625	T00°00'00"E
L15	0.1953125	T00°00'00"E
L16	0.09765625	T00°00'00"E
L17	0.048828125	T00°00'00"E
L18	0.0244140625	T00°00'00"E
L19	0.01220703125	T00°00'00"E
L20	0.006103515625	T00°00'00"E
L21	0.0030517578125	T00°00'00"E
L22	0.00152587890625	T00°00'00"E
L23	0.000762939453125	T00°00'00"E
L24	0.0003814697265625	T00°00'00"E
L25	0.00019073486328125	T00°00'00"E
L26	0.000095367431640625	T00°00'00"E
L27	0.0000476837158203125	T00°00'00"E
L28	0.00002384185791015625	T00°00'00"E
L29	0.000011920928955078125	T00°00'00"E
L30	0.0000059604644775390625	T00°00'00"E
L31	0.00000298023223876953125	T00°00'00"E
L32	0.000001490116119384765625	T00°00'00"E
L33	0.0000007450580596923828125	T00°00'00"E
L34	0.00000037252902984619140625	T00°00'00"E
L35	0.000000186264514923095703125	T00°00'00"E
L36	0.0000000931322574615478515625	T00°00'00"E
L37	0.00000004656612873077392578125	T00°00'00"E
L38	0.000000023283064365386962890625	T00°00'00"E

————— DISTRICT BOUNDARY
- - - - - SUB-AREA BOUNDARY



SCALE: 1"=100'

HARRIS & ASSOCIATES
34 Cambridge Park, Suite 150
Irvine, CA 92614
(949) 236-8888 • FAX (949) 428-8885

PROPOSED BOUNDARY MAP
Community Facilities District No. 2006-1
of the City of San Clemente
(Marblehead Coastal)
COUNTY OF ORANGE, CALIFORNIA
Sheet 1 OF 1