



AGENDA REPORT
SAN CLEMENTE CITY COUNCIL MEETING
Meeting Date: June 13, 2016

Agenda Item 9B
Approvals:
City Manager jm
Dept. Head ES
Attorney _____
Finance _____

Department: City Manager's Office
Prepared By: Erik Sund, Assistant City Manager

Subject: *RESOLUTION APPROVING THE REASSESSMENT REPORT AND CONFIRMING REASSESSMENTS WITHIN REASSESSMENT DISTRICT NO. 2016-1 AND RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF LIMITED OBLIGATION REFUNDING BONDS FOR REASSESSMENT DISTRICT NO. 2016-1, APPROVING THE FORM OF FISCAL AGENT AGREEMENT, FIRST SUPPLEMENTAL AGREEMENT, BOND PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT, AND CONTINUING DISCLOSURE AGREEMENT AND AUTHORIZING OTHER ACTIONS IN CONNECTION THEREWITH.*

Fiscal Impact: None. All costs associated with the Refunding Bonds shall be paid for out of the proceeds of the issuance.

Summary: The above referenced resolutions are required to complete the proceedings to issue Refunding Bonds for RAD No. 2016-1. City Council approved moving forward with the Refunding Bonds for RAD No. 2016-1 on April 19, 2016.

Finance & Administrative Services Department has been exploring the refinancing of the outstanding Limited Obligation Improvement Bonds Reassessment District No. 98-1 ("Prior RAD Refunding Bonds"). Due to lower interest rates, low delinquency rates and increased Assessed Valuation within the assessment district, the 1,037 property owners are expected to benefit from this refinancing. The criterion for the refinancing was set at a minimum present value savings of 3%, and the preliminary analysis indicates an estimated savings of approximately 8%, based on estimated market rates as of May 11, 2016. The net present value savings over the life of the issue is currently estimated to exceed \$800,000. Each property is estimated to save approximately \$150 a year through the remaining term of the Bonds in 2028.

Discussion: The original Assessment District No. 98-1 (the "Original Assessment District") was formed in 1998 at the request of the original property owner (Laing Forster Ranch LLC) and it consisted of 534 acres of vacant land. On June 30, 1999 the City issued Assessment District No. 98-1 Limited Obligation Improvement Bonds ("Original Limited Obligation Improvement Bonds") in the aggregate principal amount of \$15,355,000. The bond proceeds were used to fund infrastructure to benefit the properties within the Original Assessment District.

In 2007, the City undertook proceedings to form Reassessment District No. 98-1 ("RAD No. 98-1") for the purpose of reassessing the parcels within the Original Assessment District whose assessments then remained unpaid and issuing the \$14,235,000 City of San Clemente Limited Obligation Improvement Bonds Reassessment District No. 98-1 (the "Prior RAD Refunding Bonds") secured by such

reassessments (the "RAD No. 98-1 Reassessments") for the purpose of refunding the Original Limited Obligation Improvement Bonds. The Original Limited Obligation Improvements Bonds were refunded to provide annual savings to the owners of 1,037 parcels located in RAD No. 98-1 each of which has been improved with a single family residence.

The Prior RAD Refunding Bonds were sold to the City of San Clemente Public Financing Authority (the "PFA"). The Prior RAD Refunding Bonds were purchased by the PFA from the proceeds of the \$14,235,000 City of San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds (the "Prior PFA Refunding Revenue Bonds") that were issued on June 26, 2007.

As a result of favorable interest rates in the municipal bond market and the other conditions cited in the Summary above, City staff and Fieldman, Rolapp & Associates, the City's financial advisor, are recommending that the City Council initiate proceedings pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds (the "Refunding Act") to reassess the parcels within RAD No. 98-1, form a new Reassessment District to be known as Reassessment District No. 2016-1 ("RAD No. 2016-1") and, if the interest rates in the municipal bond market hold, issue limited obligation refunding bonds (the "RAD No. 2016-1 Refunding Bonds") to refund the \$10,490,000 outstanding Prior RAD Refunding Bonds for the purpose of providing additional annual savings to the owners within RAD No. 2016-1.

The Refunding Act authorizes the City to initiate such proceedings by the adoption of a resolution (the "Resolution of Intention") determining that the public interest or necessity requires the refunding of the Prior RAD Refunding Bonds and declaring the intention of the City Council to refund the Prior RAD Refunding Bonds and levy reassessments within RAD No. 2016-1 (the "RAD No. 2016-1 Reassessments") to secure the RAD No. 2016-1 Refunding Bonds. The Resolution of Intention was approved on April 19, 2016, as required by the Refunding Act. In addition to making the above determination, the Resolution of Intention directed the preparation of a report by Willdan Financial Services, as the reassessment consultant (the "Reassessment Consultant"), pertaining to the proposed reassessment (the "Reassessment Report").

Tonight's Actions:

The Reassessment Report has been prepared and will be presented to the City Council, together with the documents required for the issuance of the RAD No. 2016-1 Refunding Bonds, at tonight's meeting. If, upon review of the Reassessment Report, the City Council finds that all of the following conditions are satisfied, the City Council may approve and confirm the Reassessment Report by adopting the 1st Resolution and proceed to authorize, issue and sell the RAD No. 2016-1 Refunding Bonds by adoption of the 2nd Resolution (the "Resolution of Issuance"):

- That each annual installment of principal and interest on the RAD No. 2016-1 Reassessment is less than the corresponding annual installment of principal and interest on the RAD No. 98-1 Reassessments by the same percentage for all parcels;
- That the number of years to maturity of the RAD No. 2016-1 Refunding Bonds is not more than the number of years to maturity of RAD No. 98-1 Refunding bonds; and

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- That the principal amount of the RAD No. 2016-1 Reassessment on each parcel is less than the portion of the unpaid principal amount of RAD No. 98-1 Reassessment being superseded and supplanted by the same percentage for each parcel.

Following adoption of the Resolution approving the Reassessment Report and confirming Reassessments within RAD No. 2016-1, the City Council may approve the Resolution of Issuance authorizing and providing for the issuance of Limited Obligation Bonds and approving the following bond documents:

- **Fiscal Agent Agreement** – This agreement is between the City and BNY Mellon Trust and provides for the issuance of the RAD No. 2016-1 Refunding Bonds and specifies the interest payment dates, the pledge of Reassessment Revenues to pay debt service, the funds to be created and held by the fiscal agent, the covenants the City must follow including the covenant to foreclosure due to non-payment of special assessments and the duties and responsibilities of the fiscal agent.
- **First Supplemental Agreement** - This agreement is between the City and BNY Mellon Trust and specifies the required amendments to the existing fiscal agent agreement to provide that the defeasance of the Authority Bonds will cause the discharge of fiscal agent agreement and the Prior RAD Refunding Bonds.
- **Bond Purchase Agreement** - This agreement is between the City and Stifel Nicolaus & Company and specifies the terms whereby the City agrees to sell the RAD No. 2016-1 Refunding Bonds to Stifel and Stifel agrees to buy such bonds from the City and resell them to investors.
- **Preliminary Official Statement** – This document provides potential investors with all material information required to make an informed decision on whether to buy the RAD No. 2016-1 Refunding Bonds.
- **Continuing Disclosure Agreement** – This document specifies the required information regarding the RAD No. 2016-1 Refunding Bonds that the City must provide to the bond market on an annual basis and identifies other types of events that are considered materially and require the City to file material event notices.

Future Actions:

The financing schedule provides that the RAD No. 2016-1 Refunding Bonds will be sold in late June and close in mid-July. No future City Council actions are required.

Recommended Action:

STAFF RECOMMENDS THAT in order to complete the refunding proceedings, the City Council must adopt the Resolutions entitled "RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, APPROVING THE REASSESSMENT REPORT AND CONFIRMING REASSESSMENTS WITHIN REASSESSMENT DISTRICT NO. 2016-1" and "RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF LIMITED OBLIGATION REFUNDING BONDS FOR REASSESSMENT DISTRICT

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NO. 2016-1, APPROVING THE FORM OF FISCAL AGENT AGREEMENT, FIRST SUPPLEMENTAL AGREEMENT, BOND PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT, AND CONTINUING DISCLOSURE AGREEMENT, AND AUTHORIZING OTHER ACTIONS IN CONNECTION THEREWITH”

Attachments:

1. Resolution approving the Reassessment Report and confirming reassessments
2. Reassessment Report (RAD No. 2016-1)– Willdan Financial Services
3. Resolution approving the issuance of Limited Obligation Refunding Bonds and approving required bond documents
4. Fiscal Agent Agreement
5. First Supplemental Agreement
6. Bond Purchase Agreement
7. Preliminary Official Statement
8. Continuing Disclosure Agreement

Notification

None.

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, APPROVING THE REASSESSMENT REPORT AND CONFIRMING REASSESSMENTS WITHIN REASSESSMENT DISTRICT NO. 2016-1

WHEREAS, the City Council of the City of San Clemente, California (the "City Council"), did previously undertake proceedings and confirmed assessments in an assessment district pursuant to the terms and provisions of the "Municipal Improvement Act of 1913", being Division 12 of the Streets and Highways Code of the State of California, said special assessment district known and designated as Assessment District No. 98-1 (the "Original Assessment District"); and,

WHEREAS, improvement bonds representing the unpaid assessments within said Original Assessment District (the "Original Limited Obligation Improvement Bonds") were issued and sold in the manner provided in the "Improvement Bond Act of 1915," being Division 10 of the Streets and Highways Code of the State of California; and,

WHEREAS, as a result of favorable interest rate conditions, the City Council did previously undertake proceedings to reassess the parcels within the Original Assessment District and to refund all outstanding Original Limited Obligation Improvement Bonds from the proceeds of limited obligation refunding bonds (the "Prior RAD Refunding Bonds") that were issued pursuant to the "Refunding Act of 1984 for 1915 Improvement Act Bonds," being Division 11.5 of the Streets and Highways Code of the State of California (the "Refunding Act"), said reassessment district known and designated as City of San Clemente Reassessment District No. 98-1 (the "Prior RAD"); and,

WHEREAS, at this time, as a result of favorable interest rate conditions within the municipal bond market, this legislative body desires to initiate proceedings to reassess the parcels within the Prior RAD and to refund all outstanding Prior RAD Refunding Bonds pursuant to the Refunding Act, said reassessment district to be designated as City of San Clemente Reassessment District No. 2016-1 (the "RAD No. 2016-1"); and,

WHEREAS, this legislative body has previously ordered the preparation of a Reassessment Report pursuant to the Refunding Act, said report to generally contain the following:

- A. A schedule setting forth the unpaid principal and interest on the Prior RAD Refunding Bonds to be refunded and the total amounts thereof;
- B. The total estimated principal amount of the reassessment for RAD No. 2016-1 (collectively, the "RAD No. 2016-1 Reassessments") and of the RAD No. 2016-1 Refunding Bonds proposed to be issued for RAD No. 2016-1 and the maximum interest rate thereon, together with an estimate of the costs of such reassessment and of issuing the RAD No. 2016-1 Refunding Bonds;

- C. The Auditor's Record showing the schedule of the principal installments and interest on all unpaid original reassessments for the Prior RAD (the "Prior RAD Assessments") and the total amounts thereof;
- D. The estimated amount of each reassessment, identified by the reassessment number corresponding to the reassessment number on the reassessment diagram prepared for RAD No. 2016-1, together with a proposed Auditor's Record for the RAD No. 2016-1 Reassessment;
- E. A reassessment diagram showing RAD No. 2016-1 and the boundaries and dimensions of the subdivisions of land within RAD No. 2016-1; and,

WHEREAS, this legislative body has now received and considered the Reassessment Report and is ready to proceed to make certain findings and approve the Reassessment Report.

NOW, THEREFORE, BE IT RESOLVED AND DETERMINED:

Section 1. The above recitals are all true and correct.

Section 2. The Reassessment Report as presented to this City Council is hereby approved, and it is hereby determined by this City Council that if the refunding bonds proposed to be issued for RAD No. 2016-1 are issued and sold with a purchase price and at interest rates not to exceed those set forth in the Reassessment Report, the following conditions will be satisfied:

- A. Each estimated annual installment of principal and interest on the reassessment will be less than the corresponding annual installment of principal and interest on the portion of the Prior RAD Reassessments being superseded and supplanted by the same percentage for all subdivisions of land within the Prior RAD;
- B. The number of years to maturity of all RAD No. 2016-1 Refunding Bonds; will be no more than the number of years to the last maturity of the Prior RAD Refunding Bonds;
- C. The principal amount of the reassessment on each subdivision of land within RAD No. 2016-1 will be less than the corresponding unpaid principal amount of the portion of the Prior RAD Reassessment being superseded and supplanted by the same percentage for each subdivision of land within the Prior RAD; and
- D. The reassessments, as set forth in the Reassessment Report, shall not be deemed to be an assessment within the meaning of, and may be ordered without compliance with the procedural requirements of, Article XIID of the Constitution of the State of California.

Based upon the foregoing determinations, this City Council hereby approves and confirms the RAD No. 2016-1 Reassessments and the contributions from the existing funds of the Prior RAD, all as set forth in the Reassessment Report, and a copy of this Resolution shall be entered upon the minutes of this meeting of the legislative body. The RAD No. 2016-1 Reassessments and the Reassessment Report may be adjusted and finalized upon the establishment of the final pricing for the sale of the RAD No. 2016-1 Refunding Bonds provided that such principal amount of the reassessment on each subdivision of land within RAD No. 2016-1 will be less than the corresponding unpaid principal amount of the portion of the Prior RAD Reassessment being superseded and supplanted by the same percentage for each subdivision of land within the Prior RAD.

Section 3. This City Council hereby authorizes the issuance and sale of the RAD No. 2016-1 Refunding Bonds to represent all unpaid reassessments and said refunding bonds shall bear interest at a rate or rates not to exceed the interest rates set forth in the Reassessment Report for such refunding bonds, and shall be issued in the manner as provided by the Refunding Act. The last maturity of said refunding bonds shall not exceed the number of years to the last maturity of the Prior RAD Refunding Bonds.

Section 4. The final reassessment, together with the reassessment diagram, as shall be set forth in the final Reassessment Report, shall be recorded in the Office of the Superintendent of Streets upon the execution of a bond purchase agreement with a purchase price and at interest rates not to exceed those set forth in the Reassessment Report. Immediately thereafter a copy of the reassessment diagram shall be filed in the Office of the County Recorder and a Notice of Reassessment, referencing said diagram, shall be recorded in the Office of the County Recorder, all pursuant to the provisions of Division 4.5 of the Streets and Highways Code of the State of California, and specifically Section 3114. Upon the recordation, the RAD No. 2016-1 Reassessments shall become liens upon the various parcels of property and land assessed as shown on the reassessment diagram.

From and after the date of such recordation and filing, the Prior RAD Reassessments levied shall be superseded and supplanted. The lien of the Prior RAD Reassessments is not superseded and supplanted as to any unpaid installments of the Prior RAD Reassessments originally levied which are now delinquent and the penalties and interest, if any, thereon. Amounts, if any, received from the payment of delinquent reassessments and the penalties and interest thereon, excluding attorney's fees and costs and post-judgment interest, if any, shall be deposited into the redemption fund for the RAD No. 2016-1 Refunding Bonds.

Section 5. This City Council hereby determines and declares that the City will not obligate itself to advance available funds from the City treasury to cure any deficiency which may occur in the bond redemption fund for the RAD No. 2016-1 Refunding Bonds.

Section 6. A copy of this Resolution confirming the RAD No. 2016-1 Reassessments, which reassessments shall constitute the security for the refunding bonds, shall be filed in the Office of the Treasurer, and the Treasurer shall keep the record showing the several installments of principal and interest on the RAD No. 2016-1 Reassessments which are to be collected each year during the term of the RAD No. 2016-1 Refunding Bonds. An annual portion of each reassessment, together with annual interest on said reassessment, shall be payable in the same manner and at the same time and in the same installment as the general property taxes of the County and shall be payable and become delinquent at the same time and in the same proportionate amount. Each year the annual installments shall be submitted to the County Auditor for purposes of collection, and the County Auditor shall, at the close of the tax collecting season, promptly render to the Treasurer a detailed report showing the amount of such installments, interest, penalties and percentages so collected.

Section 7. This Resolution shall become effective upon its adoption.

PASSED AND ADOPTED this 13th day of June, 2016.

ATTEST:

City Clerk of the City of
San Clemente, California

Mayor of the City of San
Clemente, California



City of San Clemente

Reassessment District No. 2016-1 (RAD No. 2016-1)

REASSESSMENT REPORT

June 13, 2016

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6-13-16 / 9B-9



CITY OF SAN CLEMENTE
Reassessment District No. 2016-1

REASSESSMENT REPORT
Division 11.5, Streets & Highways Code of the State of California

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CITY OF SAN CLEMENTE
Reassessment District No. 2016-1
Reassessment

WHEREAS, on April 19, 2016, the City Council of the City of San Clemente, California, pursuant to the provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds (the "Act"), adopted its Resolution of Intention No. 16-25 for the Reassessment of the real property within the boundaries of the City's Reassessment District No. 98-1 ("the "Prior RAD") said reassessment district to be designated as City of San Clemente Reassessment District No. 2016-1 ("RAD No. 2016-1"), and for the refunding of the Limited Obligation Refunding Bonds (the "Prior RAD Refunding Bonds") of the City, all as more particularly described in the Resolution of Intention, and to pay the costs of said reassessment refunding; and

WHEREAS, said Resolution directed the undersigned to make and file a report presenting a schedule setting forth the unpaid principal and interest of the Prior Bonds to be refunded and the total amounts thereof, the total estimated principal amount of the reassessment and of the refunding bonds and the maximum interest thereon, together with an estimate of the cost of the reassessment and of issuing the refunding bonds, the auditor's record showing the schedule of principal installments and interest on all unpaid original assessments and the total amounts thereof, the estimated amount of each reassessment, identified by reassessment number corresponding to the reassessment number of the reassessment diagram, together with a proposed auditor's record for the reassessment, and reassessment diagram showing the Reassessment District and the boundaries and dimensions of the subdivisions of land within the district. Each subdivision, including each separate condominium interest as defined in Section 783 of the Civil Code, shall be given a separate number upon the diagram to which Resolution reference is hereby made for further particulars;

NOW THEREFORE, the undersigned, by virtue of the power vested in me under the Act and the order of the Council of said City, hereby makes the following assessment to cover the portion of the estimated cost of said acquisitions, work and improvements and the costs and expenses incidental thereto to be paid by the assessment district.

The amount to be paid for said refunding, together with the expenses incidental thereto, and the reassessment balance are set forth herein.

And I do hereby reassess and apportion said portion of said total amount of the cost and expenses of said reassessment and refunding upon the several lots, pieces or parcels or portions of lots or subdivisions of land liable therefore and benefited thereby, and hereinafter numbered to correspond with the numbers upon the attached diagram, upon each, severally and respectively, in accordance with the benefits to be received by such subdivisions, respectively, from the acquisitions and improvements, and more particularly set forth in the list hereto attached and by reference made a part hereof.

CITY OF SAN CLEMENTE
Reassessment District No. 2016-1

Reassessment

As required by the Act, a diagram is hereto attached showing the reassessment district and also the boundaries and dimensions of the respective subdivisions of land within said reassessment district as the same existed at the time of the passage of the Resolution of Intention, each of which subdivisions having been given a separate number upon said diagram.

Said reassessment is made upon the several subdivisions of land within said assessment district in proportion to the scheduled unpaid principal amount of the original assessment recorded as a lien against each said subdivision of land. Delinquent assessment installments are not included. The diagram and reassessment numbers appearing herein are the diagram numbers appearing on said diagram, to which reference is hereby made for a more particular description of said property.

Each subdivision of land reassessed is described in the reassessment list by reference to its parcel number as shown on the Assessor's Maps of the County of Orange for the Fiscal Year 2015/2016 and includes all of such parcels. For a more particular description of said property, reference is hereby made to the deeds and maps on file and of record in the office of the County Recorder of said County.

Notice is hereby given that serial refunding bonds to represent unpaid reassessments and bearing interest at the rate of not to exceed twelve percent (12%) per annum, or such higher rate of interest as may be authorized by applicable law at the time of sale of such bonds, will be issued thereunder in the manner provided by Chapter 3 of Division 11.5 of the Streets and Highways Code, the Refunding Act of 1984 for 1915 Improvement Act Bonds, and the last installment of such refunding bonds shall mature on September 2, 2028.

Dated as of June 13, 2016

Willdan Financial Services

By _____
 Mark Risco
 President and CEO

CITY OF SAN CLEMENTE
Reassessment District No. 2016-1

Certifications

1. I, the City Clerk of the City of San Clemente, hereby certify that the foregoing Reassessment with the Reassessment Diagram thereto attached, was filed with me on April 19, 2016.

City Clerk, City of San Clemente

2. I, the City Clerk of the City of San Clemente, California, hereby certify that the Reassessments set forth in Column 3 of the Reassessment Roll, with Reassessment Diagram attached, were approved and confirmed by the City Council of said City on April 19, 2016.

City Clerk, City of San Clemente

3. I, the Superintendent of Streets of the City of San Clemente, County of Orange, California, hereby certify that this Reassessment, together with the Reassessment Diagram thereto attached, was recorded in my office on April 19, 2016.

Superintendent of Streets

4. A Notice of Reassessment was recorded and the Reassessment Diagram was filed in the office of the County Recorder of the County of Orange, California, on April 19, 2016.

City Clerk, City of San Clemente

**CITY OF SAN CLEMENTE
Reassessment District No. 2016-1**

Cost Estimate

**City of San Clemente
Reassessment District No. 2016-1
Limited Obligation Refunding Bonds**

Estimated Schedule of Sources and Uses

Dated Date: 6/30/2016
Delivery Date: 6/30/2016

SOURCES:

Bond Proceeds			
Par Amount	\$	9,905,000.00	
Premium		493,121.05	
		\$ 10,398,121.05	
Other Sources of Funds			
Existing Reserve Fund	\$	840,089.23	
Levy Installments on Hand		853,504.38	
Prior Interest Fund		30.56	
		\$ 1,693,624.17	
TOTAL SOURCES			\$ 12,091,745.22

USES:

Refunding Escrow Deposits:			
Cash Deposit	\$	0.20	
SLGS Purchases		10,925,765.00	
		\$ 10,925,765.20	
Other Fund Deposits:			
75% Debt Service Reserve Fund		779,859.08	
Cost of Issuance:			
Cost of Issuance	\$	175,000.00	
Underwriter's Discount		89,335.00	
Bond Insurance		111,209.59	
25% Surety		7,798.59	
		\$ 383,343.18	
Other Uses of Funds:			
Additional Proceeds	\$	2,777.76	
TOTAL USES			\$ 12,091,745.22

CITY OF SAN CLEMENTE
Reassessment District No. 2016-1
District Debt Service Schedules

**City of San Clemente
Reassessment District No. 98-1
Limited Obligation Refunding Bonds
Summary of Refunded Bonds' Debt Service Schedule**

Dated Date: July 18, 2007
Issue Date: June 26, 2007
First Maturity: September 2, 2008
Last Maturity: September 2, 2028
First Coupon: March 2, 2008

Total Interest	\$4,533,322.00
Total Principal	10,435,000.00
Total Debt Service	\$14,968,322.00

Payment Due	Principal Due	Interest Rate	Interest Due	Semi-Annual Payment	Total Annual Payment
March 2, 2017			315,137.00	315,137.00	
September 2, 2017	615,000.00	6.04%	315,137.00	930,137.00	1,245,274.00
March 2, 2018			296,564.00	296,564.00	
September 2, 2018	655,000.00	6.04%	296,564.00	951,564.00	1,248,128.00
March 2, 2019			276,783.00	276,783.00	
September 2, 2019	695,000.00	6.04%	276,783.00	971,783.00	1,248,566.00
March 2, 2020			255,794.00	255,794.00	
September 2, 2020	735,000.00	6.04%	255,794.00	990,794.00	1,246,588.00
March 2, 2021			233,597.00	233,597.00	
September 2, 2021	780,000.00	6.04%	233,597.00	1,013,597.00	1,247,194.00
March 2, 2022			210,041.00	210,041.00	
September 2, 2022	830,000.00	6.04%	210,041.00	1,040,041.00	1,250,082.00
March 2, 2023			184,975.00	184,975.00	
September 2, 2023	880,000.00	6.04%	184,975.00	1,064,975.00	1,249,950.00
March 2, 2024			158,399.00	158,399.00	
September 2, 2024	930,000.00	6.04%	158,399.00	1,088,399.00	1,246,798.00
March 2, 2025			130,313.00	130,313.00	
September 2, 2025	985,000.00	6.04%	130,313.00	1,115,313.00	1,245,626.00
March 2, 2026			100,566.00	100,566.00	
September 2, 2026	1,045,000.00	6.04%	100,566.00	1,145,566.00	1,246,132.00
March 2, 2027			69,007.00	69,007.00	
September 2, 2027	1,110,000.00	6.04%	69,007.00	1,179,007.00	1,248,014.00
March 2, 2028			35,485.00	35,485.00	
September 2, 2028	1,175,000.00	6.04%	35,485.00	1,210,485.00	1,245,970.00
Total	\$10,435,000.00		\$4,533,322.00	\$14,968,322.00	\$14,968,322.00

City of San Clemente
Reassessment District No. 2016-1
Limited Obligation Refunding Bonds
Refunding Bonds' Debt Service Schedule

Dated Date: June 30, 2016
Issue Date: June 30, 2016
First Maturity: September 2, 2017
Last Maturity: September 2, 2028
First Coupon: March 2, 2017

Total Interest \$3,178,481.39
Total Principal 9,905,000.00
Total Debt Service \$13,083,481.39

Payment Due	Principal Due	Interest Rate	Interest Due	Semi-Annual Payment	Total Annual Payment
March 2, 2017			264,956.39	264,956.39	
September 2, 2017	630,000.00	2.000%	197,075.00	827,075.00	1,092,031.39
March 2, 2018			190,775.00	190,775.00	
September 2, 2018	710,000.00	2.000%	190,775.00	900,775.00	1,091,550.00
March 2, 2019			183,675.00	183,675.00	
September 2, 2019	725,000.00	3.000%	183,675.00	908,675.00	1,092,350.00
March 2, 2020			172,800.00	172,800.00	
September 2, 2020	745,000.00	3.000%	172,800.00	917,800.00	1,090,600.00
March 2, 2021			161,625.00	161,625.00	
September 2, 2021	770,000.00	3.000%	161,625.00	931,625.00	1,093,250.00
March 2, 2022			150,075.00	150,075.00	
September 2, 2022	790,000.00	4.000%	150,075.00	940,075.00	1,090,150.00
March 2, 2023			134,275.00	134,275.00	
September 2, 2023	820,000.00	4.000%	134,275.00	954,275.00	1,088,550.00
March 2, 2024			117,875.00	117,875.00	
September 2, 2024	855,000.00	5.000%	117,875.00	972,875.00	1,090,750.00
March 2, 2025			96,500.00	96,500.00	
September 2, 2025	895,000.00	5.000%	96,500.00	991,500.00	1,088,000.00
March 2, 2026			74,125.00	74,125.00	
September 2, 2026	940,000.00	5.000%	74,125.00	1,014,125.00	1,088,250.00
March 2, 2027			50,625.00	50,625.00	
September 2, 2027	990,000.00	5.000%	50,625.00	1,040,625.00	1,091,250.00
March 2, 2028			25,875.00	25,875.00	
September 2, 2028	1,035,000.00	5.000%	25,875.00	1,060,875.00	1,086,750.00
Total	\$9,905,000.00		\$3,178,481.39	\$13,083,481.39	\$13,083,481.39

**City of San Clemente
Reassessment District No. 2016-1
Limited Obligation Refunding Bonds
Refunded vs. Refunding Bonds**

Payment Due	Existing Payment	Proposed Payment	Total Savings
2017	\$1,245,274.00	\$1,092,031.39	\$153,242.61
2018	1,248,128.00	1,091,550.00	156,578.00
2019	1,248,566.00	1,092,350.00	156,216.00
2020	1,246,588.00	1,090,600.00	155,988.00
2021	1,247,194.00	1,093,250.00	153,944.00
2022	1,250,082.00	1,090,150.00	159,932.00
2023	1,249,950.00	1,088,550.00	161,400.00
2024	1,246,798.00	1,090,750.00	156,048.00
2025	1,245,626.00	1,088,000.00	157,626.00
2026	1,246,132.00	1,088,250.00	157,882.00
2027	1,248,014.00	1,091,250.00	156,764.00
2028	1,245,970.00	1,086,750.00	159,220.00
Totals:	\$14,968,322.00	\$13,083,481.39	\$1,884,840.61

**CITY OF SAN CLEMENTE
Reassessment District No. 2016-1**

**Auditor's Records
Comparison of the Auditor's Records for the Existing Bonds and the
2016 Refunding Bonds**

The auditor's records only include the unique reassessment lien amounts.

**City of San Clemente
Reassessment District No. 2016-1
Limited Obligation Refunding Bonds**

Refunded RAD 98-01

Assessor's Parcel No:	678-081-11	Remaining Assessment Lien:	\$8,054.98
Reassessment No:	6	Estimated Reassessment:	<u>7,645.86</u>
Property Owner:	WARMAN, HAROLD DOUGLAS TR & H & C WARMAN FAMILY TR	Estimated Lien Savings:	\$409.12

AUDITOR'S RECORD FOR ORIGINAL BONDS

Year	Principal	Interest	Total
2017	\$474.73	\$486.52	\$961.25
2018	505.61	457.85	963.46
2019	536.48	427.31	963.79
2020	567.36	394.90	962.26
2021	602.10	360.64	962.74
2022	640.69	324.27	964.96
2023	679.29	285.57	964.86
2024	717.88	244.54	962.42
2025	760.34	201.18	961.52
2026	806.66	155.26	961.92
2027	856.83	106.54	963.37
2028	907.01	54.78	961.79

TOTAL	\$8,054.98	\$3,499.36	\$11,554.34
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AUDITOR'S RECORD FOR REFUNDING BONDS

Year	Principal	Interest	Total	Savings
2017	\$486.31	\$356.65	\$842.96	\$118.29
2018	548.06	294.53	842.59	120.87
2019	559.64	283.56	843.20	120.59
2020	575.08	266.78	841.86	120.40
2021	594.38	249.52	843.90	118.84
2022	609.82	231.69	841.51	123.45
2023	632.97	207.30	840.27	124.59
2024	659.99	181.98	841.97	120.45
2025	690.87	148.98	839.85	121.67
2026	725.60	114.44	840.04	121.88
2027	764.20	78.16	842.36	121.01
2028	798.94	39.95	838.89	122.90

TOTAL	\$7,645.86	\$2,453.54	\$10,099.40	\$1,454.94
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Prepared By: Willdan Financial Services **April 2016** **TOTAL SAVINGS** **\$1,454.94**

Note: Total savings shown will be reduced by the amount of funds available from levy collections to date.

**City of San Clemente
Reassessment District No. 2016-1
Limited Obligation Refunding Bonds**

Refunded RAD 98-01

Assessor's Parcel No: 678-104-08
 Reassessment No: 130
 Property Owner: MARCEREAU, ROBERT H

Remaining Assessment Lien: \$8,431.12
 Estimated Reassessment: 8,002.90
 Estimated Lien Savings: \$428.22

AUDITOR'S RECORD FOR ORIGINAL BONDS

Year	Principal	Interest	Total
2017	\$496.90	\$509.24	\$1,006.14
2018	529.22	479.23	1,008.45
2019	561.54	447.26	1,008.80
2020	593.85	413.35	1,007.20
2021	630.21	377.48	1,007.69
2022	670.61	339.41	1,010.02
2023	711.01	298.91	1,009.92
2024	751.41	255.96	1,007.37
2025	795.85	210.58	1,006.43
2026	844.32	162.51	1,006.83
2027	896.84	111.51	1,008.35
2028	949.36	57.34	1,006.70
TOTAL	\$8,431.12	\$3,662.78	\$12,093.90

AUDITOR'S RECORD FOR REFUNDING BONDS

Year	Principal	Interest	Total	Savings
2017	\$509.02	\$373.31	\$882.33	\$123.81
2018	573.66	308.28	881.94	126.51
2019	585.78	296.81	882.59	126.21
2020	601.93	279.23	881.16	126.04
2021	622.13	261.17	883.30	124.39
2022	638.29	242.51	880.80	129.22
2023	662.53	216.98	879.51	130.41
2024	690.81	190.48	881.29	126.08
2025	723.13	155.94	879.07	127.36
2026	759.49	119.78	879.27	127.56
2027	799.89	81.81	881.70	126.65
2028	836.24	41.81	878.05	128.65
TOTAL	\$8,002.90	\$2,568.11	\$10,571.01	\$1,522.89

Prepared By: Willdan Financial Services

April 2016

TOTAL SAVINGS

\$1,522.89

Note: Total savings shown will be reduced by the amount of funds available from levy collections to date.

City of San Clemente Reassessment District No. 2016-1 Limited Obligation Refunding Bonds Refunded RAD 98-01				
Assessor's Parcel No:	678-142-17	Remaining Assessment Lien:	\$11,001.29	
Reassessment No:	442	Estimated Reassessment:	10,442.53	
Property Owner:	POTTER, MICHAEL A & MC CARTHY, MARGARET M	Estimated Lien Savings:	\$558.76	
AUDITOR'S RECORD FOR ORIGINAL BONDS				
Year	Principal	Interest	Total	Savings
2017	\$648.38	\$664.48	\$1,312.86	\$161.56
2018	690.55	625.32	1,315.87	165.08
2019	732.72	583.61	1,316.33	164.70
2020	774.89	539.35	1,314.24	164.45
2021	822.33	492.55	1,314.88	162.30
2022	875.04	442.88	1,317.92	168.61
2023	927.76	390.03	1,317.79	170.17
2024	980.47	333.99	1,314.46	164.52
2025	1,038.45	274.77	1,313.22	166.18
2026	1,101.71	212.05	1,313.76	166.45
2027	1,170.24	145.50	1,315.74	165.27
2028	1,238.77	74.82	1,313.59	167.86
TOTAL	\$11,001.31	\$4,779.35	\$15,780.66	\$1,987.15
Prepared By: Willdan Financial Services			April 2016	\$1,987.15

Note: Total savings shown will be reduced by the amount of funds available from levy collections to date.

**City of San Clemente
Reassessment District No. 2016-1
Limited Obligation Refunding Bonds**

Refunded RAD 98-01

Assessor's Parcel No: 679-261-08
 Reassessment No: 838
 Property Owner: CROWN, ROBERT D TR

Remaining Assessment Lien: \$11,528.54
 Estimated Reassessment: 10,943.00
 Estimated Lien Savings: \$585.54

AUDITOR'S RECORD FOR ORIGINAL BONDS

Year	Principal	Interest	Total
2017	\$679.45	\$696.32	\$1,375.77
2018	723.64	655.29	1,378.93
2019	767.83	611.58	1,379.41
2020	812.02	565.20	1,377.22
2021	861.74	516.15	1,377.89
2022	916.98	464.10	1,381.08
2023	972.22	408.72	1,380.94
2024	1,027.46	350.00	1,377.46
2025	1,088.22	287.94	1,376.16
2026	1,154.51	222.21	1,376.72
2027	1,226.32	152.48	1,378.80
2028	1,298.13	78.41	1,376.54
TOTAL	\$11,528.52	\$5,008.40	\$16,536.92

AUDITOR'S RECORD FOR REFUNDING BONDS

Year	Principal	Interest	Total	Savings
2017	\$696.02	\$510.45	\$1,206.47	\$169.30
2018	784.40	421.53	1,205.93	173.00
2019	800.98	405.85	1,206.83	172.58
2020	823.07	381.82	1,204.89	172.33
2021	850.69	357.13	1,207.82	170.07
2022	872.79	331.60	1,204.39	176.69
2023	905.93	296.69	1,202.62	178.32
2024	944.60	260.46	1,205.06	172.40
2025	988.79	213.23	1,202.02	174.14
2026	1,038.51	163.79	1,202.30	174.42
2027	1,093.75	111.86	1,205.61	173.19
2028	1,143.46	57.17	1,200.63	175.91
TOTAL	\$10,942.99	\$3,511.58	\$14,454.57	\$2,082.35

Prepared By: Willdan Financial Services

April 2016

TOTAL SAVINGS

\$2,082.35

Note: Total savings shown will be reduced by the amount of funds available from levy collections to date.

**CITY OF SAN CLEMENTE
Reassessment District No. 2016-1**

Method of Reassessment

Each Reassessment has been computed as a proration of the existing individual assessments to the total existing assessment.

CITY OF SAN CLEMENTE
Reassessment District No. 2016-1
Reassessment Diagram

The reassessment diagram will be on file with the City Clerk prior to the approval of the bond issue and Reassessment Report.

REASSESSMENT DIAGRAM OF REASSESSMENT DISTRICT NO. 2016-1

CITY OF SAN CLEMENTE
COUNTY OF ORANGE
STATE OF CALIFORNIA

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF SAN CLEMENTE,
THIS _____ DAY OF _____, 2016

CITY CLERK
CITY OF SAN CLEMENTE

A REASSESSMENT WAS LEVIED BY THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE ON THE
LOTS, PIECES AND PARCELS OF LAND SHOWN ON THIS REASSESSMENT DIAGRAM. SAID
REASSESSMENT WAS LEVIED ON THE _____ DAY OF _____, 2016. SAID
REASSESSMENT DIAGRAM AND REASSESSMENT ROLL WAS RECORDED IN THE OFFICE OF THE
SUPERINTENDENT OF STREETS OF SAID CITY FOR THE EXACT AMOUNT OF EACH
REASSESSMENT LEVIED AGAINST EACH PARCEL SHOWN ON THE REASSESSMENT DIAGRAM.

CITY CLERK
CITY OF SAN CLEMENTE

RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS
CITY OF SAN CLEMENTE, THIS _____ DAY OF _____, 2016

SUPERINTENDENT OF STREETS
CITY OF SAN CLEMENTE

FILED THIS _____ DAY OF _____, 2016 AT THE HOUR
OF _____ O'CLOCK _____ M. IN BOOK _____ OF MAPS OF
ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE(S) _____
AT THE REQUEST OF THE CITY OF SAN CLEMENTE IN THE OFFICE OF THE
COUNTY RECORDER OF THE COUNTY OF ORANGE, STATE OF CALIFORNIA.

FEE _____

INST. NO. _____

HUGH NGUYEN, COUNTY CLERK-RECORDER

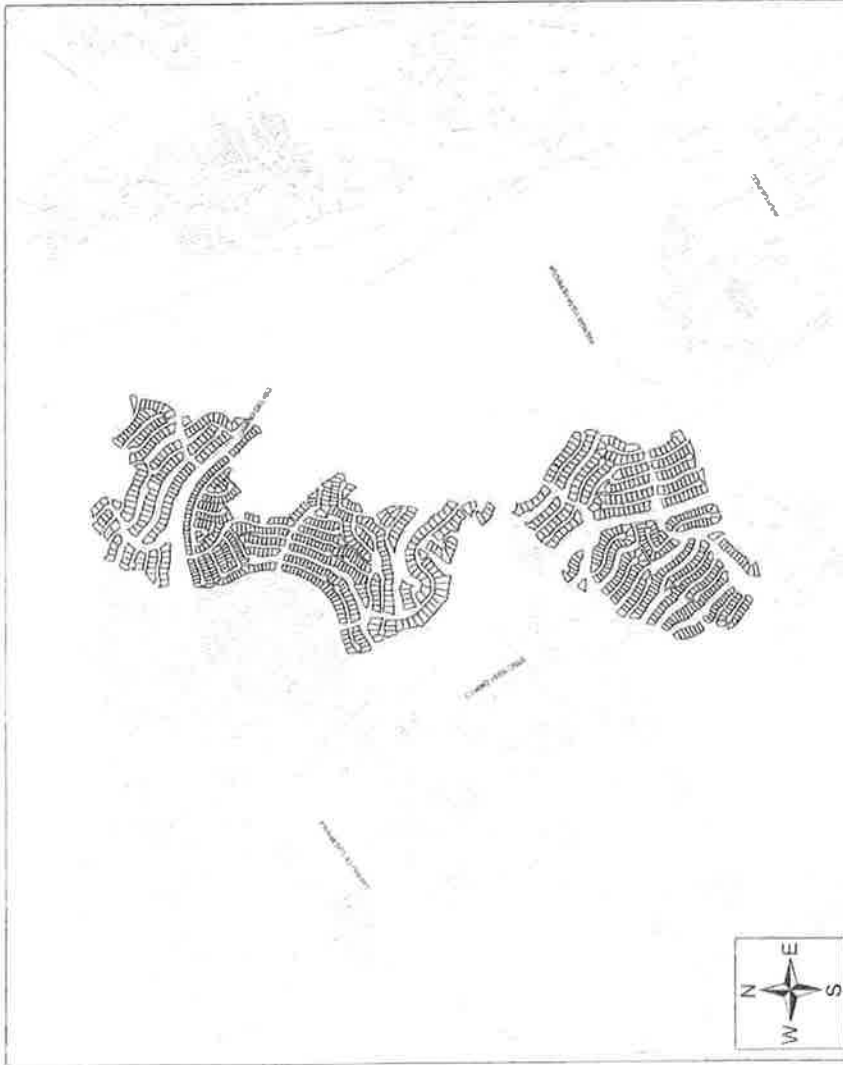
BY DEPUTY
COUNTY CLERK-RECORDER
COUNTY OF ORANGE

NOTE

THIS REASSESSMENT DIAGRAM IS RECORDED PURSUANT TO THE REFUNDING
ACT OF 1984 FOR 1915 IMPROVEMENT ACT BONDS (SECTION 8500 AND FOLLOWING
CALIFORNIA STREETS AND HIGHWAY CODE). THE RECORDING OF THE
REASSESSMENTS FROM THESE PROCEEDINGS HAS SUPERSEDED AND
SUSPENDED THE EARLIER ASSESSMENTS FOR THE CITY OF SAN CLEMENTE
REASSESSMENT DISTRICT NO. 98-1 COUNTY OF ORANGE, CALIFORNIA WHICH
BECAME ALIEN BY VIRTUE OF THE RECORDING AS FOLLOWS.

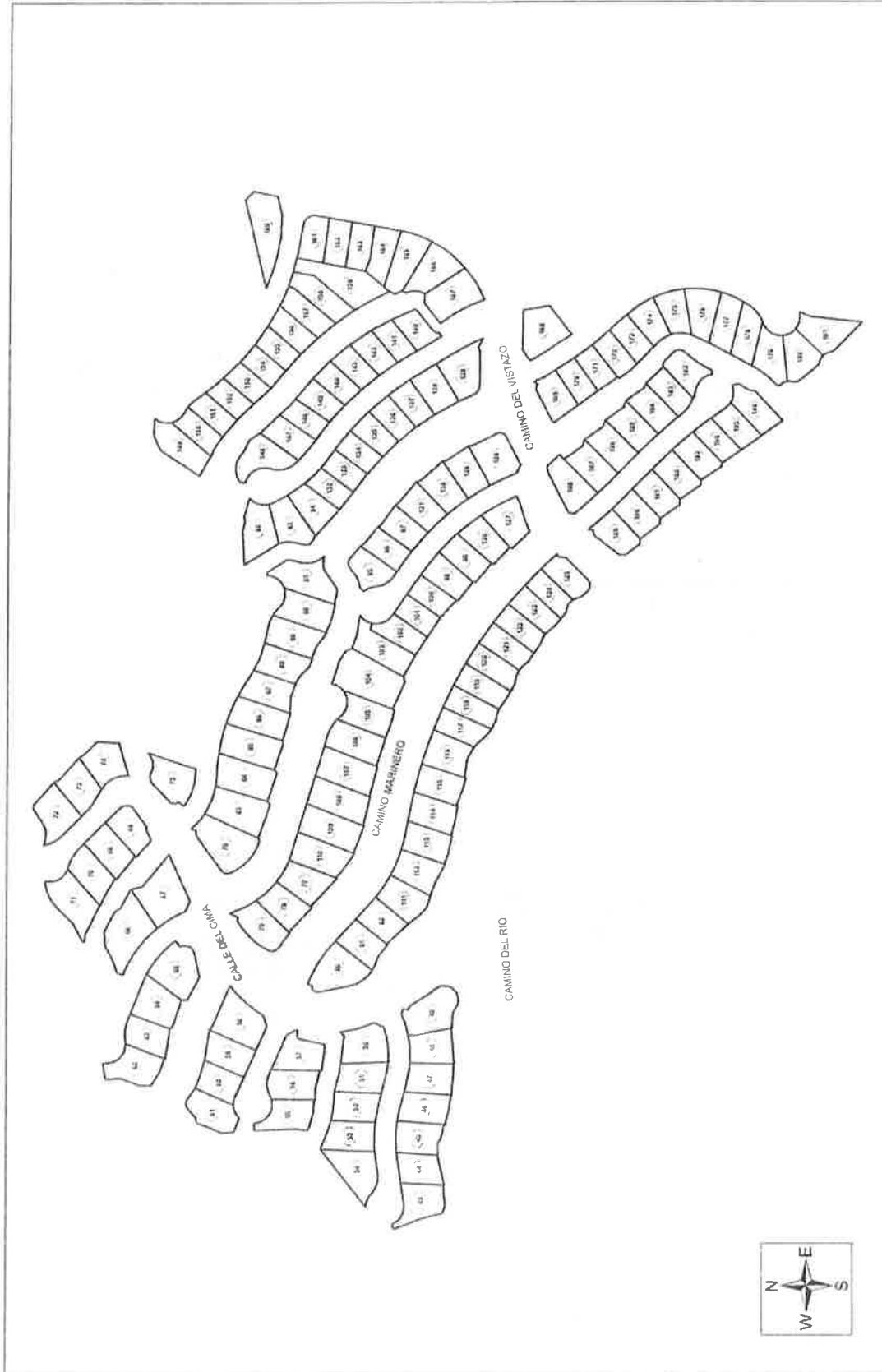
ON JULY 2, 2007 IN BOOK 92 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES
DISTRICTS AT PAGES 33-42 IN THE OFFICE OF COUNTY RECORDER FOR THE COUNTY OF
ORANGE.

FOR PARTICULARS OF THE LINES AND DIMENSIONS OF
ASSESSOR'S PARCELS, REFERENCE IS MADE TO THE MAPS OF
THE ORANGE COUNTY ASSESSOR WHICH MAPS,
SHALL GOVERN FOR ALL DETAILS RELATING THERETO.



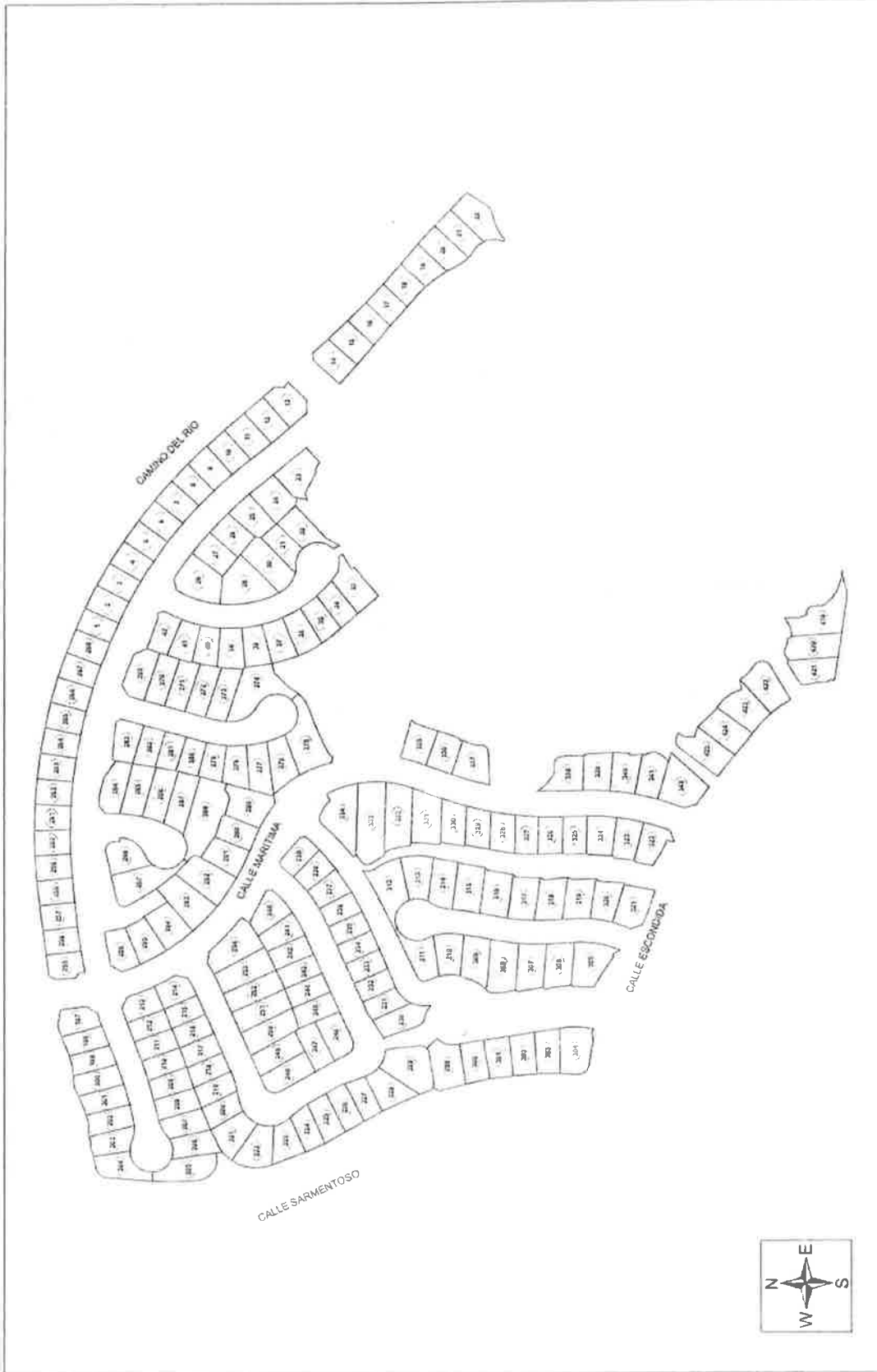
REASSESSMENT DISTRICT PARCELS



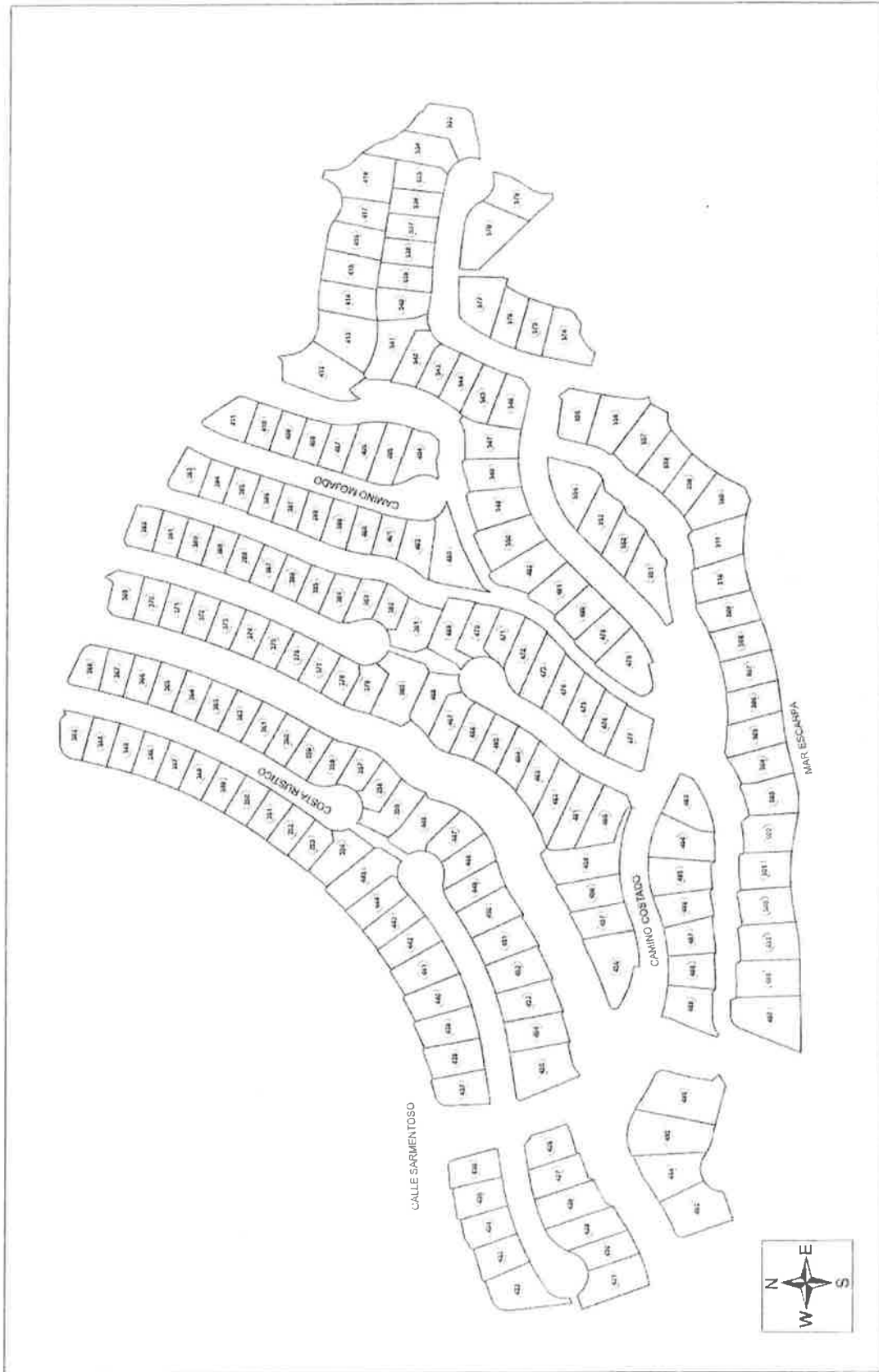


REASSESSMENT DISTRICT PARCELS
 REASSESSMENT NUMBERS



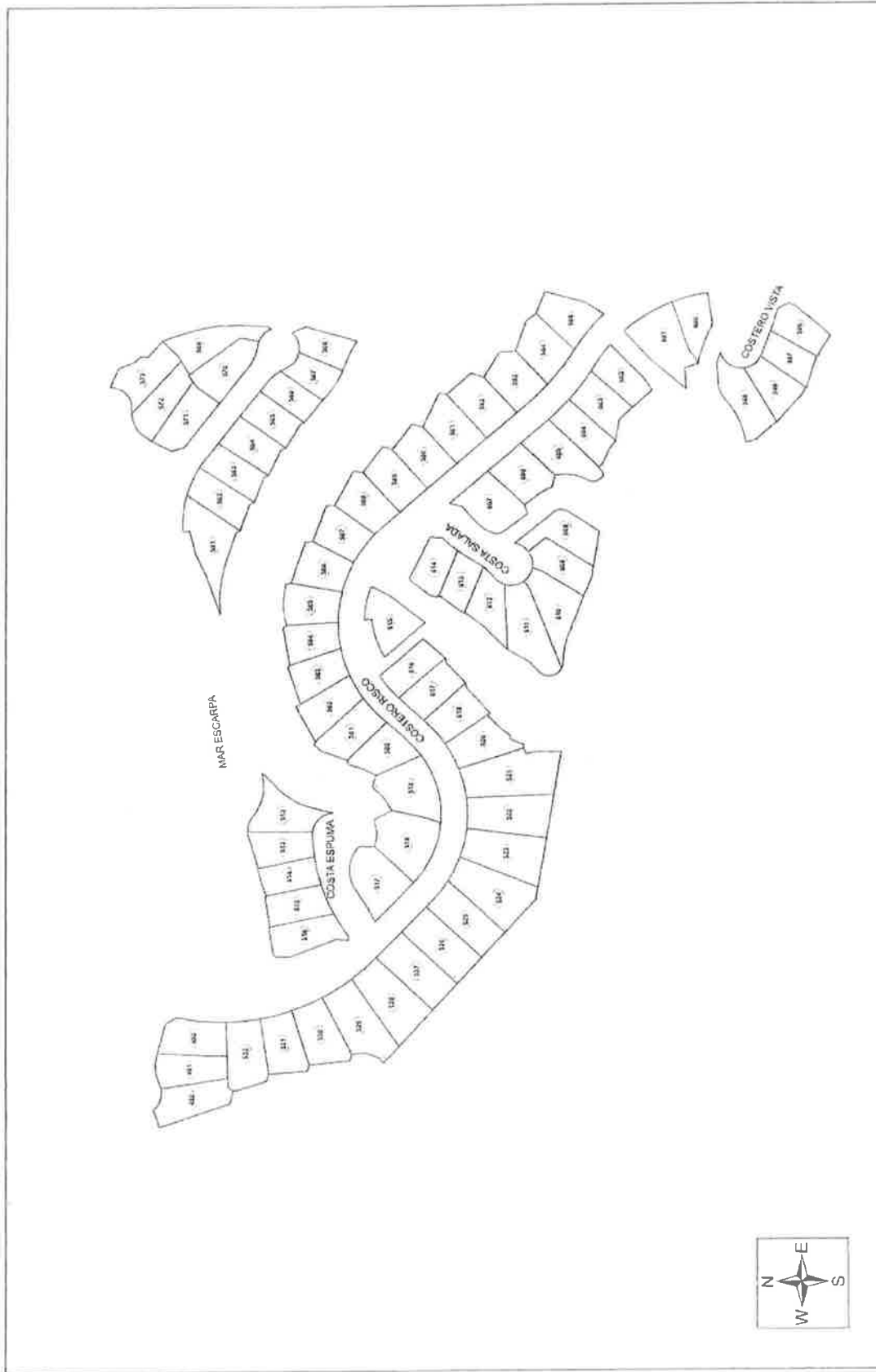


REASSESSMENT DISTRICT PARCELS
 REASSESSMENT NUMBERS

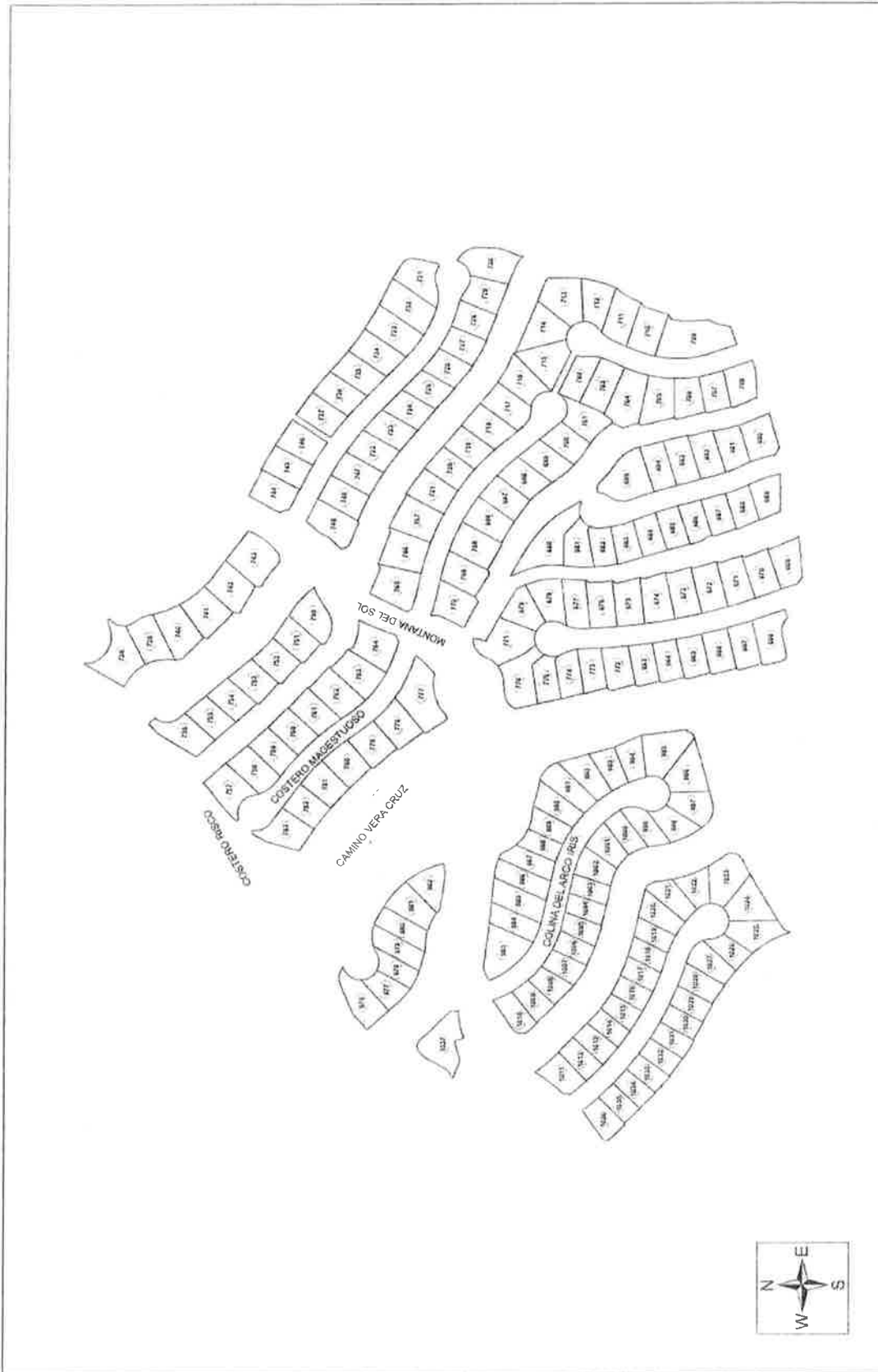


REASSESSMENT DISTRICT PARCELS
 1 REASSESSMENT NUMBERS

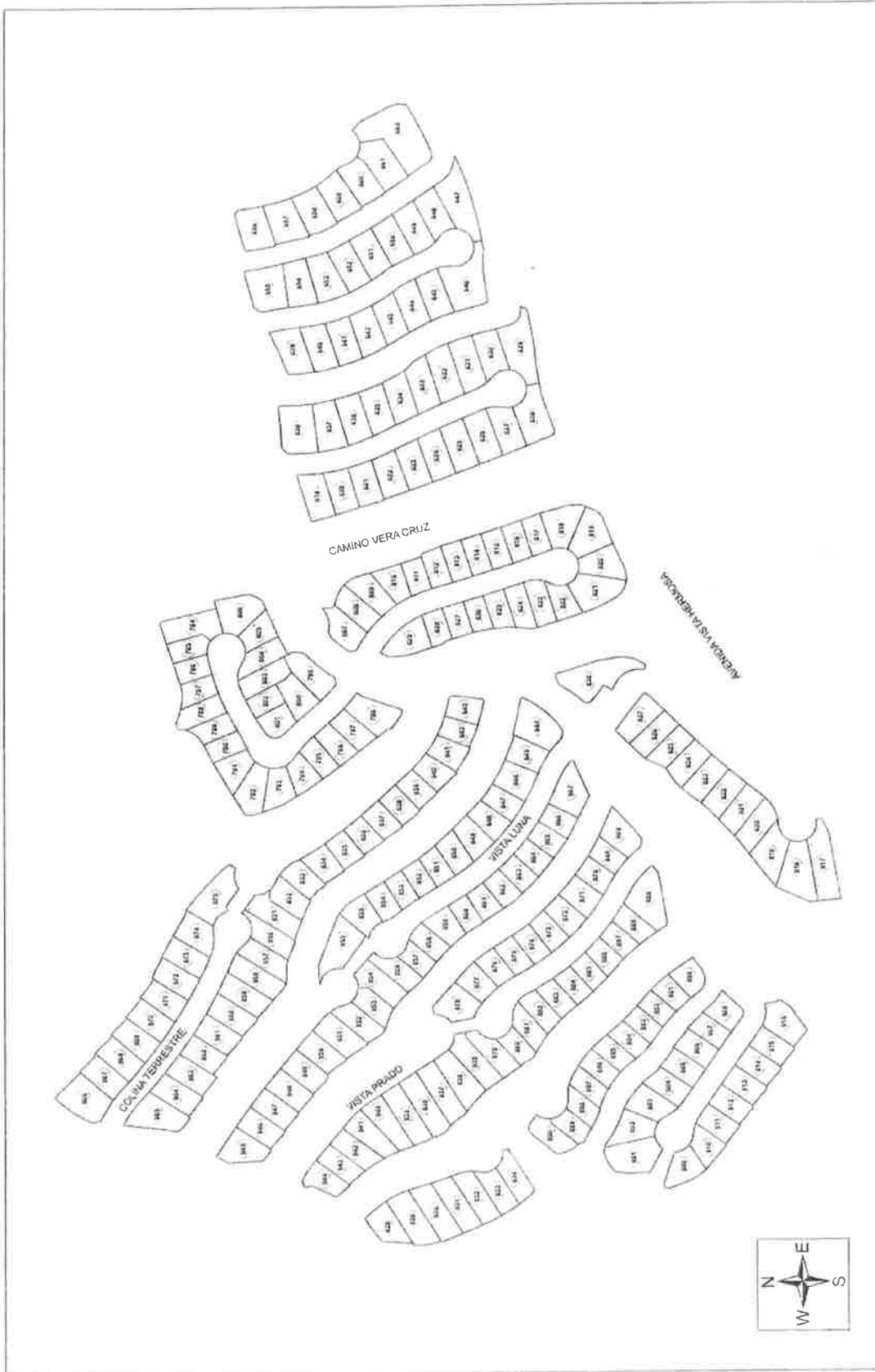




REASSESSMENT DISTRICT PARCELS
 REASSESSMENT NUMBERS



REASSESSMENT DISTRICT PARCELS
1 REASSESSMENT NUMBERS



REASSESSMENT NUMBER	ASSESSOR'S PARCEL NUMBER	SHEET	REASSESSMENT NUMBER	ASSESSOR'S PARCEL NUMBER	SHEET	REASSESSMENT NUMBER	ASSESSOR'S PARCEL NUMBER	SHEET	REASSESSMENT NUMBER	ASSESSOR'S PARCEL NUMBER	SHEET	REASSESSMENT NUMBER	ASSESSOR'S PARCEL NUMBER	SHEET	REASSESSMENT NUMBER	ASSESSOR'S PARCEL NUMBER	SHEET
854	679-263-27	7	1022	679-263-47	6	1023	679-263-48	6	1024	679-263-49	6	1025	679-263-50	6	1026	679-263-51	6
855	679-263-28	7	1027	679-263-52	6	1028	679-263-53	6	1029	679-263-54	6	1030	679-263-55	6	1031	679-263-56	6
856	679-263-29	7	1032	679-263-57	6	1033	679-263-58	6	1034	679-263-59	6	1035	679-263-60	6	1036	679-263-61	6
857	679-263-30	7	1037	679-263-62	6	1038	679-263-63	6	1039	679-263-64	6	1040	679-263-65	6	1041	679-263-66	6
858	679-263-31	7	1042	679-263-67	6	1043	679-263-68	6	1044	679-263-69	6	1045	679-263-70	6	1046	679-263-71	6
859	679-263-32	7	1047	679-263-72	6	1048	679-263-73	6	1049	679-263-74	6	1050	679-263-75	6	1051	679-263-76	6
860	679-263-33	7	1052	679-263-77	6	1053	679-263-78	6	1054	679-263-79	6	1055	679-263-80	6	1056	679-263-81	6
861	679-263-34	7	1057	679-263-82	6	1058	679-263-83	6	1059	679-263-84	6	1060	679-263-85	6	1061	679-263-86	6
862	679-263-35	7	1062	679-263-87	6	1063	679-263-88	6	1064	679-263-89	6	1065	679-263-90	6	1066	679-263-91	6
863	679-263-36	7	1067	679-263-92	6	1068	679-263-93	6	1069	679-263-94	6	1070	679-263-95	6	1071	679-263-96	6
864	679-263-37	7	1072	679-263-97	6	1073	679-263-98	6	1074	679-263-99	6	1075	679-263-100	6	1076	679-263-101	6
865	679-263-38	7	1077	679-263-102	6	1078	679-263-103	6	1079	679-263-104	6	1080	679-263-105	6	1081	679-263-106	6
866	679-263-39	7	1082	679-263-107	6	1083	679-263-108	6	1084	679-263-109	6	1085	679-263-110	6	1086	679-263-111	6
867	679-263-40	7	1087	679-263-112	6	1088	679-263-113	6	1089	679-263-114	6	1090	679-263-115	6	1091	679-263-116	6
868	679-263-41	7	1092	679-263-117	6	1093	679-263-118	6	1094	679-263-119	6	1095	679-263-120	6	1096	679-263-121	6
869	679-263-42	7	1097	679-263-122	6	1098	679-263-123	6	1099	679-263-124	6	1100	679-263-125	6	1101	679-263-126	6
870	679-263-43	7	1102	679-263-127	6	1103	679-263-128	6	1104	679-263-129	6	1105	679-263-130	6	1106	679-263-131	6
871	679-263-44	7	1107	679-263-132	6	1108	679-263-133	6	1109	679-263-134	6	1110	679-263-135	6	1111	679-263-136	6
872	679-263-45	7	1112	679-263-137	6	1113	679-263-138	6	1114	679-263-139	6	1115	679-263-140	6	1116	679-263-141	6
873	679-263-46	7	1117	679-263-142	6	1118	679-263-143	6	1119	679-263-144	6	1120	679-263-145	6	1121	679-263-146	6
874	679-263-47	7	1122	679-263-147	6	1123	679-263-148	6	1124	679-263-149	6	1125	679-263-150	6	1126	679-263-151	6
875	679-263-48	7	1127	679-263-152	6	1128	679-263-153	6	1129	679-263-154	6	1130	679-263-155	6	1131	679-263-156	6
876	679-263-49	7	1132	679-263-157	6	1133	679-263-158	6	1134	679-263-159	6	1135	679-263-160	6	1136	679-263-161	6
877	679-263-50	7	1137	679-263-162	6	1138	679-263-163	6	1139	679-263-164	6	1140	679-263-165	6	1141	679-263-166	6
878	679-263-51	7															
879	679-263-52	7															
880	679-263-53	7															
881	679-263-54	7															
882	679-263-55	7															
883	679-263-56	7															
884	679-263-57	7															
885	679-263-58	7															
886	679-263-59	7															
887	679-263-60	7															
888	679-263-61	7															
889	679-263-62	7															
890	679-263-63	7															
891	679-263-64	7															
892	679-263-65	7															
893	679-263-66	7															
894	679-263-67	7															
895	679-263-68	7															
896	679-263-69	7															
897	679-263-70	7															
898	679-263-71	7															
899	679-263-72	7															
900	679-263-73	7															
901	679-263-74	7															
902	679-263-75	7															
903	679-263-76	7															
904	679-263-77	7															
905	679-263-78	7															
906	679-263-79	7															
907	679-263-80	7															
908	679-263-81	7															
909	679-263-82	7															
910	679-263-83	7															
911	679-263-84	7															
912	679-263-85	7															
913	679-263-86	7															
914	679-263-87	7															
915	679-263-88	7															
916	679-263-89	7															
917	679-263-90	7															
918	679-263-91	7															
919	679-263-92	7															
920	679-263-93	7															
921	679-263-94	7															
922	679-263-95	7															



CITY OF SAN CLEMENTE
Reassessment District No. 2016-1
Reassessment Roll

City of San Clemente
Reassessment District No. 2016-1
Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67808106	1	\$7,645.86	
67808107	2	7,645.86	
67808108	3	7,645.86	
67808109	4	7,645.86	
67808110	5	7,645.86	
67808111	6	7,645.86	
67808112	7	7,645.86	
67808113	8	7,645.86	
67808114	9	7,645.86	
67808115	10	7,645.86	
67808116	11	7,645.86	
67808117	12	7,645.86	
67808118	13	7,645.86	
67808119	14	7,645.86	
67808120	15	7,645.86	
67808121	16	7,645.86	
67808122	17	7,645.86	
67808123	18	7,645.86	
67808124	19	7,645.86	
67808125	20	7,645.86	
67808126	21	7,645.86	
67808127	22	7,645.86	
67808128	23	7,645.86	
67808129	24	7,645.86	
67808130	25	7,645.86	
67808131	26	7,645.86	
67808132	27	7,645.86	
67808133	28	7,645.86	
67808134	29	7,645.86	
67808135	30	7,645.86	
67808136	31	7,645.86	
67808137	32	7,645.86	
67808138	33	7,645.86	
67808139	34	7,645.86	
67808140	35	7,645.86	
67808141	36	7,645.86	
67808142	37	7,645.86	
67808143	38	7,645.86	
67808144	39	7,645.86	
67808145	40	7,645.86	

City of San Clemente
Reassessment District No. 2016-1
Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67808146	41	7,645.86	
67808147	42	7,645.86	
67810201	43	8,002.90	
67810202	44	8,002.90	
67810203	45	8,002.90	
67810204	46	8,002.90	
67810205	47	8,002.90	
67810206	48	8,002.90	
67810207	49	8,002.90	
67810208	50	8,002.90	
67810209	51	8,002.90	
67810210	52	8,002.90	
67810211	53	8,002.90	
67810212	54	8,002.90	
67810213	55	8,002.90	
67810214	56	8,002.90	
67810215	57	8,002.90	
67810216	58	8,002.90	
67810217	59	8,002.90	
67810218	60	8,002.90	
67810219	61	8,002.90	
67810220	62	8,002.90	
67810221	63	8,002.90	
67810222	64	8,002.90	
67810223	65	8,002.90	
67810224	66	8,002.90	
67810225	67	8,002.90	
67810226	68	8,002.90	
67810227	69	8,002.90	
67810228	70	8,002.90	
67810229	71	8,002.90	
67810230	72	8,002.90	
67810231	73	8,002.90	
67810232	74	8,002.90	
67810233	75	8,002.90	
67810234	76	8,002.90	
67810235	77	8,002.90	
67810236	78	8,002.90	
67810237	79	8,002.90	
67810238	80	8,002.90	

City of San Clemente
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<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67810239	81	8,002.90	
67810240	82	8,002.90	
67810301	83	8,002.90	
67810302	84	8,002.90	
67810303	85	8,002.90	
67810304	86	8,002.90	
67810305	87	8,002.90	
67810306	88	8,002.90	
67810307	89	8,002.90	
67810308	90	8,002.90	
67810309	91	8,002.90	
67810310	92	8,002.90	
67810311	93	8,002.90	
67810312	94	8,002.90	
67810313	95	8,002.90	
67810314	96	8,002.90	
67810315	97	8,002.90	
67810316	98	8,002.90	
67810317	99	8,002.90	
67810318	100	8,002.90	
67810319	101	8,002.90	
67810320	102	8,002.90	
67810321	103	8,002.90	
67810322	104	8,002.90	
67810323	105	8,002.90	
67810324	106	8,002.90	
67810325	107	8,002.90	
67810326	108	8,002.90	
67810327	109	8,002.90	
67810328	110	8,002.90	
67810329	111	8,002.90	
67810330	112	8,002.90	
67810331	113	8,002.90	
67810332	114	8,002.90	
67810333	115	8,002.90	
67810334	116	8,002.90	
67810335	117	8,002.90	
67810336	118	8,002.90	
67810337	119	8,002.90	
67810338	120	8,002.90	

City of San Clemente
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Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67810339	121	8,002.90	
67810340	122	8,002.90	
67810341	123	8,002.90	
67810342	124	8,002.90	
67810401	125	8,002.90	
67810404	126	8,002.90	
67810405	127	8,002.90	
67810406	128	8,002.90	
67810407	129	8,002.90	
67810408	130	8,002.90	
67810409	131	8,002.90	
67810410	132	8,002.90	
67810411	133	8,002.90	
67810412	134	8,002.90	
67810413	135	8,002.90	
67810414	136	8,002.90	
67810415	137	8,002.90	
67810416	138	8,002.90	
67810417	139	8,002.90	
67810418	140	8,002.90	
67810419	141	8,002.90	
67810420	142	8,002.90	
67810421	143	8,002.90	
67810422	144	8,002.90	
67810423	145	8,002.90	
67810424	146	8,002.90	
67810425	147	8,002.90	
67810426	148	8,002.90	
67810427	149	8,002.90	
67810428	150	8,002.90	
67810429	151	8,002.90	
67810430	152	8,002.90	
67810431	153	8,002.90	
67810432	154	8,002.90	
67810433	155	8,002.90	
67810434	156	8,002.90	
67810435	157	8,002.90	
67810436	158	8,002.90	
67810437	159	8,002.90	
67810438	160	8,002.90	

City of San Clemente
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<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67810439	161	8,002.90	
67810440	162	8,002.90	
67810441	163	8,002.90	
67810442	164	8,002.90	
67810443	165	8,002.90	
67810444	166	8,002.90	
67810445	167	8,002.90	
67810446	168	8,002.90	
67810447	169	8,002.90	
67810448	170	8,002.90	
67810449	171	8,002.90	
67810450	172	8,002.90	
67810451	173	8,002.90	
67810452	174	8,002.90	
67810453	175	8,002.90	
67810454	176	8,002.90	
67810455	177	8,002.90	
67810456	178	8,002.90	
67810457	179	8,002.90	
67810458	180	8,002.90	
67810459	181	8,002.90	
67810460	182	8,002.90	
67810461	183	8,002.90	
67810462	184	8,002.90	
67810463	185	8,002.90	
67810464	186	8,002.90	
67810465	187	8,002.90	
67810466	188	8,002.90	
67810467	189	8,002.90	
67810468	190	8,002.90	
67810469	191	8,002.90	
67810470	192	8,002.90	
67810471	193	8,002.90	
67810472	194	8,002.90	
67810473	195	8,002.90	
67810474	196	8,002.90	
67811101	197	7,645.86	
67811102	198	7,645.86	
67811103	199	7,645.86	
67811104	200	7,645.86	

City of San Clemente
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Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67811105	201	7,645.86	
67811106	202	7,645.86	
67811107	203	7,645.86	
67811108	204	7,645.86	
67811109	205	7,645.86	
67811110	206	7,645.86	
67811111	207	7,645.86	
67811112	208	7,645.86	
67811113	209	7,645.86	
67811114	210	7,645.86	
67811115	211	7,645.86	
67811116	212	7,645.86	
67811117	213	7,645.86	
67811118	214	7,645.86	
67811119	215	7,645.86	
67811120	216	7,645.86	
67811121	217	7,645.86	
67811122	218	7,645.86	
67811123	219	7,645.86	
67811124	220	7,645.86	
67811125	221	7,645.86	
67811126	222	7,645.86	
67811127	223	7,645.86	
67811128	224	7,645.86	
67811129	225	7,645.86	
67811130	226	7,645.86	
67811131	227	7,645.86	
67811132	228	7,645.86	
67811133	229	7,645.86	
67811134	230	7,645.86	
67811135	231	7,645.86	
67811136	232	7,645.86	
67811137	233	7,645.86	
67811138	234	7,645.86	
67811139	235	7,645.86	
67811140	236	7,645.86	
67811141	237	7,645.86	
67811142	238	7,645.86	
67811143	239	7,645.86	
67811144	240	7,645.86	

City of San Clemente
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<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67811145	241	7,645.86	
67811146	242	7,645.86	
67811147	243	7,645.86	
67811148	244	7,645.86	
67811149	245	7,645.86	
67811150	246	7,645.86	
67811151	247	7,645.86	
67811152	248	7,645.86	
67811153	249	7,645.86	
67811154	250	7,645.86	
67811155	251	7,645.86	
67811156	252	7,645.86	
67811157	253	7,645.86	
67811158	254	7,645.86	
67811201	255	7,645.86	
67811202	256	7,645.86	
67811203	257	7,645.86	
67811204	258	7,645.86	
67811205	259	7,645.86	
67811206	260	7,645.86	
67811207	261	7,645.86	
67811208	262	7,645.86	
67811209	263	7,645.86	
67811210	264	7,645.86	
67811211	265	7,645.86	
67811212	266	7,645.86	
67811213	267	7,645.86	
67811214	268	7,645.86	
67811215	269	7,645.86	
67811216	270	7,645.86	
67811217	271	7,645.86	
67811218	272	7,645.86	
67811219	273	7,645.86	
67811220	274	7,645.86	
67811221	275	7,645.86	
67811222	276	7,645.86	
67811223	277	7,645.86	
67811224	278	7,645.86	
67811225	279	7,645.86	
67811226	280	7,645.86	

City of San Clemente
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<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67811227	281	7,645.86	
67811228	282	7,645.86	
67811229	283	7,645.86	
67811230	284	7,645.86	
67811231	285	7,645.86	
67811232	286	7,645.86	
67811233	287	7,645.86	
67811234	288	7,645.86	
67811235	289	7,645.86	
67811236	290	7,645.86	
67811237	291	7,645.86	
67811238	292	7,645.86	
67811239	293	7,645.86	
67811240	294	7,645.86	
67811241	295	7,645.86	
67811242	296	7,645.86	
67811243	297	7,645.86	
67811244	298	7,645.86	
67812101	299	7,645.86	
67812102	300	7,645.86	
67812103	301	7,645.86	
67812104	302	7,645.86	
67812105	303	7,645.86	
67812106	304	7,645.86	
67812107	305	7,645.86	
67812108	306	7,645.86	
67812109	307	7,645.86	
67812110	308	7,645.86	
67812111	309	7,645.86	
67812112	310	7,645.86	
67812113	311	7,645.86	
67812114	312	7,645.86	
67812115	313	7,645.86	
67812116	314	7,645.86	
67812117	315	7,645.86	
67812118	316	7,645.86	
67812119	317	7,645.86	
67812120	318	7,645.86	
67812121	319	7,645.86	
67812122	320	7,645.86	

**City of San Clemente
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<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67812123	321	7,645.86	
67812124	322	7,645.86	
67812125	323	7,645.86	
67812126	324	7,645.86	
67812127	325	7,645.86	
67812128	326	7,645.86	
67812129	327	7,645.86	
67812130	328	7,645.86	
67812131	329	7,645.86	
67812132	330	7,645.86	
67812133	331	7,645.86	
67812134	332	7,645.86	
67812135	333	7,645.86	
67812136	334	7,645.86	
67812137	335	7,645.86	
67812138	336	7,645.86	
67812139	337	7,645.86	
67812140	338	7,645.86	
67812141	339	7,645.86	
67812142	340	7,645.86	
67812143	341	7,645.86	
67812144	342	7,645.86	
67813101	343	7,645.86	
67813102	344	7,645.86	
67813103	345	7,645.86	
67813104	346	7,645.86	
67813105	347	7,645.86	
67813106	348	7,645.86	
67813107	349	7,645.86	
67813108	350	7,645.86	
67813109	351	7,645.86	
67813110	352	7,645.86	
67813111	353	7,645.86	
67813112	354	7,645.86	
67813113	355	7,645.86	
67813114	356	7,645.86	
67813115	357	7,645.86	
67813116	358	7,645.86	
67813117	359	7,645.86	
67813118	360	7,645.86	

City of San Clemente
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<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67813119	361	7,645.86	
67813120	362	7,645.86	
67813121	363	7,645.86	
67813122	364	7,645.86	
67813123	365	7,645.86	
67813124	366	7,645.86	
67813125	367	7,645.86	
67813126	368	7,645.86	
67813127	369	7,645.86	
67813128	370	7,645.86	
67813129	371	7,645.86	
67813130	372	7,645.86	
67813131	373	7,645.86	
67813132	374	7,645.86	
67813133	375	7,645.86	
67813134	376	7,645.86	
67813135	377	7,645.86	
67813136	378	7,645.86	
67813137	379	7,645.86	
67813138	380	7,645.86	
67813139	381	7,645.86	
67813140	382	7,645.86	
67813141	383	7,645.86	
67813142	384	7,645.86	
67813143	385	7,645.86	
67813144	386	7,645.86	
67813145	387	7,645.86	
67813146	388	7,645.86	
67813147	389	7,645.86	
67813148	390	7,645.86	
67813149	391	7,645.86	
67813150	392	7,645.86	
67813151	393	7,645.86	
67813152	394	7,645.86	
67813153	395	7,645.86	
67813154	396	7,645.86	
67813155	397	7,645.86	
67813156	398	7,645.86	
67813157	399	7,645.86	
67813158	400	7,645.86	

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<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67813159	401	7,645.86	
67813160	402	7,645.86	
67813161	403	7,645.86	
67813162	404	7,645.86	
67813163	405	7,645.86	
67813164	406	7,645.86	
67813165	407	7,645.86	
67813166	408	7,645.86	
67813167	409	7,645.86	
67813168	410	7,645.86	
67813169	411	7,645.86	
67813170	412	7,645.86	
67813171	413	7,645.86	
67813172	414	7,645.86	
67813173	415	7,645.86	
67813174	416	7,645.86	
67813175	417	7,645.86	
67813176	418	7,645.86	
67813177	419	7,645.86	
67813178	420	7,645.86	
67813179	421	7,645.86	
67813180	422	7,645.86	
67813181	423	7,645.86	
67813182	424	7,645.86	
67813183	425	7,645.86	
67814201	426	10,442.53	
67814202	427	10,442.53	
67814203	428	10,442.53	
67814204	429	10,442.53	
67814205	430	10,442.53	
67814206	431	10,442.53	
67814207	432	10,442.53	
67814208	433	10,442.53	
67814209	434	10,442.53	
67814210	435	10,442.53	
67814211	436	10,442.53	
67814212	437	10,442.53	
67814213	438	10,442.53	
67814214	439	10,442.53	
67814215	440	10,442.53	

City of San Clemente
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<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67814216	441	10,442.53	
67814217	442	10,442.53	
67814218	443	10,442.53	
67814219	444	10,442.53	
67814220	445	10,442.53	
67814221	446	10,442.53	
67814222	447	10,442.53	
67814223	448	10,442.53	
67814224	449	10,442.53	
67814225	450	10,442.53	
67814226	451	10,442.53	
67814227	452	10,442.53	
67814228	453	10,442.53	
67814229	454	10,442.53	
67814230	455	10,442.53	
67814231	456	10,442.53	
67814232	457	10,442.53	
67814233	458	10,442.53	
67814234	459	10,442.53	
67814235	460	10,442.53	
67814236	461	10,442.53	
67814237	462	10,442.53	
67814238	463	10,442.53	
67814239	464	10,442.53	
67814240	465	10,442.53	
67814241	466	10,442.53	
67814242	467	10,442.53	
67814243	468	10,442.53	
67814244	469	10,442.53	
67814245	470	10,442.53	
67814246	471	10,442.53	
67814247	472	10,442.53	
67814248	473	10,442.53	
67814249	474	10,442.53	
67814250	475	10,442.53	
67814251	476	10,442.53	
67814252	477	10,442.53	
67814253	478	10,442.53	
67814254	479	10,442.53	
67814255	480	10,442.53	

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<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67814256	481	10,442.53	
67814257	482	10,442.53	
67814258	483	10,442.53	
67814259	484	10,442.53	
67814260	485	10,442.53	
67814261	486	10,442.53	
67814262	487	10,442.53	
67814263	488	10,442.53	
67814264	489	10,442.53	
67814265	490	10,442.53	
67814266	491	10,442.53	
67814267	492	10,442.53	
67814268	493	10,442.53	
67814269	494	10,442.53	
67814270	495	10,442.53	
67814271	496	10,442.53	
67814301	497	10,442.53	
67814302	498	10,442.53	
67814303	499	10,442.53	
67814304	500	10,442.53	
67814305	501	10,442.53	
67814306	502	10,442.53	
67814307	503	10,442.53	
67814308	504	10,442.53	
67814309	505	10,442.53	
67814310	506	10,442.53	
67814311	507	10,442.53	
67814312	508	10,442.53	
67814313	509	10,442.53	
67814314	510	10,442.53	
67814315	511	10,442.53	
67814316	512	10,442.53	
67814317	513	10,442.53	
67814318	514	10,442.53	
67814319	515	10,442.53	
67814320	516	10,442.53	
67814321	517	10,442.53	
67814322	518	10,442.53	
67814323	519	10,442.53	
67814324	520	10,442.53	

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<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67814325	521	10,442.53	
67814326	522	10,442.53	
67814327	523	10,442.53	
67814328	524	10,442.53	
67814329	525	10,442.53	
67814330	526	10,442.53	
67814331	527	10,442.53	
67814332	528	10,442.53	
67814333	529	10,442.53	
67814334	530	10,442.53	
67814335	531	10,442.53	
67814336	532	10,442.53	
67814401	533	10,442.53	
67814402	534	10,442.53	
67814403	535	10,442.53	
67814404	536	10,442.53	
67814405	537	10,442.53	
67814406	538	10,442.53	
67814407	539	10,442.53	
67814408	540	10,442.53	
67814409	541	10,442.53	
67814410	542	10,442.53	
67814411	543	10,442.53	
67814412	544	10,442.53	
67814413	545	10,442.53	
67814414	546	10,442.53	
67814415	547	10,442.53	
67814416	548	10,442.53	
67814417	549	10,442.53	
67814418	550	10,442.53	
67814419	551	10,442.53	
67814420	552	10,442.53	
67814421	553	10,442.53	
67814422	554	10,442.53	
67814423	555	10,442.53	
67814424	556	10,442.53	
67814425	557	10,442.53	
67814426	558	10,442.53	
67814427	559	10,442.53	
67814428	560	10,442.53	

City of San Clemente
Reassessment District No. 2016-1
Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67814429	561	10,442.53	
67814430	562	10,442.53	
67814431	563	10,442.53	
67814432	564	10,442.53	
67814433	565	10,442.53	
67814434	566	10,442.53	
67814435	567	10,442.53	
67814436	568	10,442.53	
67814437	569	10,442.53	
67814438	570	10,442.53	
67814439	571	10,442.53	
67814440	572	10,442.53	
67814441	573	10,442.53	
67814442	574	10,442.53	
67814443	575	10,442.53	
67814444	576	10,442.53	
67814445	577	10,442.53	
67814446	578	10,442.53	
67814447	579	10,442.53	
67815101	580	10,442.53	
67815102	581	10,442.53	
67815103	582	10,442.53	
67815104	583	10,442.53	
67815105	584	10,442.53	
67815106	585	10,442.53	
67815107	586	10,442.53	
67815108	587	10,442.53	
67815109	588	10,442.53	
67815110	589	10,442.53	
67815111	590	10,442.53	
67815112	591	10,442.53	
67815113	592	10,442.53	
67815114	593	10,442.53	
67815115	594	10,442.53	
67815116	595	10,442.53	
67815117	596	10,442.53	
67815118	597	10,442.53	
67815119	598	10,442.53	
67815120	599	10,442.53	
67815121	600	10,442.53	

City of San Clemente
Reassessment District No. 2016-1
Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67815122	601	10,442.53	
67815123	602	10,442.53	
67815124	603	10,442.53	
67815125	604	10,442.53	
67815126	605	10,442.53	
67815127	606	10,442.53	
67815128	607	10,442.53	
67815129	608	10,442.53	
67815130	609	10,442.53	
67815131	610	10,442.53	
67815132	611	10,442.53	
67815133	612	10,442.53	
67815134	613	10,442.53	
67815135	614	10,442.53	
67815136	615	10,442.53	
67815137	616	10,442.53	
67815138	617	10,442.53	
67815139	618	10,442.53	
67924301	619	10,943.00	
67924302	620	10,943.00	
67924303	621	10,943.00	
67924304	622	10,943.00	
67924305	623	10,943.00	
67924306	624	10,943.00	
67924307	625	10,943.00	
67924308	626	10,943.00	
67924309	627	10,943.00	
67924310	628	10,943.00	
67924311	629	10,943.00	
67924312	630	10,943.00	
67924313	631	10,943.00	
67924314	632	10,943.00	
67924315	633	10,943.00	
67924316	634	10,943.00	
67924317	635	10,943.00	
67924318	636	10,943.00	
67924319	637	10,943.00	
67924320	638	10,943.00	
67924321	639	10,943.00	
67924322	640	10,943.00	

City of San Clemente
Reassessment District No. 2016-1
Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67924323	641	10,943.00	
67924324	642	10,943.00	
67924325	643	10,943.00	
67924326	644	10,943.00	
67924327	645	10,943.00	
67924328	646	10,943.00	
67924329	647	10,943.00	
67924330	648	10,943.00	
67924331	649	10,943.00	
67924332	650	10,943.00	
67924333	651	10,943.00	
67924334	652	10,943.00	
67924335	653	10,943.00	
67924336	654	10,943.00	
67924337	655	10,943.00	
67924338	656	10,943.00	
67924339	657	10,943.00	
67924340	658	10,943.00	
67924341	659	10,943.00	
67924342	660	10,943.00	
67924343	661	10,943.00	
67924344	662	10,943.00	
67924401	663	10,943.00	
67924402	664	10,943.00	
67924403	665	10,943.00	
67924404	666	10,943.00	
67924405	667	10,943.00	
67924406	668	10,943.00	
67924407	669	10,943.00	
67924408	670	10,943.00	
67924409	671	10,943.00	
67924410	672	10,943.00	
67924411	673	10,943.00	
67924412	674	10,943.00	
67924413	675	10,943.00	
67924414	676	10,943.00	
67924415	677	10,943.00	
67924416	678	10,943.00	
67924417	679	10,943.00	
67924418	680	10,943.00	

City of San Clemente
Reassessment District No. 2016-1
Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67924419	681	10,943.00	
67924420	682	10,943.00	
67924421	683	10,943.00	
67924422	684	10,943.00	
67924423	685	10,943.00	
67924424	686	10,943.00	
67924425	687	10,943.00	
67924426	688	10,943.00	
67924427	689	10,943.00	
67924428	690	10,943.00	
67924429	691	10,943.00	
67924430	692	10,943.00	
67924431	693	10,943.00	
67924432	694	10,943.00	
67924433	695	10,943.00	
67924434	696	10,943.00	
67924435	697	10,943.00	
67924436	698	10,943.00	
67924437	699	10,943.00	
67924438	700	10,943.00	
67924439	701	10,943.00	
67924440	702	10,943.00	
67924441	703	10,943.00	
67924442	704	10,943.00	
67924443	705	10,943.00	
67924444	706	10,943.00	
67924445	707	10,943.00	
67924446	708	10,943.00	
67924447	709	10,943.00	
67924448	710	10,943.00	
67924449	711	10,943.00	
67924450	712	10,943.00	
67924451	713	10,943.00	
67924452	714	10,943.00	
67924453	715	10,943.00	
67924454	716	10,943.00	
67924455	717	10,943.00	
67924456	718	10,943.00	
67924457	719	10,943.00	
67924458	720	10,943.00	

City of San Clemente
Reassessment District No. 2016-1
Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67924459	721	10,943.00	
67924460	722	10,943.00	
67924461	723	10,943.00	
67924462	724	10,943.00	
67924463	725	10,943.00	
67924464	726	10,943.00	
67924465	727	10,943.00	
67924466	728	10,943.00	
67924467	729	10,943.00	
67924468	730	10,943.00	
67924469	731	10,943.00	
67924470	732	10,943.00	
67924471	733	10,943.00	
67924472	734	10,943.00	
67924473	735	10,943.00	
67924474	736	10,943.00	
67924475	737	10,943.00	
67924501	738	10,943.00	
67924502	739	10,943.00	
67924503	740	10,943.00	
67924504	741	10,943.00	
67924505	742	10,943.00	
67924506	743	10,943.00	
67924507	744	10,943.00	
67924508	745	10,943.00	
67924509	746	10,943.00	
67924510	747	10,943.00	
67924511	748	10,943.00	
67924512	749	10,943.00	
67924513	750	10,943.00	
67924514	751	10,943.00	
67924515	752	10,943.00	
67924516	753	10,943.00	
67924517	754	10,943.00	
67924518	755	10,943.00	
67924519	756	10,943.00	
67924520	757	10,943.00	
67924521	758	10,943.00	
67924522	759	10,943.00	
67924523	760	10,943.00	

City of San Clemente
Reassessment District No. 2016-1
Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67924524	761	10,943.00	
67924525	762	10,943.00	
67924526	763	10,943.00	
67924527	764	10,943.00	
67924528	765	10,943.00	
67924529	766	10,943.00	
67924530	767	10,943.00	
67924531	768	10,943.00	
67924532	769	10,943.00	
67924533	770	10,943.00	
67924534	771	10,943.00	
67924535	772	10,943.00	
67924536	773	10,943.00	
67924537	774	10,943.00	
67924538	775	10,943.00	
67924539	776	10,943.00	
67924540	777	10,943.00	
67924541	778	10,943.00	
67924542	779	10,943.00	
67924543	780	10,943.00	
67924544	781	10,943.00	
67924545	782	10,943.00	
67924546	783	10,943.00	
67925101	784	10,943.00	
67925102	785	10,943.00	
67925103	786	10,943.00	
67925104	787	10,943.00	
67925105	788	10,943.00	
67925106	789	10,943.00	
67925107	790	10,943.00	
67925108	791	10,943.00	
67925109	792	10,943.00	
67925110	793	10,943.00	
67925111	794	10,943.00	
67925112	795	10,943.00	
67925113	796	10,943.00	
67925114	797	10,943.00	
67925115	798	10,943.00	
67925116	799	10,943.00	
67925117	800	10,943.00	

City of San Clemente
Reassessment District No. 2016-1
Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67925118	801	10,943.00	
67925119	802	10,943.00	
67925120	803	10,943.00	
67925121	804	10,943.00	
67925122	805	10,943.00	
67925123	806	10,943.00	
67925124	807	10,943.00	
67925125	808	10,943.00	
67925126	809	10,943.00	
67925127	810	10,943.00	
67925128	811	10,943.00	
67925129	812	10,943.00	
67925130	813	10,943.00	
67925131	814	10,943.00	
67925132	815	10,943.00	
67925133	816	10,943.00	
67925134	817	10,943.00	
67925135	818	10,943.00	
67925136	819	10,943.00	
67925137	820	10,943.00	
67925138	821	10,943.00	
67925139	822	10,943.00	
67925140	823	10,943.00	
67925141	824	10,943.00	
67925142	825	10,943.00	
67925143	826	10,943.00	
67925144	827	10,943.00	
67925145	828	10,943.00	
67925146	829	10,943.00	
67925148	830	10,943.00	
67926101	831	10,943.00	
67926102	832	10,943.00	
67926103	833	10,943.00	
67926104	834	10,943.00	
67926105	835	10,943.00	
67926106	836	10,943.00	
67926107	837	10,943.00	
67926108	838	10,943.00	
67926109	839	10,943.00	
67926110	840	10,943.00	

**City of San Clemente
Reassessment District No. 2016-1**

Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67926111	841	10,943.00	
67926112	842	10,943.00	
67926113	843	10,943.00	
67926114	844	10,943.00	
67926115	845	10,943.00	
67926116	846	10,943.00	
67926117	847	10,943.00	
67926118	848	10,943.00	
67926119	849	10,943.00	
67926120	850	10,943.00	
67926121	851	10,943.00	
67926122	852	10,943.00	
67926123	853	10,943.00	
67926124	854	10,943.00	
67926125	855	10,943.00	
67926126	856	10,943.00	
67926127	857	10,943.00	
67926128	858	10,943.00	
67926129	859	10,943.00	
67926130	860	10,943.00	
67926131	861	10,943.00	
67926132	862	10,943.00	
67926133	863	10,943.00	
67926134	864	10,943.00	
67926135	865	10,943.00	
67926136	866	10,943.00	
67926137	867	10,943.00	
67926138	868	10,943.00	
67926139	869	10,943.00	
67926140	870	10,943.00	
67926141	871	10,943.00	
67926142	872	10,943.00	
67926143	873	10,943.00	
67926144	874	10,943.00	
67926145	875	10,943.00	
67926146	876	10,943.00	
67926147	877	10,943.00	
67926148	878	10,943.00	
67927101	879	10,943.00	
67927102	880	10,943.00	

**City of San Clemente
Reassessment District No. 2016-1**

Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67927103	881	10,943.00	
67927104	882	10,943.00	
67927105	883	10,943.00	
67927106	884	10,943.00	
67927107	885	10,943.00	
67927108	886	10,943.00	
67927109	887	10,943.00	
67927110	888	10,943.00	
67927111	889	10,943.00	
67927112	890	10,943.00	
67927113	891	10,943.00	
67927114	892	10,943.00	
67927115	893	10,943.00	
67927116	894	10,943.00	
67927117	895	10,943.00	
67927118	896	10,943.00	
67927119	897	10,943.00	
67927120	898	10,943.00	
67927121	899	10,943.00	
67927122	900	10,943.00	
67927123	901	10,943.00	
67927124	902	10,943.00	
67927125	903	10,943.00	
67927126	904	10,943.00	
67927127	905	10,943.00	
67927128	906	10,943.00	
67927129	907	10,943.00	
67927130	908	10,943.00	
67927131	909	10,943.00	
67927132	910	10,943.00	
67927133	911	10,943.00	
67927134	912	10,943.00	
67927135	913	10,943.00	
67927136	914	10,943.00	
67927137	915	10,943.00	
67927138	916	10,943.00	
67927139	917	10,943.00	
67927140	918	10,943.00	
67927141	919	10,943.00	
67927142	920	10,943.00	

City of San Clemente
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Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67927143	921	10,943.00	
67927144	922	10,943.00	
67927145	923	10,943.00	
67927146	924	10,943.00	
67927147	925	10,943.00	
67927148	926	10,943.00	
67927149	927	10,943.00	
67928201	928	10,943.00	
67928202	929	10,943.00	
67928203	930	10,943.00	
67928204	931	10,943.00	
67928205	932	10,943.00	
67928206	933	10,943.00	
67928207	934	10,943.00	
67928208	935	10,943.00	
67928209	936	10,943.00	
67928210	937	10,943.00	
67928211	938	10,943.00	
67928212	939	10,943.00	
67928213	940	10,943.00	
67928214	941	10,943.00	
67928215	942	10,943.00	
67928216	943	10,943.00	
67928217	944	10,943.00	
67928218	945	10,943.00	
67928219	946	10,943.00	
67928220	947	10,943.00	
67928221	948	10,943.00	
67928222	949	10,943.00	
67928223	950	10,943.00	
67928224	951	10,943.00	
67928225	952	10,943.00	
67928226	953	10,943.00	
67928227	954	10,943.00	
67928228	955	10,943.00	
67928229	956	10,943.00	
67928230	957	10,943.00	
67928231	958	10,943.00	
67928232	959	10,943.00	
67928233	960	10,943.00	

City of San Clemente
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Reassessment Roll

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67928234	961	10,943.00	
67928235	962	10,943.00	
67928236	963	10,943.00	
67928237	964	10,943.00	
67928238	965	10,943.00	
67928239	966	10,943.00	
67928240	967	10,943.00	
67928241	968	10,943.00	
67928242	969	10,943.00	
67928243	970	10,943.00	
67928244	971	10,943.00	
67928245	972	10,943.00	
67928246	973	10,943.00	
67928247	974	10,943.00	
67928248	975	10,943.00	
67928301	976	10,943.00	
67928302	977	10,943.00	
67928303	978	10,943.00	
67928304	979	10,943.00	
67928305	980	10,943.00	
67928306	981	10,943.00	
67928307	982	10,943.00	
67928308	983	10,943.00	
67928309	984	10,943.00	
67928310	985	10,943.00	
67928311	986	10,943.00	
67928312	987	10,943.00	
67928313	988	10,943.00	
67928314	989	10,943.00	
67928315	990	10,943.00	
67928316	991	10,943.00	
67928317	992	10,943.00	
67928318	993	10,943.00	
67928319	994	10,943.00	
67928320	995	10,943.00	
67928321	996	10,943.00	
67928322	997	10,943.00	
67928323	998	10,943.00	
67928324	999	10,943.00	
67928325	1000	10,943.00	

City of San Clemente
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<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>
Assessor's Parcel Number	Reassessment ID	As Preliminarily Approved	As Confirmed
67928326	1001	10,943.00	
67928327	1002	10,943.00	
67928328	1003	10,943.00	
67928329	1004	10,943.00	
67928330	1005	10,943.00	
67928331	1006	10,943.00	
67928332	1007	10,943.00	
67928333	1008	10,943.00	
67928334	1009	10,943.00	
67928335	1010	10,943.00	
67928336	1011	10,943.00	
67928337	1012	10,943.00	
67928338	1013	10,943.00	
67928339	1014	10,943.00	
67928340	1015	10,943.00	
67928341	1016	10,943.00	
67928342	1017	10,943.00	
67928343	1018	10,943.00	
67928344	1019	10,943.00	
67928345	1020	10,943.00	
67928346	1021	10,943.00	
67928347	1022	10,943.00	
67928348	1023	10,943.00	
67928349	1024	10,943.00	
67928350	1025	10,943.00	
67928351	1026	10,943.00	
67928352	1027	10,943.00	
67928353	1028	10,943.00	
67928354	1029	10,943.00	
67928355	1030	10,943.00	
67928356	1031	10,943.00	
67928357	1032	10,943.00	
67928358	1033	10,943.00	
67928359	1034	10,943.00	
67928360	1035	10,943.00	
67928361	1036	10,943.00	
67928362	1037	10,943.00	

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF LIMITED OBLIGATION REFUNDING BONDS FOR REASSESSMENT DISTRICT NO. 2016-1, APPROVING THE FORM OF FISCAL AGENT AGREEMENT, FIRST SUPPLEMENTAL AGREEMENT, BOND PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT, AND CONTINUING DISCLOSURE AGREEMENT, AND AUTHORIZING OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City Council of the City of San Clemente, California, has undertaken proceedings pursuant to the "Refunding Act of 1984 for 1915 Improvement Act Bonds" (the "Refunding Act"), being Division 11.5 of the Streets and Highways Code of the State of California, and has previously adopted a resolution approving a report prepared and submitted pursuant to the provisions of the Refunding Act (the "Reassessment Report") and conditionally confirming reassessments upon lands within a reassessment district known and designated as Reassessment District No. 2016-1 ("RAD No. 2016-1"); and,

WHEREAS, such proceedings provide for the issuance of Limited Obligation Refunding Bonds (defined below) pursuant to the Refunding Act to represent the unpaid reassessments within RAD No. 2016-1; and,

WHEREAS, at this time, but subject to the final confirmation of the reassessments to be incorporated in a final Assessment Engineer's Report and the recordation of the reassessment diagram and notice of reassessment, this legislative body desires to set forth all formal terms and conditions relating to the issuance and sale of such Limited Obligation Refunding Bonds pursuant to the Refunding Act; and,

WHEREAS, the proceeds of the Limited Obligation Refunding Bonds shall be used to retire, in advance of their scheduled maturities, the San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds (the "Prior Authority Bonds") which were issued to purchase the City's Limited Obligation Improvement Bonds Reassessment District No. 98-1 (the "Prior Limited Obligation Improvement Bonds"), and upon the defeasance of the Prior Authority Bonds, the Prior Limited Obligation Improvement Bonds will be discharged and the pledge of the reassessments for the Prior Limited Obligation Improvement Bonds will terminate; and

WHEREAS, for the purposes of the sale and delivery of the Limited Obligation Refunding Bonds, there are now on file with the City Clerk copies of the forms of the following documents and reference is hereby made thereto for further particulars:

A. a Fiscal Agent Agreement by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"), establishing the terms and conditions pertaining to the issuance of the Limited Obligation Refunding Bonds (the "Fiscal Agent Agreement");

B. a Preliminary Official Statement describing the Limited Obligation Refunding Bonds, the City and RAD No. 2016-1 (the "Preliminary Official Statement");

C. a First Supplemental Agreement by and between the City and the Fiscal Agent to provide that the defeasance of the Prior Authority Bonds will cause the discharge of the Prior Limited Obligation Improvement Bonds (the "First Supplemental Agreement");

D. a Bond Purchase Agreement by and between the City and Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"), related to the sale of the Limited Obligation Refunding Bonds (the "Bond Purchase Agreement");

E. a Continuing Disclosure Agreement by and between the City and Willdan Financial Services, acting as dissemination agent, to provide continuing disclosure of certain information specified therein pertaining to the Limited Obligation Refunding Bonds and RAD No. 2016-1 (the "Continuing Disclosure Agreement"); and

WHEREAS, this City Council has reviewed and considered such Fiscal Agent Agreement, Preliminary Official Statement, First Supplemental Agreement, Bond Purchase Agreement and Continuing Disclosure Agreement and finds those documents suitable for approval, subject to the conditions set forth in this resolution; and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Limited Obligation Refunding Bonds and the levy of the reassessments as contemplated by this resolution and the documents referred to herein exist, have happened and have been performed or have been ordered to have been performed in due time, form and manner as required by the laws of the State of California and the Refunding Act.

NOW, THEREFORE, BE IT RESOLVED AND DETERMINED:

Section 1. Recitals. The above recitals are true and correct.

Section 2. Bonds Authorized. Pursuant to the Refunding Act, this Resolution and the Fiscal Agent Agreement, limited obligation refunding bonds of the City for RAD No. 2016-1 designated as "City of San Clemente Reassessment District No. 2016-1 Limited Obligation Refunding Bonds" (the "Limited Obligation Refunding Bonds") in an aggregate principal amount not to exceed the unpaid reassessments levied within RAD No. 2016-1 are hereby authorized to be issued. The date, manner of payment, interest rate or rates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption and other terms, covenants and conditions of the Limited Obligation Refunding Bonds shall be as provided in the Fiscal Agent Agreement as finally executed. The interest payment dates for such Limited Obligation Refunding Bonds shall, pursuant to the Refunding Act, be March 2 and September 2 and such bonds shall mature on September 2 as specified in the Fiscal Agent Agreement.

Section 3. Authorization and Conditions. The City Manager, the Assistant City Manager and the Financial Services Officer and each of their specified designees (the "Authorized Officers"), acting for and on behalf of the City, are, and each of them is, hereby

authorized and directed to execute and deliver the various documents and instruments described in this Resolution with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve as being in the best interests of the City subject to any limiting conditions contained herein and further subject to the approval thereof as to form by the City Attorney or his specified designee and Best Best & Krieger LLP, the City's bond counsel ("Bond Counsel"). The approval of such additions or changes shall be conclusively evidenced by the execution and delivery of such documents or instruments by the Authorized Officer.

Section 4. Fiscal Agent Agreement. The form of Fiscal Agent Agreement with respect to the Limited Obligation Refunding Bonds on file in the City Clerk's office is hereby approved.

Section 5. First Supplemental Agreement. The form of First Supplemental Agreement with respect to the Prior Limited Obligation Improvement Bonds on file in the City Clerk's office is hereby approved.

Section 6. Bond Purchase Agreement. The form of Bond Purchase Agreement on file in the City Clerk's office is hereby approved. The Authorized Officers, acting for and on behalf of the City, are, and each one of them is, hereby authorized and directed to evidence the City's acceptance of the terms and provisions of the Bond Purchase Agreement, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve as being in the best interests of the City, and as approved as to form by the City Attorney and Bond Counsel, such approval to be conclusively evidenced by the execution and delivery of such Bond Purchase Agreement only if the aggregate principal amount of the Limited Obligation Refunding Bonds is equal to or less than \$10,000,000 and the final maturity of the Limited Obligation Refunding Bonds shall not be later than September 2, 2028.

Section 7. Continuing Disclosure Agreement. The form of Continuing Disclosure Agreement on file in the City Clerk's office is hereby approved.

Section 8. Approval of Preliminary Official Statement and Final Official Statement. The form of Preliminary Official Statement on file in the City Clerk's office is hereby approved. The Authorized Officers, acting for and on behalf of the City, are, and each of them is, hereby authorized and directed to approve such changes, insertions and omissions therein as are necessary to enable such Authorized Officer to certify on behalf of the City that the approved Preliminary Official Statement is deemed final as of its date except for the omission of certain information as permitted by Section 240.15c2-12(b)(1) of Title 17 of the Code of Federal Regulations. The Authorized Officers, acting for and on behalf of the City, are, and each of them, is further authorized and directed to cause the City to bring the Preliminary Official Statement into the form of a final official statement (the "Final Official Statement") and to execute a statement that the facts contained in the Final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of the sale of the Limited Obligation Refunding Bonds, true and correct in all material respects and that the Final Official Statement did not, on the date of sale of the Limited Obligation Refunding

Bonds, and do not, as of the date of delivery of the Limited Obligation Refunding Bonds, contain any untrue statement of a material fact with respect to the City or omit to state material facts with respect to the City or the Limited Obligation Refunding Bonds required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Limited Obligation Refunding Bonds and is directed to deliver copies of the Final Official Statement to the actual purchasers of the Limited Obligation Refunding Bonds.

Section 9. Costs of Issuance. "Designated costs of issuing the refunding bonds" for purposes of Subsection 9600(b) and Section 9614 of the Refunding Act are the items specified in paragraphs (1) through and including (5) of subsection (a) of Section 9600 of the Refunding Act, and "Costs of Issuance" as such phrase is used in the Fiscal Agent Agreement shall mean such designated costs of issuing the Limited Obligation Refunding Bonds.

Section 10. Bonds Prepared and Delivered. The Limited Obligation Refunding Bonds shall be prepared, authenticated and delivered, all in accordance with the applicable terms of the Refunding Act and the Fiscal Agent Agreement, and the Authorized Officers, and other responsible City officials are hereby authorized and directed to take such actions as are required under the Fiscal Agent Agreement to complete all actions required to evidence the delivery of the Limited Obligation Refunding Bonds upon the receipt of the purchase price thereof from the Underwriter.

Section 11. Annual Reassessment Installments. A copy of the resolution confirming the reassessments and the reassessments, which reassessments shall constitute the security for the Limited Obligation Refunding Bonds, shall be delivered to the Treasurer and the Treasurer shall keep or cause to be kept the record showing the several installments of principal and interest on the reassessments which are to be collected each year during the term of the Limited Obligation Refunding Bonds. An annual portion of each reassessment, together with annual interest on said reassessment, shall be payable in the same manner and at the same time and in the same installment as the general property taxes of the County of Orange and shall be payable and become delinquent at the same time and in the same proportionate amount. Each year the annual installments shall be submitted to the County Auditor for purposes of collection.

Section 12 Actions. All actions heretofore taken by the officers and agents of the City with respect to the establishment of RAD No. 2016-1 and the sale and issuance of the Limited Obligation Refunding Bonds are hereby approved, confirmed and ratified, and the proper officers of the City are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements, contracts, and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Limited Obligation Refunding Bonds in accordance with the Refunding Act, this Resolution, the Fiscal Agent Agreement, the First Supplemental Agreement, the Preliminary Official Statement, the Continuing Disclosure

Agreement and the Bond Purchase Agreement and any certificate, agreement, contract, and other document described in the documents herein approved.

Section 13. Effective Date. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this 13th day of June, 2016.

ATTEST:

City Clerk of the City of
San Clemente, California

Mayor of the City of San
Clemente, California

FISCAL AGENT AGREEMENT

by and between

CITY OF SAN CLEMENTE

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Fiscal Agent

Dated as of _____ 1, 2016

Relating to

\$ _____
City of San Clemente
Reassessment District No. 2016-1
Limited Obligation Refunding Bonds

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FISCAL AGENT AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into and dated as of _____ 1, 2016, by and between the City of San Clemente, California, a general law city (the "City"), and The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the "Fiscal Agent").

WITNESSETH

WHEREAS, the City has issued bonds for the City of San Clemente Reassessment District No. 98-1 (the "Prior Reassessment District") and such bonds remain outstanding in the aggregate principal amount of \$ _____ (the "Prior Limited Obligation Improvement Bonds"); and

WHEREAS, the City of San Clemente Public Financing Authority issued its Reassessment Refunding Revenue Bonds in the aggregate principal amount of \$14,235,000 (the "Prior Authority Bonds"), for the purpose of acquiring the Prior Limited Obligation Improvement Bonds; and

WHEREAS, the City Council (the "City Council") of the City has conducted proceedings pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 (commencing with Section 9500) of the Streets and Highways Code of the State of California (the "Refunding Act") and has adopted Resolution No. _____ (the "Resolution") confirming a report prepared pursuant to Section 9523 of the Streets and Highways Code of the State of California, formed Reassessment District No. 2016-1 (the "Reassessment District") and confirmed a reassessment which is contained in the report and which has been levied on all parcels of property within the Reassessment District, and all acts required by the Refunding Act with respect to the confirmation and levy of such reassessment have been accomplished; and

WHEREAS, the City Council has determined that it is in the best interests of the City and the owners of property within the Reassessment District that maturity of the outstanding Authority Bonds be advanced and that such bonds be defeased and redeemed, and that refunding bonds (the "Bonds"), to be secured by such reassessment, be issued pursuant to the Refunding Act for the purpose of financing the defeasance and refunding of the Prior Authority Bonds and thereby discharging the Prior Limited Obligation Improvement Bonds; and

WHEREAS, the City Council has determined that it is in the best interests of the owners of property within the Reassessment District that the Bonds be issued and sold on the terms and conditions hereinafter specified;

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the provisions of the Refunding Act and the Resolution.

Section 1.02. Agreement for Benefit of Bondowners. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Owners of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement. The Fiscal Agent and its officers and employees may become the owner of any of the Bonds with the same rights it would have if it were not Fiscal Agent.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

"Agreement" means this Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement entered into pursuant to the provisions hereof.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid.

"Authorized Officer" means any officer or employee of the City authorized by the City Council or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

"Average Annual Debt Service" means the average over all Bond Years (from the date of the Bonds to their maturity) of Annual Debt Service.

"Bond Counsel" means any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Year" means the period beginning on the Closing Date and ending on September 2, 2016 and thereafter the period beginning on each September 3 and ending on the following September 2.

"Bonds" means the Bonds at any time Outstanding under this Agreement.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the State of California are authorized or obligated by law or executive order to be closed.

"City" means the City of San Clemente.

“City Council” means the City Council of the City.

“City Treasurer” means the Treasurer of the City.

“Closing Date” means the date upon which there is an exchange of the Bonds for the proceeds representing payment of the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement executed by the City, and Willdan Financial Services, as Dissemination Agent, dated as of _____ 1, 2016 as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, including but not limited to the preliminary official statement and official statement regarding the Bonds, closing costs, filing and recording fees, expenses incurred by the City in connection with the issuance of the Bonds, bond (underwriter’s) discount, fees and expenses of consultants performing services in connection with the reassessment proceedings for the Reassessment District, legal fees and expenses, including the fees and expenses of bond counsel and disclosure counsel, charges for authentication, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Cost of Issuance Fund” means the fund by that name established by Section 3.03(A) hereof.

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

“Depository” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Escrow Agreement” means the Escrow Agreement to be entered into on the Closing Date by and between the City and the Escrow Agent whereby the proceeds of the sale of the Bonds and amounts on deposit in the reserve fund and the redemption fund for the Prior Bonds will be deposited in the Escrow Fund established pursuant to the Escrow Agreement for the refunding and redemption of the Prior Bonds.

“Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., or any substitute Escrow Agent which may be appointed pursuant to the Escrow Agreement.

“Federal Securities” means any of the following which at the time of investment are determined by the City to be legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(i) Cash; and

(ii) Direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations, the timely payment of principal of and interest on which is fully and unconditionally guaranteed by the United States of America.

“Fiscal Agent” means The Bank of New York Mellon Trust Company, N.A., the Fiscal Agent appointed by the City, acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01 hereof.

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

“Independent Financial Consultant” means a firm of certified public accountants, a financial consulting firm, a consulting engineering firm or an engineer which is not an employee of, or otherwise controlled by, the City.

“Information Services” means the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

“Insurer” means _____

“Interest Payment Dates” means March 2 and September 2 of each year, commencing March 2, 2017.

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

“Maximum Annual Debt Service” means the amount determined by the City to be the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Moody’s” shall mean Moody’s Investors Service, Inc., a national rating service with offices in New York, New York.

“Nominee” means Cede & Co., the nominee of the Depository, or any other nominee (which may be the Depository) of the Depository.

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

“Original Purchaser” means Stifel, Nicolaus & Company, Incorporated.

“Outstanding,” when used as of any particular time with reference to the Bonds, means (subject to the provisions of Section 8.04 hereof) all Bonds except:

- (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;
- (ii) Bonds called for redemption which, for the reasons specified in Section 2.03(G) hereof, are no longer entitled to any benefit under this Agreement other than the right to receive payment of the redemption price therefor;
- (iii) Bonds paid or deemed to have been paid within the meaning of Section 9.03 hereof; and
- (iv) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City and authenticated by the Fiscal Agent pursuant to this Agreement or any Supplemental Agreement.

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

“Permitted Investments” means:

- (i) Federal Securities;
- (ii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):
 - (a) U.S. Export-Import Bank
Direct obligations or fully guaranteed certificates of beneficial ownership
 - (b) Federal Financing Bank
 - (c) Federal Housing Administration Debentures
 - (d) General Services Administration
Participation certificates
 - (e) Government National Mortgage Association (GNMA)
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
 - (f) U.S. Maritime Administration
Guaranteed Title XI financing

- (g) U.S. Department of Housing and Urban Development
 Project Notes
 Local Authority Bonds
 New Communities Debentures - United States government
 guaranteed debentures
 U.S. Public Housing Notes and Bonds - United States government
 guaranteed public housing notes and bonds;

(iii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (a) Federal Home Loan Bank System
 Senior debt obligations
- (b) Federal Home Loan Mortgage Corporation
 Participation Certificates
 Senior debt obligations
- (c) Federal National Mortgage Association
 Mortgage-backed securities and senior debt obligations
- (d) Student Loan Marketing Association
 Senior debt obligations
- (e) Resolution Funding Corporation (REFCORP) obligations
- (f) Farm Credit System
 Consolidated systemwide bonds and notes;

(iv) Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of "AAAm-G," "AAA-m" or "AA-m" and, if rated by Moody's, rated "Aaa," "Aa1" or "Aa2" by Moody's, including funds for which the Fiscal Agent or any of its affiliates receives and retains a fee for services provided to the fund, for which services may include investment management, transfer agency, custodial, investment advisory, or other services;

(v) Bank deposit products and unsecured certificates of deposit and time deposits (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated on the date of purchase "A-1+" or better by S&P and "P-1" by Moody's and or certificates of deposit (including those of the Fiscal Agent, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase "A-1" or better by S&P, Moody's and Fitch;

(vi) Certificates of deposit (including those placed by a third party pursuant to an agreement between the City and the Fiscal Agent), time deposits, demand deposits, bank deposit products, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, interest-bearing money market accounts, bankers' acceptances, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF (including those of the Fiscal Agent or any of its affiliates);

(vii) Investment agreements with domestic or foreign banks or corporations the long-term debt or claims paying ability of which or, in the case of a guaranteed corporation, the long-term debt, or, in the case of a monoline financial guaranty insurance company, the financial strength, of the guarantor is rated in at least the double A category by Standard & Poor's and Moody's; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Fiscal Agent at times and in amounts as necessary to pay debt service on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice;

(c) the investment agreement shall provide that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) the City and the Fiscal Agent receive the opinion of domestic counsel (which opinion shall be addressed to the City) that such investment agreement is legal, valid, binding upon and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the City;

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

(1) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with the applicable state and federal laws (other than by means of entries on the provider's books) to the City, the Fiscal Agent or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims, the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Standard & Poor's and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) assign the investment agreement and all of its obligations thereunder to a financial institution mutually acceptable to the provider and the City which is rated either in the first or second highest category by Standard & Poor's and Moody's; and

(2) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the City or the Fiscal Agent (acting at the direction of the City),

within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the invested funds, in either case with no penalty or premium to the City or the Fiscal Agent, as appropriate; and

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

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

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

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be paid to the City or the Fiscal Agent, as appropriate;

(viii) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by Standard & Poor's;

(ix) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one of the two highest rating categories assigned by them;

(x) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or better by Standard & Poor's;

(xi) Repurchase or reverse repurchase agreements (including those of the Fiscal Agent or any of its affiliates) which satisfy the following criteria:

(a) Repurchase or reverse repurchase agreements must be between the City or the Fiscal Agent and a dealer bank or securities firm which is:

(1) A primary dealer on the Federal Reserve reporting dealer list which is rated "A" or better by Standard & Poor's and Moody's, or

(2) A bank rated "A" or above by Standard & Poor's and Moody's;

(b) The written agreement must include the following:

(1) Securities which are acceptable for transfer are:

(A) direct obligations of the United States government,
or

(B) obligations of federal agencies backed by the full faith and credit of the United States of America (or the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)),

(2) The collateral must be delivered to the City, the Fiscal Agent (or one of its affiliates), or a third party acting as agent for the Fiscal Agent before or simultaneous with payment (perfection by possession of certificated securities),

(A) The securities must be valued weekly, marked-to-market at current market price plus accrued interest, and

(B) The value of the collateral must be at least equal to one hundred four percent (104%) of the amount of money transferred by the Fiscal Agent to the dealer, bank or security firm under the agreement plus accrued interest. If the value of the securities held as collateral is reduced below one hundred four percent (104%) of the value of the amount of money transferred by the Fiscal Agent, then additional acceptable securities and/or cash must be provided as collateral to bring the value of the collateral to one hundred four percent (104%); provided, however, that if the securities used as collateral are those of FNMA or FHLMC, then the value of the collateral must be equal to one hundred five percent (105%) of the amount of money transferred by the Fiscal Agent; and

(c) A legal opinion must be delivered to the City and the Fiscal Agent that the repurchase agreement meets the requirements of California law with respect to the investment of public funds; and

(xii) The Local Agency Investment Fund in the State Treasury of the State of California as permitted by the State Treasurer pursuant to Section 16429.1 of the Government Code of the State of California.

“Principal Office” means the office of the Fiscal Agent in Los Angeles, California, at which at any particular time corporate trust business shall be administered, or such other office as it shall designate, except that with respect to registration of bonds and presentation of Bonds for payment, transfer or exchange, such term means the designated corporate trust operations office or agency office of the Fiscal Agent, or such other office as may be designated by the Fiscal Agent, at which its corporate agency business shall then be conducted.

“Prior Authority Bonds” means the City of San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds originally issued in the aggregate principal amount of \$14,235,000 which are to be refunded with the proceeds from the sale of the Bonds to be deposited with the Escrow Agent pursuant to Section 3.02(C) hereof.

“Prior Limited Obligation Improvement Bonds” means the City of San Clemente Limited Obligation Improvement Bonds Reassessment District No. 98-1 originally issued in the

aggregate principal amount of \$14,235,000 which are to be discharged upon the defeasance of the Prior Authority Bonds.

“Prior Reassessments” means the currently enrolled and uncollected assessments relating to the Prior Bonds.

“Prior Reassessment District” means the City of San Clemente Reassessment District No. 98-1, County of Orange, State of California.

“Prior Reassessment Revenues” means the revenues received by the City from the collection of the annual installments of the unpaid Prior Reassessments and proceeds from the sale of property for delinquent Prior Reassessment installments.

“Reassessments” means the reassessments levied on properties within the Reassessment District which secure the payment of Debt Service.

“Reassessment District” means City of San Clemente Reassessment District No. 2016-1, County of Orange, State of California.

“Reassessment Prepayment” means an amount received by the City as a result of the prepayment of a Reassessment by the owner of a parcel of property within the Reassessment District pursuant to Section 8766 or Section 8766.5 of the Streets and Highways Code of the State of California.

“Reassessment Prepayment Account” means the account by that name established in the Redemption Fund by Section 4.02(C) hereof.

“Reassessment Revenues” means the revenues received by the City in each Fiscal Year from the collection of the annual installments of the unpaid Reassessments and proceeds from the sale of property for delinquent Reassessment installments.

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

“Rebate Fund” means the fund by that name established by Section 6.02 hereof.

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

“Redemption Fund” means the fund by that name established by Section 4.02(A) hereof.

“Refunding Act” means the Refunding Bond Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 (commencing with Section 9500) of the Streets and Highways Code of the State of California.

“Regulations” means the temporary and permanent regulations of the United States Department of the Treasury promulgated under the Code.

“Reserve Fund” means the fund by that name established by Section 4.03(A) hereof.

[“Reserve Policy” means the municipal bond debt service reserve insurance policy issued by the Insurer deposited in the Reserve Fund securing the Bonds.]

[“Reserve Policy Provider” means _____.]

“Reserve Requirement” means an amount initially equal to \$ _____ which amount shall, as of any date of calculation, be equal to the least of (i) Maximum Annual Debt Service for the Bonds, (ii) one hundred and twenty-five percent (125%) of Average Annual Debt Service for the Bonds, or (iii) ten percent (10%) of the issue price (as defined in the Treasury Regulations) of the Bonds; provided, however, the Reserve Requirement shall not exceed the maximum amount then permitted to be funded from the proceeds of tax-exempt obligations under the Code.

“Resolution” means Resolution No. _____ adopted by the City Council on _____, 2016.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York, 10041-0099; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Standard & Poor’s” shall mean Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a national rating service with offices in New York, New York.

“Supplemental Agreement” means a Supplemental Agreement entered into by the City and the Fiscal Agent for the purpose of modifying or amending this Agreement or the rights and obligations of the City and the Owners pursuant to Section 8.01 hereof.

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

ARTICLE II

THE BONDS

Section 2.01. Principal Amount; Designation. The Bonds in the aggregate principal amount of \$ _____ are hereby authorized to be issued by the City for the Reassessment District under and subject to the terms of the Resolution, this Agreement, the Refunding Act and other applicable laws of the State of California. The Bonds shall be designated “City of San Clemente Reassessment District No. 2016-1 Limited Obligation Refunding Bonds” and shall be secured by the Reassessments.

Section 2.02. Terms of Bonds.

(A) The Bonds. The Bonds shall be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple thereof. The Bonds shall be lettered and numbered in a customary manner as determined by the City. The Bonds shall be dated as of the Closing Date.

(B) Maturities. The Bonds shall mature and become payable on September 2 of each year and bear interest as follows:

<u>Maturity Dates</u> <u>(September 2)</u>	<u>Principal</u> <u>Amounts</u> \$	<u>Interest</u> %
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		

(C) Interest. The Bonds shall bear interest at the rates set forth in subsection (B) above which shall be payable on the Interest Payment Dates in each year. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated after a Record Date and before the close of business on the next Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon or from the Closing Date, if no interest has previously been paid or made available for payment thereon.

(D) Method of Payment. Interest on the Bonds is payable by check of the Fiscal Agent mailed by first class mail, postage prepaid, or by wire transfer, on each Interest Payment Date, until the principal amount of a Bond has been paid or made available for payment, to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of such Bonds at the Principal Office of

the Fiscal Agent. All Bonds paid by the Fiscal Agent pursuant to this subsection shall be canceled and destroyed by the Fiscal Agent.

(E) CUSIP Identification Numbers. CUSIP identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to the Owners shall not constitute an event of default or any violation of the City’s contract with the Owners and shall not impair the effectiveness of any such notice.

Section 2.03. Redemption.

(A) Optional Redemption. The Bonds are subject to optional redemption prior to their stated maturity dates on any Interest Payment Date beginning September 2, 2020, on a pro rata basis among maturities (and by lot within any one maturity), in integral multiples of \$5,000, at the option of the City from moneys derived by the City from any source, at the following redemption prices (expressed as percentages of the principal amounts of the Bonds to be redeemed), together with accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date beginning September 2, 2020 through March 2, 2024	103%
September 2, 2024 and March 2, 2025	102%
September 2, 2025 and March 2, 2026	101%
September 2, 2026 and thereafter	100%

(B) Mandatory Redemption From Reassessment Prepayments. The Bonds are subject to mandatory redemption prior to their stated maturity dates on any Interest Payment Date, as selected by the City, in integral multiples of \$5,000, from moneys derived by the City from Reassessment Prepayments, at the following redemption prices (expressed as percentages of the principal amounts to be redeemed), together with accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date through March 2, 2024	103%
September 2, 2024 and March 2, 2025	102%
September 2, 2025 and March 2, 2026	101%
September 2, 2026 and thereafter	100%

In selecting Bonds for redemption, the City shall select the Bonds to be redeemed among maturities so that the ratio of Outstanding Bonds to issued Bonds shall be approximately the same in each maturity and so as to maintain level Annual Debt Service, insofar as possible. The City shall notify the Fiscal Agent of the principal amount of the Bonds so selected for redemption in each maturity of the Bonds by an Officer’s Certificate delivered to the Fiscal Agent not less than forty-five (45) days, or such lesser number of days as is acceptable to the Fiscal Agent, in its sole discretion, prior to the date selected for redemption. The Fiscal Agent shall select Bonds for redemption within each maturity of the Bonds by lot.

(C) Purchase of Bonds. In lieu of payment at maturity or redemption under this Section 2.03, moneys in the Redemption Fund may be used and withdrawn by the Fiscal Agent, upon written instructions from the City, for purchase of Outstanding Bonds, at public or private sale as and when, and at such prices (including brokerage and other charges) as the City may determine to be appropriate, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

(D) Notice to Fiscal Agent. An Authorized Officer shall give the Fiscal Agent written notice of the City's intention to redeem Bonds at least forty-five (45) days, or such lesser number of days as is acceptable to the Fiscal Agent, in its sole discretion, prior to the applicable redemption date. The provisions of this subsection (D) shall not apply to the purchase of Bonds pursuant to Section 2.03(C) hereof.

(E) Redemption Procedure by Fiscal Agent. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall state the date of such notice, the date of issue of the Bonds, the place or places of redemption, the redemption date, the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed, by giving the individual CUSIP number and Bond number of each Bond to be redeemed, or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called for redemption in part the portion of the principal of the Bond to be redeemed, shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of the mailing of any such redemption notice shall be paid by the City. Redemption notices may be conditional. Redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP number printed therein or on the Bonds.

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

In the event of mandatory redemption pursuant to Section 2.03(B) hereof or a purchase of Bonds pursuant to Section 2.03(D) hereof, the Fiscal Agent shall deposit in the Redemption Fund moneys provided by the City in an amount equal to the redemption price of the Bonds being redeemed or the purchase price of the Bonds being purchased on or before the fifteenth (15th) day of the month preceding the Interest Payment Date upon which such Bonds are to be redeemed or the date upon which the Bonds are to be purchased, as the case may be.

Whenever provision is made in this Agreement for the redemption of less than all of the Bonds, the City shall select the Bonds for redemption in such a way that the ratio of Outstanding Bonds to issued Bonds shall be approximately the same in each maturity of the Bonds insofar as possible, and the Fiscal Agent shall select Bonds for redemption within each maturity of the Bonds by lot.

Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

(F) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption prices of the Bonds called for redemption shall have been deposited in the Redemption Fund, such Bonds shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and interest shall cease to accrue on the Bonds to be redeemed on the redemption date specified in the notice of redemption.

All Bonds redeemed and purchased by the Fiscal Agent pursuant to this Section 2.03 and all Bonds paid at maturity shall be canceled and destroyed by the Fiscal Agent.

Section 2.04. Form of Bonds. The Bonds, the Fiscal Agent's certificate of authentication and the assignment to appear thereon shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions as permitted or required by this Agreement.

Section 2.05. Execution of Bonds. The Bonds shall be executed by the facsimile signatures of the Treasurer and the City Clerk of the City, who are in office on the date of this Agreement or at any time thereafter. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bond to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bond to the Owner. Any Bond may be signed and attested by such persons as at the actual date of the execution of such Bond shall be the proper officers of the City notwithstanding that on the nominal date of such Bond any such person shall not have been such officer of the City.

Only such Bonds as shall bear thereon a certificate of authentication in substantially the forms set forth in Exhibit A hereto, manually executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that such Bonds have been duly authenticated, registered and delivered hereunder, and are entitled to the benefits of this Agreement.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 hereof, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Fiscal Agent. The cost for any services rendered

or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting transfer of a Bond any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds of like aggregate principal amount of authorized denominations.

No transfers of Bonds shall be required to be made (i) during the fifteen (15) days preceding the date established by the Fiscal Agent for selection of Bonds for redemption, or (ii) with respect to Bonds which have been selected for redemption.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Fiscal Agent only for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expense incurred by the Fiscal Agent in connection with any such exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting exchange of a Bond any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) during the fifteen (15) days preceding the date established by the Fiscal Agent for selection of Bonds for redemption, or (ii) with respect to Bonds which have been selected for redemption.

Section 2.08. Bond Register. The Fiscal Agent shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds which books shall show the series, number, CUSIP identification number, date of issuance, amount, rate of interest and Owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the City, at the expense of the Owner of said Bond, shall execute, and the Fiscal Agent

shall authenticate and deliver, a replacement Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled and destroyed by the Fiscal Agent. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to the Fiscal Agent and indemnity satisfactory to the Fiscal Agent shall be given, the City, at the expense of the Owner, shall execute, and the Fiscal Agent shall authenticate and deliver, a replacement Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The City or Fiscal Agent may require payment of a sum not exceeding the actual cost of preparing each replacement Bond delivered under this Section 2.10 and of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery thereof. Any Bond delivered under the provisions of this Section 2.10 in replacement of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

Section 2.11. Special Obligation. All obligations of the City under this Agreement and the Bonds shall be special obligations of the City, payable solely from the Reassessment Revenues. Neither the faith and credit nor the taxing power of the City or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Section 2.12. Book-Entry System; Delivery of the Bonds to the Depository.

(A) Book-Entry System; Limited Obligation of the City and the Fiscal Agent. Notwithstanding any other provision of this Agreement, the Bonds shall be initially delivered to the Depository in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon such initial delivery, the ownership of each such Bond shall be registered in the registration books kept by the Fiscal Agent in the name of the Nominee, as nominee of the Depository. Except as provided in subsection (C) below, all of the Outstanding Bonds shall be registered in the registration books kept by the Fiscal Agent in the name of the Nominee.

With respect to Bonds registered in the registration books kept by the Fiscal Agent in the name of the Nominee, the City and the Fiscal Agent shall have no responsibility or obligation to any Participant or to any person, corporation or firm on behalf of which the Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the City and the Fiscal Agent shall have no responsibility or obligation with respect to (1) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in the Bonds, (2) the delivery to any Participant or any other person, other than an Owner as shown in the registration books kept by the Fiscal Agent, of any notice with respect to the Bonds, (3) the selection by the Depository and its Participants of the beneficial interest in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (4) the payment to any Participant or any other persons, other than an Owner as shown in the registration books kept by the Fiscal Agent, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The City and the Fiscal Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Fiscal Agent as the holder and absolute owner of

such Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Bond, for the purpose of giving notices with respect to such Bond, for the purpose of registering transfers with respect to such Bond and for all other purposes whatsoever. The Fiscal Agent shall pay all principal of, premium, if any, and interest due with respect to the Bonds only to or upon the order of the Owners thereof, as shown in the registration books kept by the Fiscal Agent, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the City's obligations with respect to payment of principal, premium, if any, and interest due with respect to the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the registration books kept by the Fiscal Agent, shall receive a Bond evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Agreement. Upon delivery by the Depository to the Fiscal Agent and the City of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Agreement shall refer to such new nominee of the Depository.

(B) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, an authorized representative of the Fiscal Agent is hereby authorized to execute from time to time and deliver to such Depository a representation letter in the standard form prescribed by the Depository (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of subsection (A) above or impose upon the City or the Fiscal Agent any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Fiscal Agent. The Fiscal Agent agrees, to the extent not inconsistent with the provisions hereof, to take all action necessary to continuously comply with all representations made by it in the Representation Letter. In addition to the execution and delivery of the Representation Letter, the City Clerk, the City Treasurer, the City Manager, the Authorized Officers and all other officers of the City, are hereby authorized to take any other actions, not inconsistent with this Agreement, to qualify the Bonds for the Depository's book-entry program.

(C) Transfers Outside Book-Entry System. In the event (1) the Depository determines not to continue to act as securities depository for the Bonds or (2) the City determines that the Depository shall no longer so act, then the Fiscal Agent will discontinue the book-entry system with the Depository. If the City fails to identify another qualified securities depository to replace the Depository then the Bonds shall no longer be restricted to being registered in the registration books kept by the Fiscal Agent in the name of the Nominee, but shall be registered in whatever name or names persons transferring or exchanging Bonds shall designate, in accordance with the provisions of this Agreement.

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

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS;
COST OF ISSUANCE FUND

Section 3.01. Issuance and Delivery of Bonds. At any time after the execution and delivery of this Agreement, the City may issue the Bonds in the aggregate principal amount set forth in Section 2.01 hereof and deliver the Bonds to the Original Purchaser. The Authorized Officers of the City are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Refunding Act, the Resolution and this Agreement and to provide for the defeasance, refunding, and redemption of the Prior Authority Bonds and thereby discharging the Prior Limited Obligation Improvement Bonds, and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Original Purchaser.

Section 3.02. Application of Proceeds of Sale of Bonds.

On the Closing Date, the Fiscal Agent shall apply proceeds of the sale of the Bonds received on such date, being an amount equal to \$_____ (representing the aggregate principal amount of the Bonds of \$_____, plus/less and original issue discount/premium, less the Original Purchaser's discount in the amount of \$_____ and less \$_____ which the Original Purchaser is paying to the Insurer on behalf of the City as the premium for the Insurance Policy and the Reserve Policy) as follows:

- (A) Deposit in the Cost of Issuance Fund the amount of \$_____;
- (B) Deposit in the Reserve Fund the amount of \$_____ and a Reserve Policy in the stated amount of \$_____; and
- (C) Deposit with the Escrow Agent for deposit in the Escrow Fund established pursuant to the Escrow Agreement the remaining Proceeds of the Bonds in the amount of \$_____. The Fiscal Agent may establish such temporary fund or account on its records as it may deem necessary to facilitate such deposit.

Section 3.03. Cost of Issuance Fund.

(A) Establishment of Fund. The Fiscal Agent shall establish and maintain a separate fund to be known as the "Cost of Issuance Fund" into which shall be deposited the proceeds of the sale of the Bonds pursuant to Section 3.02 (A) hereof. Moneys in the Cost of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) Disbursements. Amounts in the Cost of Issuance Fund shall be disbursed to pay Costs of Issuance, as set forth in an Officer's Certificate containing respective amounts to be paid to the designated payees delivered to the Fiscal Agent on the Closing Date concurrently with the delivery of the Bonds. The Fiscal Agent shall, to the extent of the moneys on deposit in the Cost of Issuance Fund, pay all Costs of Issuance upon receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee in such Officer's Certificate, or upon receipt of an Officer's Certificate requesting payment of a Cost of Issuance not listed on the initial Officer's Certificate delivered to the Fiscal Agent on the Closing Date. The Fiscal Agent is authorized to act on such an Officer's Certificate without further inquiry, shall not be responsible for the accuracy of the statements contained therein, and shall be absolutely protected and incur no liability in relying on such an Officer's Certificate. The Fiscal Agent shall maintain the Cost of Issuance Fund for a period of six (6) months from the Closing Date and shall then transfer and deposit any moneys remaining therein, including any Investment Earnings thereon, to the Redemption Fund, and the Fiscal Agent shall close the Cost of Issuance Fund.

(C) Investment. As directed and specified in writing by an Officer's Certificate of the City pursuant to Section 6.01 hereof, moneys in the Cost of Issuance Fund shall be invested in Permitted Investments of the type specified in clause (iv) of the definition of Permitted Investments set forth in Section 1.03 hereof.

ARTICLE IV

REASSESSMENT REVENUES; REDEMPTION FUND; RESERVE FUND

Section 4.01. Pledge of Reassessment Revenues and Prior Reassessment Revenues.

(A) Pledge of Reassessment Revenues and Prior Reassessment Revenues. The Bonds shall be secured by a pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Reassessment Revenues and the available Prior Reassessment Revenues and all moneys deposited in the Redemption Fund and the Reserve Fund. The Reassessment Revenues (and any available Prior Reassessment Revenues) and all moneys deposited into such funds are hereby dedicated in their entirety to the payment of the principal of the Bonds, and interest and any premium on, the Bonds, as provided herein and in the Refunding Act, until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Section 9.03 hereof.

(B) Transfer of Reassessment Revenues or Available Prior Reassessment Revenues. On or before the second (2nd) Business Day preceding each Interest Payment Date, the City Treasurer shall transfer to the Fiscal Agent for deposit in the Redemption Fund an amount of the Reassessment Revenues (and any available Prior Reassessment Revenues) which the Fiscal Agent has advised the City Treasurer will be needed to pay Debt Service on the Bonds on such Interest Payment Date. Upon receipt of each such transfer of Reassessment Revenues (or available Prior Reassessment Revenues), the Fiscal Agent shall deposit the amount thereof in the Redemption Fund for the payment of Debt Service on the Bonds on the Interest Payment Date for which the transfer is made.

Section 4.02. Redemption Fund.

(A) Deposits. There is hereby established, as a separate fund to be held by the Fiscal Agent, the "Redemption Fund" to the credit of which deposits shall be made as required by the provisions of this Agreement or the Refunding Act. Moneys in the Redemption Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Redemption Fund and pay to the Owners of the Bonds the principal of and interest and any premium then due and payable on the Bonds on the Interest Payment Date.

In the event that amounts on deposit in the Redemption Fund are insufficient for the purpose set forth in the preceding paragraph, the Fiscal Agent shall transfer, first, from the moneys on deposit in the Reserve Fund, to the extent of any moneys therein, to the Redemption Fund the amount of such insufficiency; and second, in the event and to the extent that moneys on deposit in the Reserve Fund are insufficient to replenish the Redemption Fund to an amount

sufficient for the purpose set forth in the preceding paragraph, then in accordance with the Reserve Policy, the Fiscal Agent shall draw on the Reserve Policy in an amount of such insufficiency, but not in excess of the Reserve Policy's stated amount and deposit that amount in the Redemption Fund.

If, after such a transfer from the Reserve Fund, there are insufficient funds in the Redemption Fund to make the payments provided for in the first paragraph of this Section 4.02(B), the Treasurer shall instruct the Fiscal Agent in writing to apply the available funds to the payment of the principal of and interest on the Bonds in the manner and in the priorities provided in Section 8775 of the California Streets and Highways Code, as it existed on the Closing Date or as it may thereafter be amended. The Treasurer shall specify in such written instructions how the available funds shall be utilized to pay interest on and principal of the Bonds and the Fiscal Agent may conclusively rely upon such written instructions, and shall not have any responsibility or liability as a result of its reliance upon any such written instructions. When funds become available for the payment of the portion of the principal of any Bond which was not paid upon its maturity date, the Treasurer shall provide notice to the Owner of such Bond as provided in Section 8776 of the California Streets and Highways Code..

On September 3 of each year, beginning on September 3, 2017, the amount on deposit in the Redemption Fund (except the amount, if any, on deposit in the Reassessment Prepayment Account) shall not exceed the greater of (i) one year's earnings on such amount, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. If on September 3 of any year the amount on deposit in the Redemption Fund exceeds the maximum amount allowable pursuant to the preceding sentence and if on such September 3 the City shall have delivered to the Fiscal Agent an Officer's Certificate containing the information required below in this paragraph, the excess shall be transferred by the Fiscal Agent as directed by such Officer's Certificate to the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement, and any such excess remaining thereafter shall be paid by the Fiscal Agent to the City, as directed by such Officer's Certificate. An Officer's Certificate delivered by the City to Fiscal Agent pursuant to this paragraph shall specify (i) the amount or such excess, (ii) the amount, if any, to be transferred to the Reserve Fund, and (iii) the amount to be transferred to the City. Any such amount which may be paid to the City shall be retained by the City and paid to the Fiscal Agent prior to the next Interest Payment Date to pay interest on and principal (if any principal is due on such Interest Payment Date) of the Bonds. Upon receipt of such an Officer's Certificate, the Fiscal Agent is authorized to act thereon without further inquiry, shall not be responsible for the accuracy of the statements contained therein, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

Amounts in the Redemption Fund shall also be withdrawn and deposited in the Rebate Fund as provided in Section 6.02 hereof.

(C) Reassessment Prepayment Account. There is hereby established in the Redemption Fund a separate account designated the "Reassessment Prepayment Account" into which the Fiscal Agent shall deposit all amounts received from the City identified to it as representing Reassessment Prepayments. Upon receipt of any Reassessment Prepayment, the City shall, as soon as is reasonably possible, deliver the amount thereof to the Fiscal Agent for deposit in the Reassessment Prepayment Account. The Fiscal Agent shall apply all amounts deposited in

the Reassessment Prepayment Account to the redemption of the Bonds pursuant to Section 2.03(B) hereof. Any amount remaining on deposit in the Reassessment Prepayment Account after such redemption of the Bonds shall be deposited in the Redemption Fund and be disbursed as provided in subsection (B) above.

(D) Investment. Moneys in the Redemption Fund shall be invested and deposited in accordance with Section 6.01 hereof. Investment Earnings shall be retained in the Redemption Fund, except to the extent they are required to be deposited by the Fiscal Agent in the Rebate Fund in accordance with Section 6.02 hereof.

(E) Deficiency. Upon making a transfer from the Reserve Fund to the Redemption Fund, pursuant to subsection (B) of this Section 4.02 or Section 4.03(B) hereof, the Fiscal Agent shall report such fact to the City. As provided in the form of the Bonds attached hereto as Exhibit A, the City Council has determined in the Resolution of Intention that the City will not obligate itself to advance funds from the City Treasury to cure any deficiency which may occur in the Redemption Fund.

(F) Determination of Ultimate Loss. Notwithstanding the provisions of subsection (B) of this Section 4.02, if the City Treasurer determines, pursuant to Section 8770 of the Streets and Highways Code of the State of California, that there is a danger of an ultimate loss accruing to the Bond Owners, for any reason, the provisions of that section and Sections 8771, 8772 and 8773 of the Streets and Highways Code of the State of California shall govern with respect to the procedures which shall be followed in paying the principal of and interest on the Outstanding Bonds.

Section 4.03. Reserve Fund.

(A) Establishment of Fund: Disbursement. There is hereby established, as a separate fund to be held by the Fiscal Agent, the "Reserve Fund" to the credit of which a deposit shall be made as required by Section 3.02(B) hereof, which deposit is equal to the Reserve Requirement as of the Closing Date, and to which deposits shall be made as provided in Section 4.03(B) hereof. Moneys in the Reserve Fund and the Reserve Policy shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of and interest and any premium on the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

(B) Use of Fund. Except as otherwise provided in this Section, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, and interest and any premium on the Bonds or, in accordance with the provisions of subsection (F) of this Section 4.03, for the purpose of redeeming Bonds.

Amounts transferred from the Reserve Fund to the Redemption Fund pursuant to this subsection shall be restored by the City from the collection of delinquent installments on the Reassessments levied on parcels for which such installments are delinquent, and penalties and

interest thereon, whether by judicial foreclosure proceedings or otherwise, as soon as is reasonably possible following the receipt by the City of such delinquent installments, penalties and interest.

(C) Transfer Due to Deficiency in Redemption Fund. Whenever transfer is made from the Reserve Fund to the Redemption Fund due to a deficiency in the Redemption Fund, the Fiscal Agent shall report such fact to the City.

(D) Transfers on Payment of Reassessments. Whenever a Reassessment levied on a lot or parcel of property within the Reassessment District is paid off, the Fiscal Agent shall, upon receiving an Officer's Certificate regarding such Reassessment, transfer from the Reserve Fund to the Redemption Fund an amount equal to the reduction in such Reassessment determined pursuant to Section 8881 of the Streets and Highways Code of the State of California, which amount shall be specified in the Officer's Certificate. Upon receipt of such an Officer's Certificate, the Fiscal Agent is authorized to act thereon without further inquiry, shall not be responsible for the accuracy of the statements contained therein, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

(E) Transfer of Excess of Reserve Requirement. rebat in accordance with Section 4.02 hereof.

(F) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon receiving written direction from an Authorized Officer, transfer the amount in the Reserve Fund to the Redemption Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with Section 2.03 and Section 4.02 hereof, as applicable, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Redemption Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred by the Fiscal Agent to the City to be applied as provided in Section 8885 of the Streets and Highways Code of the State of California. Upon receipt of such an Officer's Certificate, the Fiscal Agent is authorized to act thereon without further inquiry, shall not be responsible for the accuracy of the statements contained therein, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

(G) Investment. Moneys in the Reserve Fund shall, except as provided in subsection (D) above, be invested and deposited in accordance with Section 6.01 hereof.

ARTICLE V

OTHER COVENANTS OF THE CITY

Section 5.01. Punctual Payment. The City will punctually pay or cause to be paid the principal of and interest and any premium on the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement to the extent that the Reassessment Revenues are available therefor, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.02. Special Obligation. The Bonds are special obligations of the City and are payable solely from and secured solely by the Reassessment Revenues and the amounts in the Redemption Fund and the Reserve Fund.

Section 5.03. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.04. Against Encumbrances. The City shall not encumber, pledge or place any charge or lien upon any of the Reassessment Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Agreement.

Section 5.05. Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Section 5.06. Collection of Reassessment Revenues and Prior Reassessment Revenues. The City shall comply with all requirements of the Refunding Act so as to assure the timely collection of the Reassessment Revenues and the Prior Reassessment Revenues, including without limitation, the enforcement of the payment or collection of delinquent Reassessments and Prior Reassessments.

Section 5.07. Further Assurances. The City will adopt, make, execute and deliver any and all such further ordinances, resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Agreement.

Section 5.08. Tax Covenants. The City hereby covenants that:

(A) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of the initial issuance and delivery of the Bonds, would have caused any of the Bonds to be "arbitrage bonds" within the meaning of Section 103(b) and Section 148 of the Code;

(B) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would result in loss of exclusion from gross income for purposes of federal income taxation under Section 103(a) of the Code of interest paid with respect to the Bonds;

(C) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would have caused any of the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(D) It will comply with the Rebate Certificate as a source of guidance for achieving compliance with the Code; and

(E) In order to maintain the exclusion from gross income for purposes of federal income taxation of interest paid with respect to the Bonds, it will comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code.

The covenants of the City contained in this Section 5.08 shall survive the payment, redemption or defeasance of the Bonds pursuant to Section 9.03 hereof. The Fiscal Agent makes no warranties, covenants or representations regarding the current or future tax status of interest on the Bonds.

Section 5.09. Covenant to Foreclose. The City hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced, judicial foreclosure proceedings against properties with delinquent Reassessment installments in excess of \$10,000 by the October 1 following the close of the Fiscal Year in which such installments were due, and will commence judicial foreclosure proceedings against all properties with delinquent Reassessment installments by the October 1 following the close of each Fiscal Year in which it receives Reassessment Revenues in an amount which is less than ninety-five percent (95%) of the total Reassessment Revenues which were to be received in the Fiscal Year and diligently pursue to completion such foreclosure proceedings.

Section 5.10. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an event of default under this Agreement.

Section 5.11. Parity Bonds. The City hereby covenants and agrees that except as provided below it will not issue any other obligations payable, principal or interest, from the Reassessment Revenues which have, or purport to have, any lien upon the Reassessment Revenues and the available Prior Reassessment Revenues superior to or on a parity with the lien on the Bonds. Nothing in this Agreement shall, however, preclude, subject to the limitations contained hereunder, the redemption prior to maturity of any Bonds subject to call and redemption and payment of said Bonds from proceeds of refunding bonds issued under the Refunding Act as the same now exists or as hereafter amended, or under any other law of the State of California, which shall be payable from and have a lien upon the Reassessment Revenues on a parity with the Bonds to be outstanding following the issuance of such refunding bonds; provided, however, that the issuance of such refunding bonds will result in a reduction of Annual Debt Service on all Bonds and refunding bonds or obligations to be Outstanding following the issuance of such refunding bonds.

ARTICLE VI

INVESTMENTS; DISPOSITION OF INVESTMENT
PROCEEDS; LIABILITY OF THE CITY

Section 6.01. Deposit and Investment of Moneys in Funds. Subject in all respects to the provisions of Section 6.02 hereof, moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold such moneys uninvested. The Fiscal Agent shall have no obligation to pay additional interest or maximize investment income on any funds held by it. Neither the City nor the Owners of the Bonds shall have any claim of any kind against the Fiscal Agent in connection with investments properly made pursuant to this Section 6.01. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of Investment Earnings in funds and accounts.

The Fiscal Agent shall be entitled to rely conclusively upon the written instructions of the City directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions contained in the definition of Permitted Investments in Section 1.03 hereof which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Fiscal Agent shall be entitled to rely conclusively on an opinion of counsel obtained at the City's expense.

The Fiscal Agent may act as principal or agent in the acquisition or disposition of any investment and may engage in or be interested in any financial or other transaction with the City. The Fiscal Agent shall not incur any liability for losses arising from any investments made pursuant to this Section 6.01. For purposes of determining the amount on deposit in any fund or account held hereunder, all Permitted Investments or investments credited to such fund or account shall be valued at the cost thereof (excluding accrued interest and brokerage commissions, if any).

Subject in all respects to the provisions of Section 6.02 hereof, investments in any and all funds and accounts may be commingled in a single fund for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent hereunder, provided that the Fiscal Agent shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

The Fiscal Agent shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from the acquisition or disposition of any such investment security in accordance herewith.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or any other applicable regulatory agency grant the City the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent shall be provided periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder.

The Fiscal Agent or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Fiscal Agent hereunder.

Section 6.02. Rebate Fund: Rebate to the United States. There is hereby created, to be held by the Fiscal Agent, as a separate fund distinct from all other funds and accounts held by the Fiscal Agent under this Agreement, the Rebate Fund. Pursuant to the written direction of the City, the Fiscal Agent shall deposit into the Rebate Fund moneys transferred by the City to the Fiscal Agent pursuant to the Rebate Certificate. The Rebate Fund shall be held either uninvested or invested only in Federal Securities at the direction of the City. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States, to the extent such payments are required by the Rebate Certificate. The Fiscal Agent shall, upon written direction of the City, make such payments to the United States.

The Fiscal Agent's sole responsibilities under this Section 6.02 are to follow the written instructions of the City pertaining hereto and the Fiscal Agent shall have no independent responsibility to monitor or enforce compliance by the City with the Rebate Certificate. The City shall be responsible for any fees and expenses incurred by the Fiscal Agent pursuant to this Section 6.02.

The Fiscal Agent shall, upon written request and direction from the City, transfer to or upon the order of the City any moneys on deposit in the Rebate Fund in excess of the amount, if any, required to be maintained or held therein in accordance with the Rebate Certificate. Upon receipt of such a written request and direction the Fiscal Agent is authorized to act thereon without further inquiry, shall not be responsible for the accuracy thereof, and shall be absolutely protected and incur no liability in relying thereon.

Section 6.03. Liability of City. The City shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

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

No provision of this Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Reassessment Revenues) in the performance of any of its obligations hereunder, or in the exercise of and of its

rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

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

Section 6.04. Employment of Agents by City. In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

THE FISCAL AGENT

Section 7.01. Appointment of Fiscal Agent. The Bank of New York Mellon Trust Company, N.A. is hereby appointed Fiscal Agent, registrar and paying agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent.

Any financial institution into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any financial institution resulting from any merger, conversion or consolidation to which it shall be a party or any financial institution to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such financial institution shall be eligible under the following paragraph of this Section 7.01, shall be the successor to the Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

The City may remove the Fiscal Agent initially appointed, and any successor thereto, and the City may appoint a successor or successors thereto, but any such successor shall be a financial institution having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such financial institution publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving thirty (30) days' written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section 7.01 within forty-five (45) days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Section 7.02. Liability of Fiscal Agent. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds expressly assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of willful misconduct, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, written directions or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be liable for any error of judgment made by a responsible officer of the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers unless an indemnity and security satisfactory to the Fiscal Agent shall have been provided to the Fiscal Agent.

The Fiscal Agent shall not be responsible for accounting for, or paying to, any party to this Agreement, including, but not limited to the City and the Owners, any returns on or benefit from funds held for payment of unredeemed Bonds or outstanding checks and no calculation of the same shall affect, or result in any offset against, fees due to the Fiscal Agent under this Agreement.

The Fiscal Agent shall have no responsibility with respect to the payment of Debt Service by the City or with respect to the observance or performance by the City of the other conditions, covenants and terms contained herein, or with respect to the investment of any moneys in any fund or account established, held or maintained by the City pursuant to this Fiscal Agent Agreement or otherwise.

All indemnification and releases from liability granted herein to the Fiscal Agent shall extend to the directors, officers, agents and employees of the Fiscal Agent. The Fiscal Agent may execute any of its trusts or powers or perform its duties through attorneys, agents or receivers and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney or receiver so appointed. Anything in this Agreement to the contrary notwithstanding, in no event shall the Fiscal Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Fiscal Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Fiscal Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Fiscal Agent cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Fiscal Agent and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure

methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 7.03. Information. The Fiscal Agent shall provide to the City such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the City shall reasonably request, including, but not limited to, quarterly statements reporting funds held and transactions by the Fiscal Agent.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, written direction, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Fiscal Agent hereunder in accordance therewith.

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

Section 7.05. Compensation; Indemnification. The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, fees and other disbursements, including those of its attorneys (including the allocated costs and disbursements of in-house counsel), agents and employees, incurred in and about the performance of its powers and duties under this Agreement, and the Fiscal Agent shall have a lien therefor on any funds at any time held by it under this Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents, harmless against any costs, claims, expenses (including legal fees and expenses), suits, judgments, damages, losses or liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the City under this Section 7.05 shall survive resignation or removal of the Fiscal Agent under this Agreement and payment of the Bonds and discharge of this Agreement.

Section 7.06. Books and Accounts. The Fiscal Agent shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it with respect to the expenditure of amounts disbursed from the Redemption Fund, and the Reserve Fund.

Such books of record and accounts shall, upon reasonable notice, at all times during business hours be subject to the inspection of the City and the Owners of not less than ten percent (10%) of the aggregate principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 8.01. Amendments Permitted.

(A) This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of the Owners, or with the written consent, without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04 hereof. No such modification or amendment shall (i) extend the maturity of any Bond or the time for paying interest thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation of any pledge of or lien upon the Reassessment Revenues, or the moneys on deposit in the Redemption Fund or the Reserve Fund, superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Refunding Act, the laws of the State of California or this Agreement), (iii) reduce the percentage of Bonds required for the amendment hereof, (iv) reduce the principal amount of or redemption premium on any Bond or reduce the interest rate thereon, or (v) modify the rights or obligations of the Fiscal Agent without its prior consent.

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

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

(2) to make modifications not adversely affecting any Outstanding Bonds in any material respect, as evidenced by the opinion of counsel delivered under Section 8.08 hereof;

(3) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions of this Agreement, or in regard to questions arising under this Agreement, as the City may deem necessary or desirable and not inconsistent with this Agreement, and which shall not materially adversely affect the rights of the Owners, as evidenced by the opinion of counsel delivered under Section 8.08 hereof; or

(4) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required

rebate of moneys to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Section 8.02. Owners' Meetings. The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of any such meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of the meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01(A) hereof, to take effect when and as provided in this Section 8.03. A copy of the Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, postage prepaid, by the City to each Owner of Bonds Outstanding, but failure to mail copies of the Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such a Supplemental Agreement shall not become effective unless there shall be filed with the City the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04 hereof) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04 hereof. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the City prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the City. A record, consisting of the papers required by this Section 8.03 to be filed with the City, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the City of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds then Outstanding at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any

vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or participate in any action provided for in this Article VIII; except that in determining whether the Fiscal Agent shall be protected in relying upon any such vote, consent or other action of an Owner, only Bonds which the Fiscal Agent actually knows to be owned or held for the account of the City shall be disregarded unless all Bonds are so owned or held, in which case such Bonds shall be considered Outstanding for the purpose of such determination.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Agreement of the City and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his or her Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the Fiscal Agent may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for like Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds held by the Owner, provided that due notation thereof is made on such Bonds.

Section 8.08. Consent of Fiscal Agent. The Fiscal Agent shall not be required to enter into or consent to any Supplemental Agreement which, in the sole judgment of the Fiscal Agent, might adversely affect the rights, obligations, powers, privileges, indemnities, and immunities provided to the Fiscal Agent herein. The Fiscal Agent upon request, shall be provided an opinion of counsel that any such Supplemental Agreement is authorized or permitted hereunder, and complies with the provisions of this Article VIII and the Fiscal Agent may conclusively rely upon such opinion.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the City, the Fiscal Agent and the Owners, any right, remedy or claim under or by reason of this Agreement. Any covenants,

stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 9.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement.

If the City shall pay and discharge the entire indebtedness on all Bonds in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of and interest and any premium on all Bonds, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, an amount of money which, together with the amounts then on deposit in the Redemption Fund and the Reserve Fund, is fully sufficient to pay all Bonds, including all principal, interest and redemption premiums, if any; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash or noncallable Federal Securities in such amount as the City shall determine, as confirmed by an Independent Financial Consultant in a written report or certificate delivered to the Fiscal Agent, will, together with the interest to accrue thereon and amounts then on deposit in the Redemption Fund and the Reserve Fund, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Reassessment Revenues and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to all Bonds shall cease and terminate, except the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, the obligation of the City to pay all amounts owing to the Fiscal Agent pursuant to Section 7.05 hereof, and the obligations of the City pursuant to the covenants contained in Section 5.08 hereof; and thereafter Reassessment Revenues shall not be payable to the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent. The satisfaction and discharge of this Agreement shall be without prejudice to the rights of the Fiscal Agent to charge and be reimbursed by the City for the expenses which it shall thereafter incur in connection herewith.

Any funds held by the Fiscal Agent to pay and discharge the indebtedness on all Bonds, upon payment of all fees and expenses of the Fiscal Agent, which are not required for such purpose, shall be paid over to the City.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, consent, declaration or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his or her attorney of such a request, declaration or other instrument, or of a writing appointing such an attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he or she purports to act, that the person signing such request, consent, declaration or other instrument or writing acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such a notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registration books maintained by the Fiscal Agent pursuant to Section 2.08 hereof.

Any request, declaration, consent or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in accordance therewith.

Section 9.05. Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demands on City and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the City may be given or served by being deposited postage prepaid (first class, registered or certified) in a post office letter box addressed (until another address is filed by the City with the Fiscal Agent) as follows:

City of San Clemente
100 Avenida Presidio
San Clemente, CA 92672
Attn: City Manager

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the City to or on the Fiscal Agent may be given or served by being deposited postage prepaid (first class, registered or certified) in a post office letter box addressed (until another address is filed by the Fiscal Agent with the City) as follows:

The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, CA 90071
Attn: Corporate Trust

Section 9.07. Partial Invalidity. If any section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held by a court of competent jurisdiction to be illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The City hereby declares that it would have executed and delivered this Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payment of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent (without liability for interest) to the City as its absolute property free from any trust, and the Fiscal Agent shall have no responsibility or liability for such moneys.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 9.10. Conflict with Refunding Act. In the event of a conflict between any provision of this Agreement with any provision of the Refunding Act as in effect on the Closing Date, the provision of the Refunding Act shall prevail over the conflicting provision of this Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Refunding Act relative to their issuance.

Section 9.12. Payment on Business Day. In any case where the date of the payment of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption is other than a Business Day, the payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required, and no interest shall accrue for the period from and after such date.

Section 9.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the City has caused this Agreement to be executed in its name and attested, and the Fiscal Agent, in acknowledgment of its acceptance of the duties created hereunder, has caused this Agreement to be executed in its name, all as of _____ 1, 2016.

CITY OF SAN CLEMENTE

By: _____
Assistant City Manager

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Fiscal Agent

By: _____
Authorized Officer

[FACE OF BOND]

UNITED STATES OF AMERICA
 STATE OF CALIFORNIA
 COUNTY OF ORANGE

CITY OF SAN CLEMENTE
 REASSESSMENT DISTRICT NO. 2016-1
 LIMITED OBLIGATION REFUNDING BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE FISCAL AGENT AGREEMENT) TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND AUTHENTICATED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Registered
 Number

Registered
 Amount _____

		<u>Original</u>	
<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issue Date</u>	<u>CUSIP NO.</u>

Registered Owner: CEDE & CO.

Principal Sum:

Under and by virtue of the Refunding Bond Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 (commencing with Section 9500) of the Streets and Highways Code of the State of California (the "Refunding Act"), the City of San Clemente (the "City") will, out of the redemption fund for the payment of the Bonds issued upon the unpaid portion of reassessments made for the redemption of the City's bonds for the City of San Clemente Reassessment District No. 98-1 (the "Prior Bonds") as more fully described in proceedings taken pursuant to a resolution adopted by the City Council of the City on _____, 2016, pay to the registered owner identified above, or registered assigns, on the maturity date specified above the principal sum specified above in lawful money of the United States of America, and in like manner will pay interest from the interest payment date next preceding the date on which this Bond is authenticated, unless this Bond is authenticated after a Record Date (as hereinafter defined) and before the close of business on the next interest payment date, in which event it shall bear interest from such interest payment date, or unless this Bond is authenticated on or before the Record Date preceding the first interest

payment date, in which event it shall bear interest from the original issue date specified above, until payment of such principal sum shall have been discharged, at the rate of interest per annum specified above, payable semiannually on March 2 and September 2 in each year ("Interest Payment Dates") commencing on March 2, 2017.

This Bond is issued pursuant to a Fiscal Agent Agreement (the "Fiscal Agent Agreement") between the City and The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent (the "Fiscal Agent").

Both the principal hereof and redemption premium hereon are payable at the corporate trust office or agency of the Fiscal Agent in Los Angeles, California, or such other place as may be designated by the Fiscal Agent, and the interest hereon is payable by wire, or by check of the Fiscal Agent mailed to the owner hereof at the owner's address as it appears on the records of the Fiscal Agent, or at such address as may have been filed with the Fiscal Agent for that purpose, as of the fifteenth (15th) day of the month preceding each interest payment date (the "Record Date").

This Bond will continue to bear interest after maturity at the rate above specified, provided it is presented at maturity and payment thereof is refused upon the sole ground that there are not sufficient moneys in said redemption fund with which to pay the same. If it is not presented at maturity, and there are sufficient moneys in said redemption fund with which to pay the same, interest on this Bond will cease to accrue.

This Bond is one of several annual series of bonds of like date, tenor and effect, but differing in amounts, maturities and interest rates, issued by the City pursuant to the Refunding Act and in the aggregate principal amount of \$ _____ for the purpose of defeasing and refunding the City of San Clemente Public Financing Authority Reassessment Refunding Revenue Bond (the "Prior Authority Bonds") and thereby discharging the City of San Clemente Limited Obligation Improvement Bonds Reassessment District No. 98-1 (the "Prior Limited Obligation Improvement Bonds"), and is secured by the moneys in said redemption fund and by the unpaid portion of the reassessments made for such purpose, and, including principal and interest, is payable exclusively out of said fund. Reference is hereby made to the Refunding Act and the Fiscal Agent Agreement, and all amendments thereto for a description of the rights, duties and obligations of the City and the owners of the Bonds, the terms upon which the Bonds are issued and the terms and conditions on which the Bonds will be deemed to be paid, at or prior to maturity or redemption of the Bonds, to all the provisions of which Fiscal Agent Agreement the owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds are issuable only as fully registered Bonds in denominations of \$5,000, or any integral multiple thereof.

This Bond is transferable by the registered owner hereof, in person or by the owner's attorney duly authorized in writing, at the designated corporate trust operations or agency office of the Fiscal Agent subject to the terms and conditions provided in the Fiscal Agent Agreement, including the payment of certain charges, if any, upon surrender and cancellation of this Bond. Upon such transfer, a new registered Bond or Bonds, of any authorized denomination or denominations, of the same maturity, for the same aggregate principal amount, will be issued to the transferee in exchange for this Bond.

The Fiscal Agent shall not be required to make any exchange or registration of transfer of Bonds during the fifteen (15) days immediately preceding any interest payment date, or during the fifteen (15) day period preceding the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

The Fiscal Agent and the City may treat the registered owner hereof as the absolute owner for all purposes, and the Fiscal Agent shall not be affected by any notice to the contrary.

The Bonds are subject to optional redemption prior to their stated maturity dates on any Interest Payment Date beginning September 2, 2020, on a pro rata basis among maturities (and by lot within any one maturity), in integral multiples of \$5,000, at the option of the City from moneys derived by the City from any source, at the following redemption prices (expressed as percentages of the principal amounts of the Bonds to be redeemed), together with accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date beginning September 2, 2020 through March 2, 2024	103%
September 2, 2024 and March 2, 2025	102%
September 2, 2025 and March 2, 2026	101%
September 2, 2026 and thereafter	100%

The Bonds are also subject to mandatory redemption prior to their stated maturity dates on any Interest Payment Date, as selected by the City, in integral multiples of \$5,000, from moneys derived by the City from Reassessment Prepayments, at the following redemption prices (expressed as percentages of the principal amounts to be redeemed), together with accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date through March 2, 2024	103%
September 2, 2024 and March 2, 2025	102%
September 2, 2025 and March 2, 2026	101%
September 2, 2026 and thereafter	100%

The Bonds to be redeemed shall be selected by the City among maturities so that the ratio of outstanding Bonds to issued Bonds shall be approximately the same in each maturity and so as to maintain level Annual Debt Service, insofar as possible, and the Fiscal Agent shall select Bonds for redemption within each maturity of the Bonds by lot.

This Bond is secured by and is payable solely from the reassessments which have been levied upon property within the reassessment district identified above for the purpose of providing for the refunding of the Prior Authority Bonds and discharging the Prior Limited Obligation Improvement Bonds and amounts on deposit in the reserve fund held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

Pursuant to Section 8769 of the Streets and Highways Code of the State of California, the City Council of the City has determined that the City will not obligate itself to advance funds from the City treasury to cure any deficiency in the redemption fund.

This Bond shall not be entitled to any benefit under the Refunding Act or the Fiscal Agent Agreement, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been dated and manually signed by or on behalf of the Fiscal Agent.

IN WITNESS WHEREOF, the City of San Clemente, California, has caused this Bond to be signed in facsimile by its Mayor and City Clerk, and has caused its official seal to be reproduced in facsimile hereon all as of the ___th day of _____, 2016.

CITY OF SAN CLEMENTE, CALIFORNIA

City Clerk

Mayor

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-defined Fiscal Agent Agreement.

Dated: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY N.A., Fiscal Agent

By: _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoints(s) _____ attorney, to transfer the same on the registration books of the Fiscal Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Signature:

Note: Signature(s) must be guaranteed by an eligible guarantor institution

Note: The signature(s) on this Assignment must correspond with the fact of the within registered Bond in every particular without alteration or enlargement or any change whatsoever.

FIRST SUPPLEMENTAL AGREEMENT

by and between

CITY OF SAN CLEMENTE

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
As Fiscal Agent**

Dated as of _____ 1, 2016

Relating to

**\$14,235,000
CITY OF SAN CLEMENTE
LIMITED OBLIGATION IMPROVEMENT BONDS
REASSESSMENT DISTRICT NO. 98-1**

FIRST SUPPLEMENTAL AGREEMENT

This First Supplemental Agreement, dated as of _____ 1, 2016 (the "First Supplemental Agreement"), is entered into by and between the City of San Clemente, a general law city and municipal corporation (the "City"), and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"), pursuant to and in order to amend and supplement that Fiscal Agent Agreement, dated as of June 1, 2007 (the "Fiscal Agent Agreement") and entered into by and between the City and The Bank of New York Trust Company, N.A. (now known as The Bank of New York Mellon Trust Company, N.A.).

WITNESSETH:

WHEREAS, the City and The Bank of New York Mellon Trust Company, N.A., executed and delivered the Fiscal Agent Agreement relating to the City's Limited Obligation Improvement Bonds Reassessment District No. 98-1, which were issued in the aggregate principal amount of \$14,235,000 on July 18, 2007 (the "Bonds"); and

WHEREAS, the San Clemente Public Financing Authority issued its \$14,235,000 San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds (the "Authority Bonds") pursuant to an Indenture of Trust dated as of June 1, 2007 (the "Authority Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A. (now known as The Bank of New York Mellon Trust Company, N.A.), as trustee (the "Trustee") for the purpose of acquiring the Bonds; and

WHEREAS, as a result of favorable conditions in the municipal bond market, the City has determined that it will achieve savings by the issuance of its City of San Clemente Reassessment District No. 2016-1 Limited Obligation Refunding Bonds (the "Refunding Bonds") for the purpose of defeasing and redeeming the Authority Bonds; and

WHEREAS, the City desires to amend the Fiscal Agent Agreement to provide that the defeasance of the Authority Bonds will cause the discharge of Fiscal Agent Agreement and all other obligations of the Fiscal Agent and the City under the Fiscal Agent Agreement will be terminated upon the defeasance of the Authority Bonds; and

WHEREAS, pursuant to Section 9.01 of the Fiscal Agent Agreement may be modified or amended from time to time by a Supplemental Agreement which the City and the Fiscal Agent may enter into with the written consent (filed with the Fiscal Agent) of the Insurer and the Owners of a majority in aggregate principal amount of all the Bonds; and

WHEREAS, the provisions of the Fiscal Agent Agreement regarding the discharge of the Fiscal Agent Agreement do not provide for the termination of the Fiscal Agent Agreement and discharge of the obligations of the City under the Fiscal Agent Agreement upon the defeasance of the Authority Bonds pursuant to the terms of the Authority Indenture; and

ATTACHMENT 5

WHEREAS, the Authority, as the Owner of all of the Bonds, and Assured Guaranty Municipal Corp., formerly known as Financial Security Assurance, Inc., as the Insurer have consented in writing to this First Supplemental Amendment and such written consents have been filed with the Fiscal Agent; and

WHEREAS, the City has, by the adoption of Resolution No. _____ on June 13, 2016 (the "Resolution"), approved this First Supplemental Agreement.

NOW, THEREFORE, the City and the Fiscal Agent hereby agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in Section 1.02 of the Fiscal Agent Agreement shall, for the purpose of this First Supplemental Indenture, have the meanings specified in such Section 1.02.

Section 2. Amendment of Section 10.01 of the Bond Indenture. The following shall be added as Section 10.01(f) of the Fiscal Agent Agreement:

"Notwithstanding the foregoing, the Fiscal Agent Agreement shall be discharged and the pledge of the Reassessments and all covenants, agreements and other obligations of the City provided for in the Fiscal Agent Agreement will terminate upon the defeasance of the Authority Bonds pursuant to the terms of the Authority Indenture."

Section 3. Effective Date of First Supplemental Agreement. This First Supplemental Indenture shall become effective as of the date of execution thereof by the parties hereto.

Section 4. Counterparts. This First Supplemental Agreement may be executed in counterparts each of which shall be deemed an original.

ATTACHMENT 5

IN WITNESS WHEREOF, the City and the Fiscal Agent have executed this First Supplemental Agreement effective the date first above written.

CITY OF SAN CLEMENTE

By: _____
Assistant City Manager

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Fiscal Agent

By: _____
Authorized Officer

§ _____
CITY OF SAN CLEMENTE
REASSESSMENT DISTRICT NO. 2016-1
LIMITED OBLIGATION REFUNDING BONDS

BOND PURCHASE AGREEMENT

_____, 2016

City Council of the City of San Clemente
100 Avenida Presidio
San Clemente, California 92672

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) acting not as fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement with the City of San Clemente (the “City”) which, upon acceptance, will be binding upon the City and the Underwriter. This offer is made subject to its acceptance by the City on the date hereof, and it is subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance by the City. Capitalized terms that are used in this offer and not otherwise defined herein shall have the respective meanings ascribed to them in the Fiscal Agent Agreement (as hereinafter defined).

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

1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions, and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter agrees to purchase from the City, and the City agrees to sell to the Underwriter, all (but not less than all) of the City of San Clemente Reassessment District No. 2016-1 Limited Obligation Refunding Bonds (the “Bonds”) in the aggregate principal amount specified in Exhibit A hereto. The Bonds shall be dated the Closing Date (as hereinafter defined), bear interest from said date (payable semiannually on March 2 and September 2 in each year, commencing

March 2, 2017) at the rates per annum, and mature on the dates and in the amounts set forth in Exhibit A hereto. The purchase price for the Bonds shall be the amount specified as such in Exhibit A.

(b) The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable and be subject to redemption as provided in, the Fiscal Agent Agreement, dated as of _____ 1, 2016 (the "Fiscal Agent Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"), approved in a resolution (the "Resolution") adopted by the City Council (the "City Council") of the City on _____, 2016.

(c) (i) The Bonds are being issued by the City to redeem and defease the City of San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds, currently outstanding in the aggregate principal amount of \$10,490,000 (the "Prior Bonds"), (ii) fund a portion of the Reserve Fund and (iii) pay the costs of issuing the Bonds.

(d) Subsequent to its receipt of a certificate from the City deeming the Preliminary Official Statement for the Bonds, dated _____, 2016 (which Preliminary Official Statement, together with the cover page and all appendices thereto, is herein collectively referred to as the "Preliminary Official Statement" and which, as amended with the prior approval of the Underwriter and executed by the City, will be referred to herein as the "Official Statement"), final for purposes of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the Underwriter distributed copies of the Preliminary Official Statement to potential purchasers of Bonds. The City hereby ratifies the use by the Underwriter of the Preliminary Official Statement and authorizes the Underwriter to use and distribute the Official Statement, the Fiscal Agent Agreement, the Continuing Disclosure Agreement, dated as of _____ 1, 2016, by and between the City and Willdan Financial Services (the "Continuing Disclosure Agreement"), this Bond Purchase Agreement, any other documents or contracts to which the City is a party, and all information contained therein, and all other documents, certificates and statements furnished by the City to the Underwriter in connection with the transactions contemplated by this Bond Purchase Agreement, in connection with the offer and sale of the Bonds by the Underwriter.

(e) At 8:00 A.M., Pacific Daylight Time, on _____, 2016, or at such earlier time or date as shall be agreed upon by the Underwriter and the City (such time and date being herein referred to as the "Closing Date"), the City will deliver (i) to The Depository Trust Company in New York, New York, the Bonds in definitive form (all Bonds being in book-entry form registered in the name of Cede & Co. and having the CUSIP numbers assigned to them printed thereon), duly executed by the officers of the City as provided in the Fiscal Agent Agreement and with the facsimile seal of the City printed thereon, and (ii) to the Underwriter, at the offices of Best, Best & Krieger LLP, Riverside, California, the other documents herein mentioned; and the Underwriter shall accept such delivery and pay the purchase price of the Bonds in same day funds (such delivery and payment being herein referred to as the "Closing"). The Bonds, as so registered, shall be made available to the Underwriter for inspection not later than the second to last business day before the Closing Date.

The City acknowledges and agrees that (i) the reoffering and purchase of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the City and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary of the City, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated

hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the City on other matters), and (iv) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

2. Representations, Warranties and Agreements of the City. The City represents, warrants and covenants to and agrees with the Underwriter that:

(a) The City is a municipal corporation duly organized and validly existing under the laws of the State of California and has, and at the Closing Date will have, full legal right, power and authority (i) to execute, deliver and perform its obligations under this Bond Purchase Agreement, the Fiscal Agent Agreement, and the Continuing Disclosure Agreement (collectively, the “City Documents”) and to carry out all transactions contemplated by each of the City Documents, (ii) to issue, sell and deliver the Bonds to the Underwriter pursuant to the Resolution and Fiscal Agent Agreement as provided herein, and (iii) to carry out, give effect to and consummate the transactions contemplated by the Official Statement and the City Documents;

(b) The City has complied, and at the Closing Date will be in compliance, in all material respects, with the City Documents; and an immaterial compliance therewith by the City, if any, will not impair the ability of the City to carry out, give effect to or consummate the transactions contemplated by the foregoing. From and after the date of issuance of the Bonds, the City will continue to comply with the covenants of the City contained in the City Documents;

(c) The City Council has duly and validly: (i) taken or caused to be taken, all proceedings necessary under the Constitution and laws of the State of California in order to form its Assessment District No. 2016-1 (the “Assessment District”), to confirm reassessments (the “Reassessments”) on the parcels located within the Assessment District in the respective amounts shown in the report of the Assessment Engineer approved by the City Council on _____, 2016 (the “Engineer’s Report”), to cause each of the Reassessments to be a valid lien upon the parcel upon which it was confirmed and to authorize the sale and issuance of the Bonds, (ii) authorized and approved the execution and delivery of the City Documents, (iii) authorized the preparation and delivery of the Preliminary Official Statement and the Official Statement, and (iv) authorized and approved the performance by the City of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by, each of the City Documents (including, without limitation, the collection of the Reassessments); and the Assessment District has been validly formed, the Reassessments have been validly confirmed and constitute liens on the respective parcels within the Assessment District, and (assuming due authorization, execution and delivery by other parties thereto, where necessary) the City Documents and the Bonds will constitute the valid, legal and binding obligations of the City enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors’ rights in general and to the application of equitable principles;

(d) The City is not in breach of or default under any applicable law or administrative rule or regulation of the United States or the State of California, or of any department, division, agency or instrumentality of either of them, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, fiscal agent agreement, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the performance by the City of its obligations under the City Documents or the Bonds; and compliance with the provisions of each thereof will not conflict with or

constitute a breach of or default under any applicable law or administrative rule or regulation of the United States or the State of California, or of any department, division, agency or instrumentality of either of them, or under any applicable court or administrative decree or order, or a material breach of or default under any loan agreement, note, resolution, fiscal agent agreement, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound;

(e) Except for compliance with the blue sky or other states securities law filings, as to which the City makes no representations, all approvals, consents, authorizations, elections and orders of or filings or registrations with any State governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the City of its obligations hereunder, or under the City Documents or the Bonds, have been obtained and are in full force and effect;

(f) Each of the Reassessments has been duly and lawfully confirmed, may be collected in installments under the laws of the State of California, and constitutes a valid and legally binding lien on the property on which it has been confirmed;

(g) Until the date which is twenty-five (25) days after the “end of the underwriting period” (as hereinafter defined), if any event shall occur of which the City becomes aware, as a result of which it may be necessary to supplement the Official Statement in order to make the statements in the Official Statement, in light of the circumstances existing at such time, not misleading, the City shall forthwith notify the Underwriter of such event and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary so that the statements therein, as so supplemented, will not be misleading in light of the circumstances existing at such time; and the City shall promptly furnish to the Underwriter a reasonable number of copies of such supplement (as used herein, the term “end of the underwriting period” means the later of such time as (i) the City 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);

(h) The Fiscal Agent Agreement creates a valid pledge of the Reassessments and the moneys in the Reassessment Fund, the Redemption Fund, and the Reserve Fund established pursuant to the Fiscal Agent Agreement, including the investments thereof, subject in all cases to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein; and said pledge constitutes a first lien on and security interest in all of the foregoing;

(i) Except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending or, to the knowledge of the City, threatened against the City (i) which would materially adversely affect the ability of the City to perform its obligations under the City Documents or the Bonds, or (ii) seeking to restrain or to enjoin: (A) the issuance, sale or delivery of the Bonds, (B) the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or (C) the collection or application of the Assessments, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the City Documents, or any action contemplated by any of said documents, or (iii) in any way contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or the powers or authority of the City with respect to the Bonds, the City Documents, or any action of the City contemplated by any of said documents; nor is there any action pending or, to the knowledge of the City, threatened against the City which alleges that interest

on the Bonds is not excludable from gross income for federal income tax purposes or is not exempt from California personal income taxation;

(j) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order for the Underwriter 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; provided, however, the City shall not be required to register as a dealer or a broker of securities or to consent to service of process in connection with any blue sky filing;

(k) Any certificate signed by any authorized official of the City authorized to do so shall be deemed a representation and warranty to the Underwriter as to the statements made therein;

(l) The City will apply the proceeds of the Bonds in accordance with the Fiscal Agent Agreement and as described in the Official Statement;

(m) The Official Statement (except the information relating to The Depository Trust Company and its book-entry only-system, as to which no view need be expressed) is, as of the date thereof, and will be, as of the Closing Date, true, correct and complete in all material respects; and the Official Statement (except the information relating to The Depository Trust Company and its book-entry-only system, as to which no view need be expressed), does not, as of the date thereof, and will not, as of the Closing Date, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(n) The Preliminary Official Statement heretofore delivered to the Underwriter has been deemed final by the City as of its date, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(1) of Rule 15c2-12. The City hereby covenants and agrees that, within seven (7) business days from the date hereof, or (upon reasonable written notice from the Underwriter) within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the City shall cause the Official Statement to be delivered to the Underwriter in a quantity and/or in an electronic format as mutually agreed upon by the Underwriter and the City so that the Underwriter may comply with paragraph (b)(4) of Rule 15c2-12 and Rules G-12, G-15, G-32 and G-36 of the Municipal Securities Rulemaking Board.

3. Conditions to the Obligations of the Underwriter. The obligations of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties on the part of the City contained herein, as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the City and the Developer made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the City of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) At the Closing Date, the City Documents shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the transactions contemplated thereby and by this Bond Purchase Agreement, all such actions as, in the opinion of Best, Best & Krieger, LLP, Bond Counsel for the City, and Stradling Yocca

Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, shall be necessary and appropriate;

(b) The information contained in the Official Statement will, as of the Closing Date and as of the date of any supplement or amendment thereto pursuant to Section 2(g) hereof, be true and correct in all material respects and will not, as of the Closing Date or as of the date of any supplement or amendment thereto pursuant to Section 2(g) hereof, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(c) Between the date hereof and the Closing Date, the market price or marketability of the Bonds at the initial offering prices set forth in the Official Statement shall not have been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the City terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), which judgment shall be formed (to the maximum extent reasonably practicable under the circumstances) only after consultation with the City's financial advisor, by reason of any of the following:

(1) legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department or the Internal Revenue Service of the United States of America, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon the interest that would be received by the owners of the Bonds beyond the extent to which such interest is subject to taxation as of the date hereof;

(2) legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Fiscal Agent Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, or of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws, rules or regulations as amended and then in effect;

(3) any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the City, its property, income, securities (or interest thereon), the validity or enforceability of the Reassessments;

(4) any event occurring, or information becoming known, which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the

Preliminary Official Statement or the Official Statement, or results in the Preliminary Official Statement or the Official Statement containing any untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(5) the declaration of war or the escalation of, or engagement in, military hostilities by the United States or the occurrence of any other national or international emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States which, in the judgment of the Underwriter, makes it impracticable or inadvisable to proceed with the offering or the delivery of the Bonds on the terms and in the manner contemplated in the Preliminary Official Statement or the Official Statement;

(6) the declaration of a general banking moratorium by federal, State of New York or State of California authorities, or the general suspension of trading on any national securities exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange or other national securities exchange, whether by virtue of determination by that exchange or by order of the Securities and Exchange Commission (the "SEC") or any other governmental authority having jurisdiction that, in the Underwriter's reasonable judgment, makes it impracticable for the Underwriter to market the Bonds or enforce contracts for the sale of the Bonds;

(7) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

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

(9) there shall have been any material adverse change in the affairs of the City that in the Underwriter's reasonable judgment will materially adversely affect the market for the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds;

(10) there shall be established any new restriction on transactions in securities materially affecting the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a change to the net capital requirements of, underwriters established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order; or

(11) a stop order, release, regulation, or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering, or sale of the Bonds, including all the underlying obligations as contemplated hereby or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange Act, and the Trust Indenture Act of 1939, as amended.

(d) On the Closing Date, the Underwriter shall have received counterpart originals or certified copies of the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) The City Documents, together with a certificate dated as of the Closing Date of the City Clerk to the effect that each such document is a true, correct and complete copy of the one duly approved by the City Council;

(2) The Official Statement, duly executed by the City;

(3) Unqualified approving opinion for the Bonds, dated the Closing Date and addressed to the City, of Best, Best & Krieger, LLP, Bond Counsel for the City, in the form attached to the Preliminary Official Statement as Appendix B, and a reliance letter dated the Closing Date and addressed to the Underwriter, to the effect that such approving opinion addressed to the City may be relied upon by the Underwriter to the same extent as if such opinion was addressed to them;

(4) Supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Best, Best & Krieger, LLP, Bond Counsel for the City, to the effect that (i) this Bond Purchase Agreement, the Fiscal Agent Agreement and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the City, and, assuming such agreements constitute valid and binding obligations of the other parties thereto, constitute the legally valid and binding agreements of the City enforceable in accordance with their terms, except as enforcement may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity; (ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and (iii) the statements contained in the Official Statement under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," "TAX MATTERS" and Appendices B and C (except that no opinion or belief need be expressed as to any financial or statistical data, any forecasts, any assumptions or any expressions of opinion contained in the Official Statement), insofar as such statements expressly summarize certain provisions of the Bonds, the Fiscal Agent Agreement and the opinion of such firm concerning the exclusion from gross income for federal income tax purposes and the exemption from State of California personal income taxes of interest on the Bonds, are accurate in all material respects;

(5) An opinion, dated the Closing Date and addressed to the City and to the Underwriter, of Best, Best & Krieger, LLP, Disclosure Counsel for the City, to the effect that, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their participation in conferences with representatives of the City, the Underwriter, Willdan Financial Services and others, and their examination of certain documents, nothing has come to their attention which has led them to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial or statistical data, any forecasts, any assumptions or any expressions of opinion contained in the Official Statement);

(6) A certificate, dated the Closing Date and signed by an authorized representative of the City, ratifying the use and distribution by the Underwriter of the Preliminary Official Statement and the Official Statement in connection with the offering and sale of the Bonds and certifying that (i)

the representations and warranties of the City contained in Section 2 hereof are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date except that all references therein to the Preliminary Official Statement shall be deemed to be references to the Official Statement; (ii) to the best of his or her knowledge, no event has occurred since the date of the Official Statement affecting the matters contained therein which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make the statements and information contained in the Official Statement not misleading in any material respect, and the Bonds and the City Documents conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the City Documents and the Official Statement at or prior to the Closing Date;

(7) An opinion, dated the Closing Date and addressed to the Underwriter, of the City Attorney, to the effect that (i) to the best of his or her knowledge and except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending or threatened which would materially adversely affect the ability of the City to perform its obligations under the City Documents or the Bonds, or seeking to restrain or to enjoin the issuance of the Bonds, or the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection of the Reassessments, or in any way contesting or affecting the validity or enforceability of the City Documents or the Bonds or the accuracy of the Official Statement, or any action of the City contemplated by any of said documents; (ii) the City is duly organized and validly existing as a municipal corporation, under the Constitution and laws of the State of California, with full legal right, power and authority to perform all of its obligations under the City Documents; (iii) the City has obtained all approvals, consents, authorizations, elections and orders of or filings or registrations with any State governmental authority, board, agency or commission having jurisdiction which constitute a condition precedent to the confirmation and collection of the Reassessments, the issuance of the Bonds or the performance by the City of its obligations thereunder or under the Fiscal Agent Agreement, except that no opinion need be expressed regarding compliance with blue sky or other securities laws or regulations; and (iv) the City Council has duly and validly adopted the resolutions forming the Assessment District, confirming the Reassessments, approving the City Documents and authorizing the sale and issuance of the Bonds at meetings of the City Council which were called, held and conducted pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and that such resolutions are now in full force and effect;

(8) A certificate dated the Closing Date of Willdan Financial Services to the effect that the information contained in the Official Statement provided by it therein does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(9) A certificate of the City dated the Closing Date, in a form acceptable to Bond Counsel, that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended;

(10) An Escrow Agreement by and between the City of San Clemente Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"), relating to the refunding of the Prior Bonds;

(11) A certificate of The Bank of New York Mellon Trust Company, N.A., as Trustee and Escrow Agent, dated the Closing Date in form and substance reasonably acceptable to the Underwriter;

(12) An opinion, dated the Closing Date and addressed to the Underwriter and the City, of counsel to The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent and Escrow Agent, in form and substance acceptable to the Underwriter; and

(13) An opinion, Best Best & Krieger addressed to the Underwriter in form and substance acceptable to the Underwriter that the Prior Bonds have been defeased and are no longer outstanding.

(14) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the statements and information contained in the Preliminary Official Statement and the Official Statement, of the City's representations and warranties contained herein, and of the Developers' representations and warranties set forth in their certificates hereto and the due performance or satisfaction by the City at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the City in connection with the transactions contemplated hereby and by the Official Statement.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Bond Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the City shall be under any further obligation hereunder, except that the respective obligations of the City and the Underwriter set forth in Section 5 and Section 6 hereof shall continue in full force and effect.

4. Conditions of the City's Obligations. The City's obligations hereunder are subject to the Underwriter's performance of their obligations hereunder, and are also subject to the following conditions:

(a) As of the Closing Date, no litigation shall be pending or, to the knowledge of the duly authorized officer of the City executing the certificate referred to in Section 3(d)(6) hereof, threatened, to restrain or enjoin the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds or the City Documents or the existence or powers of the City; and

(b) As of the Closing Date, the City shall receive the approving opinions of Bond Counsel and Disclosure Counsel referred to in Section 3(d)(3) and (5) hereof, dated as of the Closing Date.

5. Expenses. Whether or not the Bonds are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the City shall pay or cause to be paid (out of any legally available funds of the City) all expenses incident to the performance of the City's obligations hereunder, including, but not limited to, the cost of printing, engraving and delivering the Bonds to the Underwriter, the cost of preparation, printing, distribution and delivery of the Fiscal Agent Agreement, the Preliminary Official Statement, the Official Statement and all other

agreements and documents contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter; and the fees and disbursements of the Financial Advisor, the Assessment Engineer, the Fiscal Agent, Bond Counsel and Disclosure Counsel and any accountants, engineers or any other experts or consultants the City has retained in connection with the Bonds; and

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

6. Notices. Any notice or other communication to be given to the City under this Bond Purchase Agreement may be given by delivering the same in writing to the City’s City Manager, 100 Avenida Presidio, San Clemente, California 92672, 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, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Sara Oberlies Brown.

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

8. Survival of Representations, Warranties and Agreements. The representations, warranties and agreements of the City set forth in or made pursuant to this Bond Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the City and regardless of delivery of and payment for the Bonds.

9. Effective. This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and shall be valid and enforceable as of the time of such acceptance.

10. No Prior Agreements. This Bond Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds for the City.

11. Governing Law. This Bond Purchase Agreement shall be governed by the laws of the State of California.

12. Counterparts. This Bond Purchase Agreement may be executed simultaneously in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____

Managing Director

ACCEPTED: _____, 2016, at _____ p.m.
(Pacific)

CITY OF SAN CLEMENTE

By: _____

Finance Director

EXHIBIT A

MATURITY SCHEDULE

\$ _____
CITY OF SAN CLEMENTE
REASSESSMENT DISTRICT NO. 2016-1
LIMITED OBLIGATION REFUNDING BONDS

<i>Maturity Date</i> <i>(September 2)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
--	-------------------------	----------------------	--------------

The purchase price of the Bonds shall be \$ _____, which is the principal amount thereof less Underwriter's Discount of \$ _____ and [plus/less] an Original Issue Discount of \$ _____.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2016

NEW ISSUE — FULL BOOK-ENTRY ONLY

INSURED RATING: S&P "A" ⁺
UNDERLYING RATING: S&P "A" ⁺
See "RATINGS" herein.

In the opinion of Best Best & Krieger LLP, San Diego, California, ("Bond Counsel"), subject, however, to certain qualifications described herein, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income tax. See "TAX MATTERS" herein.

\$8,335,000*

**CITY OF SAN CLEMENTE
REASSESSMENT DISTRICT NO. 2016-1
LIMITED OBLIGATION REFUNDING BONDS**

Dated: Date of Delivery

Due: September 2, as shown on the inside cover page

The City of San Clemente Reassessment District No. 2016-1 Limited Obligation Refunding Bonds (the "Bonds") are limited obligations of the City of San Clemente, California (the "City") secured by special reassessments to be levied on real property located within the City's Reassessment District No. 2016-1 (the "Reassessment District").

The \$8,335,000* aggregate principal amount of the Bonds are being issued pursuant to provisions of the Refunding Act of 1984 for bonds issued pursuant to the Improvement Bond Act of 1915 and a Fiscal Agent Agreement, dated as of July 1, 2016 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). Proceeds from the sale of the Bonds, together with certain other amounts, will be used to (a) defease and redeem the City of San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds (the "Prior Authority Bonds"); (b) fund a portion of the reserve fund for the Bonds; and (c) pay costs associated with the sale and delivery of the Bonds, including the premiums for a municipal bond insurance policy and debt service reserve insurance policy. Upon the defeasance of the Prior Authority Bonds, the City of San Clemente Reassessment District No. 98-1 Limited Obligation Improvement Bonds (the "Prior Program Obligations") will be discharged and the pledge of the reassessments for the Prior Program Obligations will terminate.

Interest on the Bonds will be payable on March 2 and September 2 of each year, commencing March 2, 2017. The Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. See "THE BONDS - Book-Entry System" herein.

The Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

Under the provisions of the Refunding Act of 1984 for bonds issued pursuant to the Improvement Bond Act of 1915, installments of principal and interest sufficient to meet annual Bond debt service will be billed by the County of Orange (the "County") to owners of property within the Reassessment District against which there are unpaid reassessments. Upon receipt by the City from the County, these annual installments are to be paid into the Redemption Fund to be held by the Fiscal Agent and used to pay debt service on the Bonds as it becomes due.

Unpaid reassessments constitute fixed liens on the lots and parcels assessed within the Reassessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels. Accordingly, in the event of delinquency, proceedings may be had only against the real property securing the delinquent reassessment. Thus, the value of land within the Reassessment District is a critical factor in determining the investment quality of the Bonds. See "THE REASSESSMENT DISTRICT - Estimated Value to Lien Ratios" herein.

The Fiscal Agent will establish a Reserve Fund (defined herein) and deposit Bond proceeds and a debt service reserve insurance policy, which collectively equal the amount of the Reserve Requirement (defined herein), to provide funds for payment of principal and interest on the Bonds in the event of any delinquent reassessment installments. The City's obligation to advance funds to the Redemption Fund as a result of delinquent installments is limited to the balance in the Reserve Fund and the reserve insurance policy. The City has covenanted to initiate judicial foreclosure in the event of a delinquency. See "SECURITY FOR THE BONDS - Covenant to Commence Superior Court Foreclosure Proceedings" herein.

The City has applied for a municipal bond insurance policy and debt service reserve insurance policy and will decide whether to purchase such policies in connection with the offering of the Bonds. Such information will be released prior to offering the Bonds and will be included in the Official Statement.

Neither the faith and credit nor the taxing power of the City, the County, the State of California or any political subdivision thereof is pledged to the payment of the Bonds, and the payment thereof is not secured by any encumbrance, mortgage or other pledge of property of the City except the pledge of the reassessments and moneys on deposit in the Redemption Fund and Reserve Fund. The City has determined not to advance available funds from its treasury in the event of delinquencies in the payment of reassessments.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Bonds involves risks which may not be appropriate for some investors. See "SPECIAL RISK FACTORS" herein.

MATURITY SCHEDULE

See Inside Cover Page

The Bonds are offered when, as and if issued and delivered to the Underwriter. The Bonds are subject to the approval as to certain legal matters by Best Best & Krieger LLP, San Diego, California, Bond Counsel, and the satisfaction of certain other conditions. Certain legal matters will be passed upon for the City by Best Best & Krieger LLP, San Diego, California as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about _____, 2016.

Dated: _____, 2016

* Preliminary, subject to change

MATURITY SCHEDULE

\$8,335,000*
CITY OF SAN CLEMENTE
REASSESSMENT DISTRICT NO. 2016-1
LIMITED OBLIGATION REFUNDING BONDS

Base CUSIP®† No. _____

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP®†</u>
<u>September 2</u>				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

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

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

Certain of the information set forth herein has been obtained from sources which the City believes to be reliable, but such information is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice; and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. The information set forth in this Official Statement is not guaranteed as to accuracy or completeness by the Underwriter, and this Official Statement is not to be construed as a representation by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement, each in accordance with, and as a part of, their respective 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.

All summaries of the Fiscal Agent Agreement or other documents are made subject to the complete provisions thereof and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

The City maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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

CITY OF SAN CLEMENTE

MAYOR AND CITY COUNCIL

Bob Baker, Mayor
Kathleen Ward, Mayor Pro Tem
Tim Brown, Councilmember
Lori Donchak, Councilmember
Chris Hamm, Councilmember

CITY STAFF

James Makshanoff, City Manager
Erik Sund, Assistant City Manager
Jake Rahn, Financial Services Officer
William Cameron, Public Works Director/City Engineer

SPECIAL SERVICES

Bond and Disclosure Counsel

Best Best & Krieger LLP
San Diego, California

Reassessment Engineer

Willdan Financial Services
Temecula, California

Financial Advisor to the City

Fieldman, Rolapp & Associates
Irvine, California

Underwriter's Counsel

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

Fiscal Agent and Escrow Agent for Prior Bonds

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

Verification Agent for Prior Bonds

Causey Demgen & Moore P.C.
Denver, Colorado

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MAP

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OFFICIAL STATEMENT

\$8,335,000* CITY OF SAN CLEMENTE REASSESSMENT DISTRICT NO. 2016-1 LIMITED OBLIGATION REFUNDING BONDS

INTRODUCTION

This Official Statement (which includes the cover page, inside cover page, the table of contents and the Appendices attached hereto) is furnished by the City of San Clemente (the "City") to provide information concerning the City of San Clemente Reassessment District No. 2016-1 Limited Obligation Refunding Bonds, issued in the aggregate principal amount of \$8,335,000* (the "Bonds"). The Bonds are being issued pursuant to provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code) and a Fiscal Agent Agreement of Trust, dated as of July 1, 2016 (the "Fiscal Agent Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). See "THE BONDS" herein. Capitalized terms not defined elsewhere in this Official Statement have the meanings assigned to such terms in the Fiscal Agent Agreement.

Purpose of Issue

Proceeds from the sale of the Bonds, together with certain other amounts, will be used to (a) defease and redeem the City of San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds (the "Prior Authority Bonds"); (b) fund a portion of the reserve fund for the Bonds; and (c) pay costs associated with the sale and delivery of the Bonds, including the premiums for a municipal bond insurance policy and reserve insurance policy. Upon the defeasance of the Prior Authority Bonds, the City of San Clemente Reassessment District No. 98-1 Limited Obligation Improvement Bonds (the "Prior Program Obligations") will be discharged and the pledge of the reassessments for the Prior Program Obligations will terminate. See "THE FINANCING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. The net proceeds of the Prior Authority Bonds were used to acquire the Prior Program Obligations in order to refund debt previously issued by the City to finance public improvements benefiting parcels within Reassessment District 98-1 (the "Prior Reassessment District").

The Reassessment District

The Reassessment District is fully developed and consists of 1,037 parcels each of which is improved with a single family residence. The Reassessment District consists of approximately 534 acres located in the northern portion of the City, adjacent to the southerly border of the City of San Juan Capistrano and to an unincorporated portion of the County of Orange (the "County").

Security for the Bonds

The Bonds are issued upon and secured by a pledge of revenues received by the City in each Fiscal Year from the collection of annual installments of unpaid reassessments, including penalties and interest and proceeds from the sale of property for delinquent reassessments, on parcels within the Reassessment District, but excluding amounts collected by the City for the payment of administration costs (the "Reassessment Revenues"). The unpaid reassessments and interest and any penalties represent fixed liens on the assessed parcels. They do not, however, constitute a personal indebtedness of the owners of such parcels.

Pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds, installments of principal and interest sufficient to meet annual debt service on the Bonds will be billed by the County to owners of parcels

* Preliminary, subject to change.

within the Reassessment District against which there are unpaid reassessments (the “Reassessment Installments”). Upon receipt by the City from the County, these Reassessment Installments are to be deposited into the Redemption Fund, which shall be held by the Fiscal Agent and used to pay Bond principal and interest as they become due. The Reassessment Installments billed against each parcel each year represent pro rata shares of the total principal and interest coming due that year, based on the percentage which the unpaid reassessment against that parcel bears to the total of unpaid reassessments levied to repay the Bonds.

The Fiscal Agent will deposit \$ _____ from Bond proceeds and a debt service reserve insurance policy with a stated value of \$ _____ which collectively equal the Reserve Requirement (defined herein) into a reserve fund (the “Reserve Fund”). The Reserve Fund will be a source of available funds to advance to the Redemption Fund in the event of delinquent installments. The City’s obligation to advance funds to the Redemption Fund in the event of delinquent installments is limited to the balance in the Reserve Fund. Pursuant to the Fiscal Agent Agreement, the City has no obligation to replenish the Reserve Fund except to the extent that delinquent reassessments are paid or proceeds from foreclosure sales are realized. See “SECURITY FOR THE BONDS – Reserve Fund” herein.

The City covenants with and for the benefit of the Owners of the Bonds that it will commence judicial foreclosure proceedings against properties with delinquent Reassessment Installments. See “SECURITY FOR THE BONDS – Covenant to Commence Superior Court Foreclosure Proceedings” herein.

Description of the Bonds

Maturity Dates. The Bonds will mature on September 2 in the years and in the principal amounts set forth on the inside cover page of this Official Statement.

Payment Dates. The Bonds will be dated their date of delivery. Interest on the Bonds accrues from their dated date at the rates set forth on the inside cover page of this Official Statement, and is payable semiannually on each March 2 and September 2, commencing March 2, 2017 (each, an “Interest Payment Date”). The principal amount of the Bonds is payable at maturity or at earlier redemption upon surrender of the applicable Bond for payment.

Registration. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in authorized denominations, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “THE BONDS – Book-Entry System” and APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” herein.

Denominations. The Bonds will be issued and beneficial ownership interests may be purchased by Beneficial Owners in denominations of \$5,000 or any integral multiple thereof.

Redemption. The Bonds are subject to redemption prior to maturity. See “THE BONDS - Redemption of the Bonds” herein.

Assessed Values and Value-to-Lien Ratios

The aggregate assessed value of the parcels in the Reassessment District, with unpaid reassessments, as shown on the Orange County Assessor’s roll for Fiscal Year 2015-16 is \$879,096,293. The ratio of the assessed value of such parcels to the total amount of the unpaid reassessments and direct and overlapping debt secured by *ad valorem* taxes, special taxes and assessments on such parcels is approximately 99.06 to 1*. See “THE REASSESSMENT DISTRICT – Estimated Value-to-Lien Ratios” herein.

* Preliminary, subject to change.

Additional Bonds for Refunding Purposes Only

The Fiscal Agent Agreement permits the issuance of additional debt on parity with the Bonds for refunding purposes only.

Tax Exemption

In the opinion of Best Best & Krieger LLP (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, although it may be includable in the calculation for certain taxes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein.

Special Risk Factors

Unpaid reassessments do not constitute a personal indebtedness of the owners of the parcels within the Reassessment District. There is no assurance the owners will be able to pay the Reassessment Installments or that they will pay such installments even though financially able to do so.

Because the City has not obligated itself to advance funds to pay Bond debt service in the event of delinquent Reassessment Installments, failure by owners of the parcels to pay Reassessment Installments when due, depletion of the Reserve Fund, or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent Reassessment Installments levied against such parcels may result in the inability of the city to make full or punctual payments of debt service on the Bonds, and Owners of the Bonds would therefore be adversely affected. See “SPECIAL RISK FACTORS” herein.

Forward Looking Statements

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Continuing Disclosure

The City will covenant for the benefit of the owners and Beneficial Owners to make available certain financial and operating data relating to the Bonds, the Reassessment District and the City and to provide notices of the occurrence of certain enumerated events in compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission. The specific nature of information to be made available and the enumerated events

are summarized under the caption "CONTINUING DISCLOSURE" and set forth in "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The summaries and references to documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. Copies of documents referred to herein and information concerning the Bonds are available from the City, 100 Avenida Presidio, San Clemente, California 92672. The City may impose a charge for copying, mailing and handling.

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein, other than that provided by the City, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness by the City. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

All terms used herein and not otherwise defined shall have the meanings given such terms in the Fiscal Agent Agreement.

THE FINANCING PLAN

The Bonds are being issued for the purpose of providing funds to defease and redeem the outstanding Prior Authority Bonds. Upon the defeasance of the Prior Authority Bonds, the Prior Program Obligations will be discharged and the pledge of the reassessments for the Prior Program Obligations will terminate. The net proceeds of the Prior Authority Bonds were used to acquire the Prior Program Obligations in order to refund debt previously issued by the City to finance public improvements benefiting parcels within the Prior Reassessment District.

Proceeds of the sale of the Bonds, together with certain available moneys on hand, including moneys held in certain funds relating to the Prior Authority Bonds and the Prior Program Obligations, respectively, will be deposited into an escrow fund (the "Escrow Fund") held by The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent"), pursuant to an Escrow Agreement, dated as of July 1, 2016 (the "Escrow Agreement") by and between the Escrow Agent and the Authority. Amounts in the Escrow Fund will be used to defease the Prior Authority Bonds, as of the date of issuance of the Bonds.

Amounts deposited under the Escrow Agreement will be held in the Escrow Fund and may be invested

in State and Local Government Series, open market treasury securities and/or in cash. Causey Demgen & Moore P.C. (the "Verification Agent") will verify that the amounts deposited, together with investment earnings thereon, if any, will be sufficient to pay the principal of and interest on the Prior Authority Bonds, to and including March 2, 2017, at a redemption price of 100% of the principal amount thereof for each of the Prior Authority Bonds maturing on and after September 2, 2017.

The securities and other monies held under the Escrow Agreement are pledged to the payment of the Prior Authority Bonds to be paid upon the maturity or redemption thereof and neither the principal of nor the interest thereon will be available for the payment of the Bonds.

The following table sets forth the Prior Reassessment District in which are located the parcels whose reassessments secure the Prior Program Obligations and Prior Authority Bonds and the outstanding principal amount of the Prior Authority Bonds as of the date hereof.

TABLE 1
City of San Clemente
Reassessment District No. 2016-1
Description of Prior Authority Bonds

<u>Prior Authority Bonds</u>	<u>Principal Amount</u> ⁽¹⁾	<u>Number of Parcels</u>	<u>Final Payment Date (Sept. 2)</u>
RAD 98-1	\$10,490,000	1,037	2028

⁽¹⁾ Amount shown include the principal due on September 2, 2016 notwithstanding that assessment installments have been billed.

Source: Willdan Financial Services.

The Authority issued \$14,235,000 the Prior Authority Bonds on or about July 18, 2007, pursuant to an Indenture of Trust, dated as of June 1, 2007 (the "Prior Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Prior Trustee"), for the purpose of providing the Authority with the funds required to purchase the Prior Program Obligations issued by the City on behalf of its Prior Reassessment District to refund debt previously issued by the City to finance public improvements benefiting parcels within Assessment District No. 98-1 (the "Assessment District"). As described in Table 1 above, \$10,490,000 of the Prior Authority Bonds are outstanding. Only that portion of the Prior Reassessment District consisting of 1,037 parcels that secured the Prior Program Obligations and Prior Authority Bonds and did not heretofore prepay such reassessments is part of the Reassessment District. See "THE REASSESSMENT DISTRICT – District Location and History" herein.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds
 Plus/Less Net Original Issue Premium/Discount
 Funds on Hand
 Total Sources

Uses of Funds

Redemption of Prior Bonds
 Reserve Fund ⁽¹⁾
 Underwriter's Discount
 Costs of Issuance Fund ⁽²⁾
 Total Uses

⁽¹⁾ Equals 50% of the initial Reserve Requirement for the Bonds.

⁽²⁾ Includes amounts to reimburse the City for certain expenses, fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Reassessment Engineer, the Fiscal Agent, the Escrow Agent and the Verification Agent, rating agency fees, printing expenses, bond insurance and debt service reserve policy premiums and other issuance costs.

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to the provisions of the Improvement Bond Act of 1915, as amended, being Division 10 of the California Streets and Highways Code, and the Refunding Act of 1984 for 1915 Improvement Act Bonds, as amended, being Division 11.5 of the California Streets and Highways Code (collectively, the "Act").

General

The Bonds will be issued in fully registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof within a single maturity. So long as DTC is acting as securities depository for the Bonds, payments of principal of and interest on the Bonds will be made to DTC. See "THE BONDS – Book-Entry System" herein and APPENDIX E – "BOOK-ENTRY SYSTEM." The Bonds will be dated the date of delivery and will bear interest at the rates per annum and will mature, subject to the redemption provisions set forth below, on the dates and in the principal amounts, all as set forth on the inside cover page hereof.

Interest on the Bonds is payable semiannually on March 2 and September 2 of each year, commencing March 2, 2017 (each an "Interest Payment Date") to the persons in whose names ownership of the Bonds is registered on the registration books at the close of business on the immediately preceding Record Date, (as defined below), except as provided in the Fiscal Agent Agreement. Such interest will be paid by check mailed by the Fiscal Agent on such Interest Payment Date, by first class mail, postage prepaid, or by wire transfer to such registered Owners at their respective addresses shown on the registration books maintained by the Fiscal Agent as of the close of business on the immediately preceding Record Date. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. Under the Fiscal Agent Agreement, the term "Record Date" means the 15th calendar day of the month preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

Principal of, and premium, if any, on the Bonds will be payable in lawful money of the United States of America upon surrender thereof at the Principal Office of the Fiscal Agent.

Redemption of the Bonds

*Optional Redemption**

The Bonds are subject to optional redemption prior to their stated maturity dates on any Interest Payment Date beginning September 2, 2020, on a pro rata basis among maturities (and by lot within any one maturity) in integral multiples of \$5,000, at the option of the City from monies derived by the City from any source, at the following redemption prices (expressed as percentages of the principal amounts of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date beginning September 2, 2020 through March 2, 2024	103%
September 2, 2024 and March 2, 2025	102
September 2, 2025 and March 2, 2026	101
September 2, 2026 and thereafter	100

* Preliminary, subject to change.

Mandatory Redemption from Reassessment Prepayments

The Bonds are subject to mandatory redemption, in whole or in part on any Interest Payment Date, from and to the extent of any prepayment of Reassessments, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date through March 2, 2024	103%
September 2, 2024 and March 2, 2025	102
September 2, 2025 and March 2, 2026	101
September 2, 2026 and thereafter	100

Selection of Bonds for Redemption. In selecting Bonds for redemption, the City shall select the Bonds to be redeemed among maturities so that the ratio of Outstanding Bonds to issued Bonds shall be approximately the same in each maturity and so as to maintain level Annual Debt Service, insofar as possible. The City shall notify the Fiscal Agent of the principal amount of the Bonds so selected for redemption in each maturity of the Bonds by an Officer's Certificate delivered to the Fiscal Agent not less than forty-five (45) days, or such lesser number of days as is acceptable to the Fiscal Agent, in its sole discretion, prior to the date selected for redemption. The Fiscal Agent shall select Bonds for redemption within each maturity of the Bonds by lot.

Purchase of Bonds. In lieu of payment at maturity or redemption under the Fiscal Agent Agreement, moneys in the Redemption Fund may be used and withdrawn by the Fiscal Agent, upon written instructions from the City, for purchase of Outstanding Bonds, at public or private sale as and when, at such prices (including brokerage and other charges) as the City may determine to be appropriate, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Redemption Procedure by Fiscal Agent. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall state the date of such notice, the date of issue of the Bonds, the place or places of redemption, the redemption date, the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed, by giving the individual CUSIP number and Bond number of each Bond to be redeemed, or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called for redemption in part the portion of the principal of the Bond to be redeemed, shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of the mailing of any such redemption notice shall be paid by the City. Redemption notices may be conditional. Redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

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

In the event of mandatory redemption or a purchase of Bonds pursuant to the Fiscal Agent Agreement, the Fiscal Agent shall deposit in the Redemption Fund moneys provided by the City in an amount equal to the redemption price of the Bonds being redeemed or the purchase price of the Bonds being purchased on or before the fifteenth (15th) day of the month preceding the Interest Payment Date upon which such Bonds are to be redeemed or the date upon which the Bonds are to be purchased, as the case may be.

Whenever provision is made for the redemption of less than all of the Bonds, the City shall select the Bonds for redemption in such a way that the ratio of Outstanding Bonds to issued Bonds shall be approximately the same in each maturity of the Bonds insofar as possible, and the Fiscal Agent shall select Bonds for redemption within each maturity of the Bonds by lot.

Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” and APPENDIX E – “BOOK-ENTRY SYSTEM” herein.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption prices of the Bonds called for redemption shall have been deposited in the Redemption Fund, such Bonds shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and interest shall cease to accrue on the Bonds to be redeemed on the redemption date specified in the notice of redemption. All Bonds redeemed and purchased by the Fiscal Agent and all Bonds paid at maturity shall be canceled and destroyed by the Fiscal Agent.

Transfers and Exchanges

Any Bond may be transferred upon the registration books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Fiscal Agent. The Fiscal Agent will require the Owner requesting a transfer or exchange of a Bond to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. A new Bond or Bonds of like aggregate principal amount of authorized denominations shall be delivered in exchange for any Bond or Bonds thus surrendered. The Fiscal Agent may decline to make such transfers or exchanges (i) during the fifteen days preceding the date established by the Fiscal Agent for selection of Bonds for redemption, or (ii) with respect to Bonds which have been selected for redemption.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX E – “BOOK-ENTRY SYSTEM” herein.

Cost of Issuance Fund

Moneys in the Cost of Issuance Fund shall be held by the Fiscal Agent and disbursed for the payment or reimbursement of Costs of Issuance. Amounts in the Cost of Issuance Fund shall be disbursed to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by an Authorized Officer and delivered to the Fiscal Agent concurrently with the delivery of the Bonds. The Fiscal Agent shall maintain the Cost of Issuance Fund for a period of six (6) months after the Closing Date and shall then transfer and deposit any moneys remaining therein, including any Investment Earnings thereon, to the Redemption Fund. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL

AGENT AGREEMENT” herein.

Redemption Fund

On or before the second (2nd) Business Day preceding each Interest Payment Date, the City Treasurer shall transfer to the Fiscal Agent for deposit in the Redemption Fund an amount of the Reassessment Revenues which the Fiscal Agent has advised the City Treasurer will be needed to pay Debt Service on the Bonds on such Interest Payment Date. Upon receipt of each such transfer of Reassessment Revenues, the Fiscal Agent shall deposit the amount thereof in the Redemption Fund for the payment of Debt Service on the Bonds on the Interest Payment Date for which the transfer is made.

On each Interest Payment Date, the Fiscal Agent shall withdraw from the Redemption Fund and pay to the Owners of the Bonds the principal of and interest and any premium then due and payable on the Bonds on the Interest Payment Date. In the event that amounts on deposit in the Redemption Fund are insufficient for the purpose set forth in the preceding paragraph, the Fiscal Agent shall transfer, first, from the moneys on deposit in the Reserve Fund, to the extent of any moneys therein, to the Redemption Fund the amount of such insufficiency; and second, in the event and to the extent that moneys on deposit in the Reserve Fund are insufficient to replenish the Redemption Fund to an amount sufficient for the purpose set forth in the preceding paragraph, then in accordance with the debt service reserve insurance policy, the Fiscal Agent shall draw on the debt service reserve insurance policy in an amount of such insufficiency, but not in excess of the debt service reserve insurance policy’s stated amount and deposit that amount in the Redemption Fund. If, after such a transfer from the Reserve Fund, there are insufficient funds in the Redemption Fund to make the payments of the principal of, and interest and any premium on the Bond, the Treasurer shall specify in such written instructions how the available funds shall be utilized to pay interest on and principal of the Bonds and the Fiscal Agent may conclusively rely upon such written instructions, and shall not have any responsibility or liability as a result of its reliance upon any such written instructions. When funds become available for the payment of the portion of the principal of any Bond which was not paid upon its maturity date, the Treasurer shall provide notice to the Owner of such Bond as provided in Section 8776 of the California Streets and Highways Code.

On September 3 of each year, beginning on September 3, 2017, the amount on deposit in the Redemption Fund (except the amount, if any, on deposit in the Reassessment Prepayment Account) shall not exceed the greater of (i) one year’s earnings on such amount, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. If on September 3 of any year the amount on deposit in the Redemption Fund exceeds the maximum amount allowable pursuant to the preceding sentence and if on such September 3 the City shall have delivered to the Fiscal Agent an Officer’s Certificate containing the information required below in this paragraph, the excess shall be transferred by the Fiscal Agent as directed by such Officer’s Certificate to the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement, and any such excess remaining thereafter shall be paid by the Fiscal Agent to the City, as directed by such Officer’s Certificate. An Officer’s Certificate delivered by the City to the Fiscal Agent shall specify the dollar amount of the excess and specify the dollar amount of such excess which the Fiscal Agent is to pay the City.

Reserve Fund

There will be deposited into the Reserve Fund from the proceeds of the sale of the Bonds an amount equal to \$_____ and the debt service reserve insurance policy in a stated amount of \$_____, which collectively equal the least of (i) Maximum Annual Debt Service for the Bonds; (ii) one hundred and twenty-five percent (125%) of Average Annual Debt Service for the Bonds; or (iii) ten percent (10%) of the issue price (as defined in the Treasury Regulations) of the Bonds (the “Reserve Requirement”).

Moneys in the Reserve Fund and the debt service reserve insurance policy shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of and interest and any premium on the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Except as provided for in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, and interest and any premium on the Bonds or, in accordance with the provisions of the Fiscal Agent Agreement regarding transfers of moneys on deposit in the Reserve Funds in excess of the Reserve Requirement, for the purpose of redeeming Bonds.

Amounts transferred from the Reserve Fund to the Redemption Fund shall be restored by the City from the collection of delinquent installments on the reassessments levied on parcels for which such installments are delinquent, and penalties and interest thereon, whether by judicial foreclosure proceedings or otherwise, as soon as is reasonably possible following the receipt by the City of such delinquent installments, penalties and interest. Whenever transfer is made from the Reserve Fund to the Redemption Fund due to a deficiency in the Redemption Fund, the Fiscal Agent shall report such fact to the City.

Whenever a reassessment levied on a lot or parcel of property within the Reassessment District is paid off, the Fiscal Agent shall, upon receiving an Officer's Certificate regarding such Reassessment, transfer from the Reserve Fund to the Redemption Fund an amount equal to the reduction in such Reassessment determined pursuant to Section 8881 of the Streets and Highways Code of the State of California (the "Reserve Credit"). The Reserve Credit will be split equally between moneys in the Reserve Fund and the debt service reserve insurance policy.

Whenever, on any September 3, the amount in the Reserve Fund, less Investment Earnings resulting from the investment of the funds therein which must be rebated to the United States (the "Rebate Amount"), exceeds the then applicable Reserve Requirement, the Fiscal Agent shall provide written notice to the City of the amount of the excess and shall, subject to the Fiscal Agent Agreement, transfer an amount equal to the excess from the Reserve Fund to the Redemption Fund to be used for the payment of Debt Service on the next succeeding Interest Payment Date. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" herein.

Rebate Fund

The Fiscal Agent shall, in accordance with written directions received from the City, deposit into the Rebate Fund moneys transferred by the City to the Fiscal Agent pursuant to the Rebate Certificate. The Rebate Fund shall be held either uninvested or invested only in Federal Securities at the direction of the City. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States, to the extent such payments are required by the Rebate Certificate. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" herein.

Investments

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold such moneys uninvested. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" herein.

Estimated Debt Service Schedule

The debt service requirements with respect to the Bonds are set forth on the following schedule, assuming no redemptions are made:

<u>Year Ending September 2</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
Totals			

SECURITY FOR THE BONDS

General

The Bonds are issued upon and secured by a pledge of Reassessment Revenues. All the Bonds are secured by moneys in the Redemption Fund and the Reserve Fund and by the unpaid reassessments levied. Principal of and interest on the Bonds are payable exclusively out of the Redemption Fund.

The payment of the amount of each Reassessment Installment, interest and any penalties and collection costs is secured by a reassessment lien upon the applicable property in the District. Such lien is cocqual with the latest lien to secure the payment of general *ad valorem* property taxes, is not subject to extinguishment by the sale of any property on account of the nonpayment of general property taxes, and is prior and superior to all liens, claims, encumbrances and titles other than the lien of reassessments, special taxes and general property taxes. The Reassessment Installments are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds, and as received by or otherwise credited to the City, will immediately be subject to the lien of such pledge. Although the unpaid reassessments constitute liens upon the parcels assessed, they do not constitute a personal indebtedness of the owners of said parcels. There can be no assurance as to the financial or legal ability, or the willingness, of such property owners to pay the unpaid reassessments. The failure of a property owner to pay a Reassessment Installment will not result in an increase in Reassessment Installments applicable to other parcels with in the Reassessment District.

The unpaid reassessments will be collected in semi-annual installments, together with interest on the declining balances, on the County tax roll on which general taxes on real property are collected, and the unpaid reassessments are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general taxes, and the reassessment parcels are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes. See “ – Covenant to Commence Superior Court Foreclosure Proceedings” below.

Reserve Fund

The Reserve Fund will be a source of available funds to advance to the Redemption Fund in the event of delinquent Reassessment Installments. See “THE BONDS – Reserve Fund” herein. **The City’s obligation to advance funds to the Redemption Fund in the event of delinquent Reassessment Installment is limited to the balance in the Reserve Fund, plus the stated amount of the debt service reserve insurance policy. Pursuant to the Fiscal Agent Agreement, the City has no obligation to replenish the Reserve Fund except to the extent that delinquent Reassessment Installments are paid or proceeds from foreclosure sales are realized.** However, the determination by the City not to obligate itself to advance available funds to cure delinquencies will not prevent the City from, in its sole discretion, advancing such funds.

Covenant to Commence Superior Court Foreclosure Proceedings

The City has covenanted in the Fiscal Agent Agreement to institute judicial foreclosure in the event of a delinquency and thereafter to prosecute diligently to completion, court foreclosure proceedings upon the lien of any and all delinquent reassessments and interest.

Pursuant to Part 14 of Division 10 of the California Streets and Highways Code, as amended, in the event any Reassessment Installment is not paid when due, the City may order the institution of a court action to foreclose the lien of the delinquent unpaid Reassessment Installments. In such an action, the property subject to the unpaid Reassessment Installments may be sold at a judicial foreclosure sale. This foreclosure sale procedure is not mandatory. However, the City covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced, judicial foreclosure proceedings against properties with delinquent Reassessment Installments in excess of \$10,000 by the October 1 following the close of the Fiscal Year in which such installments were due, and will commence judicial foreclosure proceedings against all properties with

delinquent Reassessment installments by the October 1 following the close of each Fiscal Year in which it receives Reassessment Revenues in an amount which is less than ninety-five percent (95%) of the total Reassessment Revenues which were to be received in the Fiscal Year and diligently pursue to completion such foreclosure proceedings.

Judicial Foreclosure Proceedings. The Act provides that the court in a foreclosure proceeding has the power to order property securing the delinquent Reassessment Installments to be sold for an amount not less than all Reassessment Installments, interest, penalties, costs, fees, and other charges that are delinquent at the time the foreclosure action is ordered, and certain other fees and amounts as provided therein (the “Minimum Price”). The court may also include subsequent delinquent Reassessment Installments and all other delinquent amounts.

The City may, at its discretion, but is not required to, become the purchaser of any property sold in a foreclosure proceeding. If the City becomes the purchaser, it shall pay into the Redemption Fund an amount necessary to satisfy the judgement, less any advances by the City to cover delinquent Reassessment Installments plus simple interest on such net amount, at the interest rates borne by the Bonds, for the dates of delinquency. Unless such property is subsequently resold, the City must transfer to the Redemption Fund any future Reassessment Installments pending redemption. The City may thereupon be reimbursed for any amount advanced from the City to the Redemption Fund to cover such future Reassessment Installments with respect to the property so sold from the proceeds of such sale.

If the property is sold to a purchaser other than the City, the City shall deposit the proceeds from the sale of the property into the Redemption Fund. From such amount, the City shall reimburse the Reserve Fund, the amount, if any, of funds advanced from the Reserve Fund to the Redemption Fund to cover the delinquent Reassessment Installments with respect to the property which is sold. After reimbursement of the Reserve Fund, the City may be reimbursed for any other amounts advanced from it to the Redemption Fund to cover delinquent Reassessment Installments and interest with respect to the property sold in such proceedings. Any funds in excess of the amount necessary to reimburse the City may be applied by the City to pay interest and penalties, costs, fees and other charges, to the extent they were included in the sales proceeds.

If the property to be sold fails to sell for the Minimum Price, the City may petition the court to modify the judgment so that the property may be sold at a lesser price or without a Minimum Price. Notice of the hearing on such petition must be given to all Owners of the Bonds. In certain circumstances, the court may modify the judgement after the hearing to permit the sale of the property at a price lower than the Minimum Price if the court makes certain determinations, including determinations that the sale at less than the Minimum Price will not result in an ultimate loss to the Owners of the Bonds or that the Owners of at least 75% of the principal amount of the Bonds outstanding have consented to the petition and certain other circumstances described in the Act exist. Neither the property owner nor any holder of a security interest in the property nor any defendant in the foreclosure action may purchase the property at the foreclosure sale for less than the Minimum Price.

In the event such Superior Court foreclosure proceedings are commenced by the City, there may be delays in payments to Owners of the Bonds pending prosecution of the foreclosure proceedings to completion, including the receipt by the City of the proceeds of the foreclosure sale. It is also possible that no qualified bid will be received at the foreclosure sale. See “SPECIAL RISK FACTORS” herein.

Priority of Lien

The Reassessment Installments and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same is paid. Such lien has priority over all private liens and over all fixed special reassessment liens which may thereafter be created against such property. Such lien is co-equal to and independent of the lien for general taxes and special taxes. See “THE REASSESSMENT DISTRICT – Direct and Overlapping Debt” herein for a description of other special taxes, assessments or reassessments

secured by a lien on property within the Reassessment District.

Limited City Obligation Upon Delinquency

The City's obligation to advance moneys to pay Bond debt service in the event of delinquent Reassessment Installments is limited to the balance in the Reserve Fund.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS.

Delinquency Resulting in Ultimate or Temporary Default on Bonds

If a temporary deficiency occurs in the Redemption Fund with which to pay Bonds which have matured, past due interest or the principal and interest on Bonds coming due during the current tax year, but it does not appear to the Treasurer of the City that there will be an ultimate loss to the Bond Owners, the Treasurer shall, pursuant to the 1915 Act, direct the Fiscal Agent to pay the principal of Bonds which have matured as presented and make interest payments on the Bonds when due as long as there are available funds in the Redemption Fund, in the following order of priority:

- (1) All matured interest payments shall be made before the principal of any Bonds is paid.
- (2) Interest on Bonds of earlier maturity shall be paid before interest on Bonds of later maturity.
- (3) Within a single maturity, interest on lower numbered Bonds shall be paid before interest on higher numbered Bonds.
- (4) The principal of Bonds shall be paid in the order in which the Bonds are presented for payment. Any Bond which is presented but not paid shall be assigned a serial number according to the order of presentment and shall be returned to the Bond Owner.

When funds become available for the payment of any Bond which was not paid upon presentment, the Treasurer shall notify the registered owner of such Bond by registered mail to present the Bond for payment. If the Bond is not presented for payment within ten days after the mailing of the notice, interest shall cease to run on the Bond.

If it appears to the Treasurer that there is a danger of an ultimate loss accruing to the Bond Owners for any reason, he or she is required pursuant to the 1915 Act to withhold payment on all matured Bonds and interest on all Bonds and report the facts to the City Council so that the City Council may take proper action to equitably protect all Bond Owners.

Upon the receipt of such notification from the Treasurer, the City Council is required to fix a date for a hearing upon such notice. At the hearing the City Council shall determine whether in its judgment there will ultimately be insufficient money in the Redemption Fund to pay the principal of the unpaid Bonds and interest thereon.

If the City Council determines that in its judgment there will not be an Ultimate Default, it shall direct the Treasurer to pay matured Bonds and interest as long as there is available money in the Redemption Fund.

If the City Council determines that in its judgment there will ultimately be a shortage in the Redemption Fund to pay the principal of the unpaid Bonds and interest thereon (an "Ultimate Default"), the City Council shall direct the Treasurer to pay to the owners of all outstanding and unpaid Bonds such proportion thereof as the amount of funds on hand in the Redemption Fund bears to the total amount of the unpaid principal of the Bonds and interest which has accrued or will accrue thereon. Similar proportionate payments shall thereafter be

made periodically as moneys come into the Redemption Fund.

Upon the determination by the City Council that an Ultimate Default will occur, the Treasurer shall notify all Bond Owners to surrender their Bonds to the Treasurer for cancellation. Upon cancellation of the Bonds, the Bond Owner shall be credited with the principal amount of the Bond so canceled. The Treasurer shall then pay by warrant the proportionate amount of principal and accrued interest due on the Bonds of each Bond Owner as may be available from time to time out of the money in the Redemption Fund. Interest shall cease on principal payments made from the date of such payment, but interest shall continue to accrue on the unpaid principal at the rate specified on the Bonds until payment thereof is made. No premiums shall be paid on payments of principal on Bonds made in advance of the maturity date thereon.

If Bonds are not surrendered for registration and payment, the Treasurer shall give notice to the Bond Owner by registered mail, at the Bond Owner's last address as shown on the registration books maintained by the Fiscal Agent, of the amount available for payment. Interest on such amount shall cease as of ten days from the date of mailing of such notice.

BOND INSURANCE AND DEBT SERVICE RESERVE INSURANCE

The City has applied for a municipal bond insurance policy and a debt service reserve insurance policy and will decide whether to purchase any such policies in connection with the offering of the Bonds. Such information will be released prior to offering the Bonds and will be included in the Official Statement.

THE REASSESSMENT DISTRICT

General

The proceedings for the Reassessment District were conducted pursuant to the Act and a resolution of intention adopted by the City Council on April 19, 2016. The City Council confirmed a total reassessment in the Reassessment District of \$8,335,000 on June 13, 2016 on the basis of the preliminary principal amount for the Bonds, and recorded such confirmed reassessment. Willdan Financial Services, Temecula, California (the "Reassessment Engineer"), prepared a written report, dated June 13, 2016 (the "Engineer's Report"), which contains, among other things, the proposed reassessment for each of the parcels in the Reassessment District. The total amount of the proposed reassessments was based upon the Reassessment Engineer's estimated cost of redemption of the Prior Authority Bonds and findings by the City that: (1) each estimated annual installment of principal and interest on the reassessment is less than the corresponding annual installment of principal and interest on the portion of the original assessment or reassessment, as applicable, being superseded and supplanted by the same percentage for all subdivisions of land within the district, provided that any amount added to the annual installments on the assessment or reassessment due to a delinquency in payment on the original assessment or reassessment need not be considered in this calculation (which addition is not applicable to the reassessment); (2) the number of years to maturity of the Bonds relating to a series or group of Prior Authority Bonds is not more than the number of years to the last maturity of such series or group of Prior Authority Bonds being refunded; and (3) the principal amount of the reassessment on each subdivision of land within the district is less than the unpaid principal amount of the portion of the assessment or reassessment, as applicable, being superseded and supplanted by the same percentage for each subdivision of land within the district, provided that any amount added to the annual installments on the assessment or reassessment due to a delinquency in payment on the original assessment or reassessment need not be considered in this calculation (which addition is not applicable to the reassessment). Under the Act, any reassessment so approved and confirmed shall not be deemed to be an assessment within the meaning of, and may be ordered without compliance with the procedural requirements of, Article XIID of the California Constitution. With respect to the portion of the Prior Reassessment District securing the Prior Program Obligations described herein for which the City completed its proceedings for the levy of assessments after July 1, 1997, the City complied with the provisions of Section 4 of Article XIID. See "SPECIAL RISK FACTORS – Proposition 218" herein. The Reassessment Report will be updated to reflect an aggregate reassessment equal to the \$8,335,000* principal amount of Bonds and filed with the City.

As of April 1, 2016, and according to the County's Fiscal Year 2015-16 property ownership records, of the 1,037 parcels to be included in the Reassessment District, all are developed with predominantly occupied residential improvements.

District Location and History

The Reassessment District is located in the northern part of the City, adjacent to the southerly boundary of the City of San Juan Capistrano and to an unincorporated portion of the County. Its predecessor district, Assessment District No. 98-1, was originally formed pursuant to a petition filed with the City by the then owner of all of the land within the boundaries of Assessment District No. 98-1. On June 30, 1999, the City issued its Assessment District No. 98-1 Limited Obligation Improvement Bonds in the aggregate principal amount of \$15,355,000 (the "1999 Bonds"). The 1999 Bonds were issued in order to finance a portion of the cost of acquiring certain proposed street, water, wastewater, storm water, utility and other public improvements of special benefit of land located within Assessment District No. 98-1 as well as to prepay assessments for certain other wastewater improvements previously imposed on property within Assessment District 98-1 and to retire a portion of the bonds issued in connection therewith. In order to achieve interest rate savings and reduce the amounts required to be assessed against property in Assessment District No. 98-1 and refund the 1999 Bonds, the City formed the Prior Reassessment District, issued the Prior Program Obligations and sold them to the

* Preliminary, subject to change.

Authority to provide funds for the retirement of the 1999 Bonds.

The Reassessment District is comprised of 1,037 parcels, each of which is improved with a single family residence. The reassessments imposed by the Reassessment District supersede in their entirety the reassessments previously imposed by the Prior Reassessment District on the parcels now included within the Reassessment District. Those reassessments range from \$6,430.08 to \$9,202.95*.

Included herein as APPENDIX A is general economic data regarding the City and the County. Such information is included for the purposes of general background information only. Neither the faith and credit nor the taxing power of the City, the County, the State or any political subdivision thereof is pledged to the payment of the Bonds.

For the location of Reassessment District within the City, see APPENDIX F – “REASSESSMENT DISTRICT BOUNDARY MAP.”

Table 2 below summarizes the parcel count and remaining reassessment amount for the Prior Reassessment District.

TABLE 2
City of San Clemente
Reassessment District No. 2016-1
Description of Prior Reassessment Lien

Prior Reassessment District	Amount of Prior Reassessment Lien⁽¹⁾	Number of Parcels	Final Payment Date (Sept. 2)
RAD 98-1	10,435,000	1,037	2028

⁽¹⁾ Reassessment Lien does not include the amount due September 2, 2016.
Source: Willdan Financial Services.

The Reassessments are levied within the Reassessment District by the City Council under the proceedings taken pursuant to a resolution adopted by the City Council on June 13, 2016.

Development Status and Assessed Valuation

As noted above, all of the 1,037 parcels in the Reassessment District are improved with single family residences. The aggregate assessed value of the parcels in the Reassessment District, with unpaid reassessments, as shown on the Orange County Assessor’s roll for Fiscal Year 2015-16 is \$879,096,293. The ratio of the assessed value of such parcels to the total amount of the unpaid reassessments and direct and overlapping debt secured by *ad valorem* taxes, special taxes and assessments on such parcels is approximately 99.06 to 1*, however, ratios will vary throughout the Reassessment District.

* Preliminary, subject to change.

Table 3 below reflects the annual change in Assessed Value from Fiscal Year 2011-12 through Fiscal Year 2015-16.

TABLE 3
City of San Clemente
Reassessment District No. 2016-1
Annual Change in Assessed Value

<u>Fiscal Year</u>	<u>Number of Parcels Subject to Levy</u>	<u>Assessed Value⁽¹⁾</u>	<u>Percent Change</u>
2011-12	1,037	\$780,444,566	N/A
2012-13	1,037	768,624,847	-1.51%
2013-14	1,037	774,956,597	0.82%
2014-15	1,037	843,537,765	8.85%
2015-16	1,037	879,096,293	4.22%

⁽¹⁾ Per the County Assessor's Office, the Assessed Values on certain properties were reduced in accordance with Proposition 8; therefore, the Aggregate Assessed Value indicated in Table 3 shows a decrease for Fiscal Year 2012-13.

Source: County Secured Property Roll, as compiled by Willdan Financial Services per Fiscal Year.

Property Tax and Assessment Payment Delinquency Status

According to County records, as of April 12, 2016, owners of 6 of the assessable parcels of property in the Reassessment District were delinquent in their respective regular property tax payments for Fiscal Year 2015-16, representing a delinquency rate of 0.62% of the aggregate reassessments as of April 12, 2016 for the first installment collections to such date. Table 4 below summarizes prior year delinquencies in the payment of reassessments by owners of real property on which reassessments securing the Prior Bonds were levied from Fiscal Year 2011-12 through 2015-16.

TABLE 4
City of San Clemente
Reassessment District No. 2016-1
Fiscal Year End Summary of Delinquent Reassessments

Fiscal Year	Parcels Levied	Annual Assessment	As of Date	Fiscal Year End Delinquency			As of Date	Parcels Delinquent	Assessment Delinquent ⁽¹⁾	Percent Delinquent
				Parcels Delinquent	Reassessment Delinquent ⁽¹⁾	Percent Delinquent				
2011-12	1,037	\$1,062,150.50	5/17/2012	46	\$31,420.93	2.96%	1	\$ 586.73	0.06%	
2012-13	1,037	1,120,977.74	5/8/2013	41	31,591.75	2.82	1	1,236.12	0.11	
2013-14	1,037	1,123,245.46	5/15/2014	36	24,481.02	2.18	2	1,717.82	0.15	
2014-15	1,037	1,116,542.56	6/16/2015	15	9,976.17	0.89	2	889.53	0.08	
2015-16	1,037	1,116,148.64	5/11/2016	18	11,954.59	1.07	18	11,954.59	1.07	

⁽¹⁾ Amount does not include any penalties, interest or fees.

Source: County Tax Collector's Office, as compiled by Willdan Financial Services.

Estimated Value-to-Lien Ratios

According to the County's Fiscal Year 2015-16 property ownership records, there were 1,037 parcels in the Reassessment District. Based on the share of the lien representing the \$8,335,000* principal amount of Bonds, the overall value-to-lien ratio for Fiscal Year 2015-16 is approximately 99.06 to 1* (including other outstanding direct and overlapping tax indebtedness applicable to assessable property in the Reassessment District). Table 5 shows value to lien ratios for the Bonds as a percentage of the share of Bond lien by ratio category. As shown therein, no parcel has an assessed valuation to reassessment lien ratio of less than 4.9 to 1, and only one of the parcels (representing less than 0.11% of the total) has an assessed value to reassessment lien ratio of less than 9.5 to 1.

TABLE 5
City of San Clemente
Reassessment District No. 2016-1
Value to Lien Ratios

<u>Value to Lien</u>	<u>Number of Parcels</u>	<u>Fiscal Year 2015-16 Total Assessed Value⁽¹⁾</u>	<u>Reassessment Lien*</u>	<u>Percent of Reassessment Lien*</u>	<u>Total Direct and Overlapping Debt^{(2)*}</u>
50.00:1 and Over	1,023	\$875,601,462	\$8,215,789	98.570%	\$8,752,686
40.00:1 to 49.99:1	4	1,656,861	36,834	0.442%	37,850
30.00:1 to 39.99:1	2	547,224	15,522	0.186%	15,857
20.00:1 to 29.99:1	3	606,468	24,009	0.288%	24,381
10.00:1 to 19.99:1	4	600,100	34,059	0.409%	34,427
5.00:1 to 9.99:1	1	84,178	8,787	0.105%	8,839
Totals	1,037	\$879,096,293	\$8,335,000	100.000%	\$8,874,030

⁽¹⁾ Per the County Assessor's Office, the properties listed as having a value-to-lien ratio that is less than 50.00:1 are due to Proposition 60/90.

⁽²⁾ Overlapping Debt provided by California Municipal Statistics, Inc.

Note: Totals may not tie due to rounding.

Source: County Fiscal Year 2015-16 Secured Property Roll, as compiled by Willdan Financial Services.

No assurance can be given that any of the foregoing value-to-lien ratios will be maintained during the period of time that the Bonds are outstanding. The City has no control over future property values or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, is on a parity with the Reassessments. See "SPECIAL RISK FACTORS – Property Values" herein.

Direct and Overlapping Debt

Estimated Debt

Contained within the Reassessment District are numerous overlapping local agencies providing public services. Some of such local agencies have outstanding bonds issued in the form of general obligation, special tax and special assessment bonds, including the San Clemente Ranch Water District, the Municipal Water District of Orange County, the Metropolitan Water District of Southern California, and others. Additional indebtedness could be authorized by the City or other public agencies at any time.

Set forth in Table 6 below is the direct and overlapping indebtedness outstanding as of April 1, 2016, payable from taxes and assessments that may be levied on property within the Reassessment District. No additional assessment bonds of an issue can be issued upon the security of the unpaid prior assessments or

* Preliminary, subject to change.

reassessments, as applicable, levied within the Reassessment District. The agencies listed, as well as other public agencies may issue indebtedness or additional indebtedness on property within the Reassessment District at any time. See "SECURITY FOR THE BONDS – Priority of Lien" herein.

TABLE 6
City of San Clemente
Reassessment District No. 2016-1
Direct and Overlapping Debt

CITY OF SAN CLEMENTE REASSESSMENT DISTRICT NO. 98-1

2015-16 Local Secured Assessed Valuation: \$879,096,293

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 04/01/16</u>
Metropolitan Water District	0.036%	\$ 33,298
Capistrano Unified School District School Facilities Improvement District No. 1	1.692	505,732
City of San Clemente Reassessment District No. 98-1	100.	10,435,000 ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$10,974,030
OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	0.176%	\$ 134,900
Orange County Pension Obligation Bonds	0.176	868,309
Orange County Board of Education Certificates of Participation	0.176	26,751
Municipal Water District of Orange County Water Facilities Corp.	0.210	5,817
Capistrano Unified School District Certificates of Participation	1.138	174,348
City of San Clemente Certificates of Participation	6.083	81,513
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$ 1,291,638
Less: Municipal Water District of Orange County Water Facilities Corp.		5,817
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$ 1,285,821
GROSS COMBINED TOTAL DEBT		\$12,265,668⁽²⁾
NET COMBINED TOTAL DEBT		\$12,259,851

Ratios to 2015-16 Local Secured Assessed Valuation:

Direct Debt (\$10,435,000)	0.19%
Total Direct and Overlapping Tax and Assessment Debt	1.25%
Gross Combined Total Debt	1.40%
Net Combined Total Debt	1.39%

⁽¹⁾ Represents the total amount of the unpaid reassessment, the amount of the Bonds is expected to be lower. The City expects to confirm the reassessments at the lower amount following delivery of the Bonds.

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

Source: California Municipal Statistics, Inc.

Unique Lien Category

Table 7 below shows the number of parcels, Fiscal Year 2015-16 assessment, estimated Fiscal Year 2016-17 assessment, reassessment amount, percentage of the total reassessment and assessed valuation for all of the unique lien categories in the Reassessment District. Each unique lien category represents the reassessment amount per parcel within the original planning areas of the Reassessment District. The original method of assessment spread for Assessment District No. 98-1 was based on several factors which were determined by the level of benefit received per planning area.

TABLE 7
City of San Clemente
Reassessment District No. 2016-1
Reassessment per Unique Lien Category

<u>Unique Lien Category</u>	<u>Number of Parcels</u>	<u>Fiscal Year 2015-16 Levy⁽¹⁾</u>	<u>Est. Fiscal Year 2016-17 Levy^{(2)*}</u>	<u>Reassessment Amount*</u>	<u>Percent of Reassessment*</u>	<u>Assessed Valuation</u>
\$6,433.94	271	\$ 234,418.76	\$201,765.17	\$1,743,598.61	20.92%	\$163,078,867
\$6,734.40	154	139,258.56	120,010.56	1,037,097.94	12.44	139,015,332
\$8,787.33	193	226,751.84	196,251.86	1,695,954.06	20.35	161,831,200
\$9,208.47	419	<u>515,719.48</u>	<u>446,479.22</u>	<u>3,858,349.39</u>	<u>46.29</u>	<u>415,170,894</u>
Totals	1,037	\$1,116,148.64	\$972,847.50	\$8,335,000	100.00%	\$879,096,293

⁽¹⁾ Amount shown includes a \$150,000 levy credit.

⁽²⁾ Amount shown includes the principal and interest due on the Bonds for Fiscal Year 2016-17 plus \$25,000 for estimated administrative expenses.

Source: Willdan Financial Services.

* Preliminary, subject to change.

Expected Tax Burden

For Fiscal Year 2016-17 the estimated total effective tax rates range from approximately 1.110% to 1.169%. See Table 8 below for sample tax bills for each unique lien category.

TABLE 8
City of San Clemente
Reassessment District No. 2016-1
Estimated Fiscal Year 2016-17 Sample Tax Bill for Unique Liens

<u>Assessed Valuations and Property Taxes</u>		<u>Parcel 1</u> ⁽¹⁾	<u>Parcel 2</u> ⁽²⁾	<u>Parcel 3</u> ⁽³⁾	<u>Parcel 4</u> ⁽⁴⁾
Total Estimated Secured Assessed Value ⁽⁵⁾		\$ 548,992	\$ 826,152	\$ 666,253	\$ 810,163
Homeowner's Exemption		(7,000)	(7,000)	0	0
Net Assessed Value ⁽⁶⁾		\$ 541,992	\$ 819,152	\$ 666,253	\$ 810,163
Ad Valorem Property Taxes	<u>Rate</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Basic Levy Rate	1.00000%	\$5,419.92	\$8,191.52	\$6,662.53	\$8,101.63
Capistrano Unified	0.00845%	45.80	69.22	56.30	68.46
Metro Water D-MWDOC	0.00350%	18.97	28.67	23.32	28.36
Total Ad Valorem Property Taxes		\$5,484.68	\$8,289.41	\$6,742.15	\$8,198.44
Mosquito, Fire Ant and Disease Control Assessment		\$ 6.02	\$ 6.02	\$ 6.02	\$ 6.02
Vector Control District Charge		1.92	1.92	1.92	1.92
Metropolitan Water District Water Standby Charge		11.60	11.60	11.60	11.60
City of San Clemente Reassessment District No. 2016-1		744.52	779.28	1,016.84	1,065.58
Total Special Assessment Charges		\$ 764.06	\$ 798.82	\$1,036.38	\$1,085.12
Total Property Taxes and Assessment Charges		\$6,248.74	\$9,088.23	\$7,778.53	\$9,283.56
Tax rate as % of Secured Assessed Value		1.153%	1.109%	1.168%	1.146%

(1) Sample Parcel for Properties with Unique Reassessment Lien of \$6,433.94.

(2) Sample Parcel for Properties with Unique Reassessment Lien of \$6,734.40.

(3) Sample Parcel for Properties with Unique Reassessment Lien of \$8,787.33.

(4) Sample Parcel for Properties with Unique Reassessment Lien of \$9,208.47.

(5) Secured Assessed Value estimated at the maximum of 2% increase over Fiscal Year 2015-16 in accordance with Proposition 13.

(6) Net secured assessed value reflects total assessed value for the parcel net of homeowner's exemption. Not all residences applied or qualified for the exemption.

Note: All sample parcels had ownership changes in 2011.

Source: County Tax Collector, as compiled by Willdan Financial Services.

SPECIAL RISK FACTORS

The purchase of the Bonds involves certain investment risks. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. The discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds, and the Official Statement should be read in its entirety for the purpose of making an informed investment decision.

General

To provide for the payment of debt service on the Bonds, it is necessary that unpaid Reassessment Installments be paid in a timely manner. Although the unpaid Reassessments constitute fixed liens on the assessable parcels of property in the Reassessment District, they do not constitute a personal indebtedness of the respective owners of such parcels. There is no assurance that such owners will be financially able to pay the Reassessment Installments or that they will pay such installments even though financially able to do so.

Failure by owners of the assessable parcels of property in the Reassessment District to pay Reassessment Installments when due (absent the receipt of sufficient payments under the Teeter Plan), depletion of the Reserve Fund or the inability to sell the assessable parcels of property in the Reassessment District at foreclosure proceedings for amounts sufficient to cover delinquent Reassessment Installments levied against such parcels would result in the inability to make full or punctual payments of debt service to the Bond Owners.

The timely payment of the Reassessment Installments will depend upon the willingness and ability of the owners of the assessable parcels of property in the Reassessment District to pay such installments when due. The City has not undertaken to assess the financial condition of the owners of the assessable parcels of property in the Reassessment District or the likelihood that they will pay or will be able to pay the Reassessment Installments when due, and expresses no view concerning these matters.

Risks of Real Estate Secured Investments Generally

The Owners and Beneficial Owners of the Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (a) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Reassessment District, the supply of or demand for competitive properties in such area, and the market value of competitive properties in the event of sale or foreclosure; (b) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (c) natural disasters (including, without limitation, earthquakes, fires, droughts and floods), which may result in uninsured losses.

Limitations on Remedies

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on, or to preserve the tax-exempt status of, the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or others similar laws affecting generally the enforcement of creditor's rights, by equitable principles, by the exercise of judicial discretion and by limitations on remedies against public agencies in the State. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Non-availability of City Funds

The Fiscal Agent may be required to transfer the amount of a delinquent installment from the Reserve Fund to the Redemption Fund. If the Reserve Fund is depleted and if there are additional delinquencies, the City is not required to transfer into the Redemption Fund the amount of the delinquency out of any other moneys of the City. The failure of any owners of parcels within the Reassessment District to pay Reassessment Installments in a timely manner could result in the unavailability of money to pay the principal of or interest on the Bonds. See "SECURITY FOR THE BONDS" herein.

Bankruptcy and Foreclosure Delays

The payment of the Reassessment Installments and the ability of the City to foreclose the lien of a delinquent unpaid Reassessment Installment, as discussed in "SECURITY FOR THE BONDS – Obligation of the City Upon Delinquency," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars, delays in the legal process and procedural delaying tactics.

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 the 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 lien of the Reassessments to become extinguished, the bankruptcy of a property owner or of a partner or other equity owner of a property owner, could result in the stay of the enforcement of the lien for the Reassessments, a delay in prosecuting Superior Court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Reassessment Installments, and could result in the possibility of delinquent Reassessment Installments not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Reassessment Installments could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Reassessment Installments in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien, or any such delay or nonpayment would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent Reassessment Installments not being paid in full.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of Reassessments or the timing of enforcement of Reassessments. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of such military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

FDIC/Federal Government Interests in Properties

The City's ability to enforce the lien of a reassessment installment and to foreclose the lien of a delinquent Reassessment installment, is limited with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, Federal Deposit Insurance Corporation (the "FDIC"), or other federal government entities such as Fannie Mae or Freddie Mac, has or obtains an interest.

In the case of the FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable installment of any Reassessments levied within the

Reassessment District is not paid, the remedies available to the City may be constrained. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that taxes other than ad valorem taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-ad valorem taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed upon by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes or assessments.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County, California, in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale. In the case of Fannie Mae and Freddie Mac, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or in the event a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Reassessments levied within the Reassessment District and each installment thereof may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including the Reassessments), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if an instrumentality of the federal government such as Fannie Mae or Freddie Mac has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Reassessments levied within the Reassessment District and each installment thereof, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Reassessments and preserve the federal government's mortgage interest.

The City's remedies may also be limited in the case of delinquent Reassessments levied within the Reassessment District and each installment thereof with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

The City is unable to predict what effect the FDIC's application of the Policy Statement would have in the event of a delinquency on a parcel within the Reassessment District in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners and Beneficial Owners of the Bonds should assume that the City will be unable to foreclose on any parcel owned by the FDIC. According to County records, as of January 1, 2014, no property in the portion of the Prior Reassessment District securing the Prior Bonds described herein was owned by the FDIC or any other federal government entity.

Price Realized Upon Foreclosure

Section 8832 of the Streets and Highways Code prescribes the minimum price (the “Minimum Price”) at which property may be sold in a judicial foreclosure resulting from delinquencies on assessment installments. The Minimum Price is the amount equal to the delinquent installments of principal and interest of the assessment, together with all interest, penalties, costs, fees, charges and other amounts more fully detailed in said Section 8832. However, Section 8836 of the Streets and Highways Code provides that the court may authorize a sale at less than the Minimum Price if the court makes certain determinations, based on the evidence introduced at the required hearing, which evidence must establish that no ultimate loss will result to the Bond Owners or that no other remedy is acceptable and at least 75% of the outstanding bonds consent to such sale.

The Reassessment lien upon property sold pursuant to this procedure at a lesser price than the Minimum Price would be reduced by the difference between the Minimum Price and the actual sale price. If foreclosure proceedings do not result in full collection of delinquent Reassessments, it is possible that Owners of the Bonds may not receive payment of principal or interest on the Bonds.

Pursuant to the Act, if a parcel which is included within the Reassessment District is foreclosed upon and cannot be sold at the foreclosure sale at a price equal to the amount of the judgment for delinquent Reassessment Installments with costs and interest thereon, the City may petition a court to authorize the sale of such parcel at a lesser Minimum Price or without a Minimum Price. “Minimum Price” as used in the Act is the amount equal to the delinquent installments of principal or interest of the assessment, together with all interest penalties, costs fees, charges and other amounts more fully defined in the Act. The court may authorize a sale at less than the Minimum Price if it will not result in an ultimate loss to the Bond Owners or, under certain circumstances, if owners of 75% or more of the outstanding bonds consent to such sale. Any such sale would produce a shortfall in the aggregate Reassessment Installments payable with respect to such parcel and absent sufficient amounts on deposit in the Reserve Fund, could ultimately result in a default in the payment of principal on the Bonds.

In comparing the aggregate value of real property within the Reassessment District and the principal amount of the Bonds, it should be noted that only parcels upon which there is a delinquent reassessment can be foreclosed, and the other parcels within the Reassessment District cannot be foreclosed upon as a whole to pay delinquent reassessments of the owners of such delinquent parcels. In any event, individual parcels may be foreclosed upon to pay delinquent installments of the reassessments levied only against such parcels.

Natural Disasters and Drought Conditions

The Reassessment District, like all California communities, may be subject to unpredictable seismic activity, wildfires or flooding in the wake of fires or in the event of unseasonable rainfall. There is significant potential for destructive ground-shaking during the occurrence of a major seismic event. There is no evidence that a ground surface rupture will occur in the event of an earthquake, but there is significant potential for destructive ground-shaking during the occurrence of a major seismic event. Known active faults that could cause significant ground shaking in the Reassessment District include, but are not limited to, the San Andreas Fault and the Newport Beach/Inglewood Fault. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure in the Reassessment District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Reassessments when due. In addition, the value of land within the Reassessment District could be diminished in the aftermath of such an earthquake, fire or flood, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of Reassessments.

From time to time the desert southwest and much of California experiences extended drought conditions. Water service within the Reassessment District is provided by IRWD whose supply comes from local groundwater wells in the Orange County Groundwater Basin, and the San Clemente and Lake Forest sub-

basins and from imported water purchased through the Municipal Water District of Orange County (“MWDOC”) from the Metropolitan Water District of Southern California (“MWD”), a regional water wholesaler that delivers imported water from Northern California and the Colorado River.

On March 27, 2015, Governor Brown signed emergency legislation (AB 91 and 92) that will mandate reductions in residential use and expedite \$1 billion for drought and water infrastructure projects, including emergency food aid, drinking water, water recycling, conservation awareness, and flood protection. The action comes as the Sierra Nevada snowpack, which Californians rely on heavily during the summer for their water needs, is near a record low.

Previously, on January 17, 2014, Governor Brown proclaimed a state of emergency due to the severe drought conditions faced by the State. Legislation was enacted in February 2014 which provided \$687.4 million to support drought relief. The 2014-15 State Budget includes additional one-time resources to continue immediate drought-related efforts started in 2014, such as an increase of \$53.8 million general fund and \$12.2 million other funds for firefighting efforts, and an increase of \$18.1 million general fund to aid in assessing water conditions and provide public outreach regarding water conservation.

Endangered Species

During the past several years, there has been an increase in activity at the State and federal level related to the listing and possible listing of certain plant and animal species found in the State as endangered species. At present, none of the property within the Reassessment District is known to be inhabited by any plant or animal species which either the California Fish and Game Commission or the United States Fish and Wildlife Service has listed as endangered or proposed for addition to the endangered species list. Notwithstanding this fact, new species are proposed to be added to the State and federal protected lists on a regular basis. See “– Property Values.”

Hazardous Substances

One of the most serious risks in terms of the potential reduction in the value of real property is a claim with regard to a hazardous substance. In general, the owners and operators of real property may be required by law to remedy conditions of the lot relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the assessable property within the Reassessment District be affected by a hazardous substance, will be to reduce the marketability and value of such parcel by the costs of remedying the condition, because the prospective purchaser, upon becoming owner, will become obligated to remedy the condition just as the seller is so obligated.

Further, it is possible that liabilities may arise in the future with respect to any of the assessable property within the Reassessment District resulting from the current existence on such parcel of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on such parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly affect the value of assessable parcels of property in the Reassessment District that is realizable upon a delinquency.

The City has no knowledge of any hazardous substances being located on the assessable parcels of property in the Reassessment District.

Property Values

The value of the assessable property within the Reassessment District is a critical factor in determining the investment quality of the Bonds.

If a property owner is delinquent in the payment of a Reassessment Installment, the City's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the Bonds. Reductions in property values due to a downturn in the economy, physical events such as earthquakes or floods, stricter land use regulations or other events could adversely impact the security underlying the reassessments.

The estimated value-to-lien ratio of individual parcels varies greatly. No assurance can be given that should a parcel with delinquent Reassessment Installments be foreclosed upon and sold for the amount of the delinquency, any bid will be received for such parcel or, if a bid is received, that such bid will be sufficient to pay all delinquent Reassessment Installments. Further, no assurance can be given that such value-to-lien ratios will be maintained over time. As discussed herein, many factors which are beyond the control of the City could adversely affect the property values within the Reassessment District. The City also has no control over the amount of additional indebtedness that may be issued by other public agencies, the payment of which, through the levy of a tax or an assessment, is on a parity with the Reassessments. See "Parity of Taxes, Bonds and Special Assessments" below and "THE REASSESSMENT DISTRICT – Direct and Overlapping Debt." A decrease in the property values in the Reassessment District or an increase in the parity liens on property in the Reassessment District, or both, could result in a lowering of the value-to-lien ratios of the property in the Reassessment District.

See "SECURITY FOR THE BONDS – Obligation of the City Upon Delinquency" for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Reassessment Installments. Although the Act authorizes the City to cause a foreclosure action to be commenced and diligently pursued to completion, the Act does not specify any obligation of the City with regard to purchasing or otherwise acquiring any parcel of property sold at a foreclosure sale in any such action if there is no other purchaser at such sale. The City has not in any way agreed, nor does it expect, to be such a purchaser. See "– FDIC/Federal Government Interests in Properties" for a discussion of the policy of the FDIC regarding the payment of assessments and special taxes and limitations on the City's ability to foreclose on the lien of the Reassessments in certain circumstances.

Parity of Taxes, Bonds and Special Assessments

The Reassessments and any penalties with respect thereto constitute a lien against the assessable property within the Reassessment District until they are paid. The lien of the Reassessments is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general taxes and any lien imposed under the Mello-Roos Community Facilities Act of 1982, as amended. See "THE REASSESSMENT DISTRICT – Direct and Overlapping Debt" herein for a description of other special taxes or assessments secured by a lien on property within the Reassessment District. The City does not have control over the ability of other local government agencies to issue indebtedness secured by assessments or special taxes against all or a portion of the Reassessment District. In addition, the owners of assessable parcels of property in the Reassessment District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by assessments or special taxes. Any such assessments or special taxes may have a lien on such property on a parity with the Reassessments. See "THE REASSESSMENT DISTRICT – Direct and Overlapping Debt."

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain, among

other things, a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. Under the Act, Section 9525(b) of the California Streets and Highways Code, the Reassessments herein are not assessments within the meaning of, and may be ordered without compliance with the procedural requirements of, Article XIID of the California Constitution. In addition, under Section 10400 of the California Streets and Highways Code, any challenge (including any constitutional challenge) to the proceedings or the assessment must be brought within 30 days after the date the assessment was levied. With respect to the portion of the Prior Reassessment District securing the Prior Bonds described herein for which the City completed its proceedings for the levy of assessments after July 1, 1997, the City complied with the provisions of Section 4 of Article XIID.

Article XIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIIC does not define the term “assessment”, and it is unclear whether this term is intended to include assessments levied under the 1913 Act. Furthermore, this provision of Article XIIC is not, by its terms, restricted in its application to assessments which were established or imposed on or after July 1, 1997. In the case of the unpaid Reassessments which are pledged as security for the payment of the Bonds, the Act provides a mandatory, statutory duty of the City and the County Auditor to post installments on account of the unpaid Reassessments to the property tax roll of the County each year while any of the Bonds are outstanding, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year. Although the matter is not free from doubt, it is likely that a court would hold that Article XIIC has not conferred on the voters the power to reduce or repeal the unpaid Reassessments which are pledged as security for payment of a Bond or to otherwise interfere with performance of the mandatory, statutory duty of the City and the County Auditor with respect to the unpaid Reassessments which are pledged as security for payment of the Bonds.

The interpretation and application of the Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Ballot Initiatives and Legislative Measures

Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California’s constitutional initiative process, and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provision for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations or on the ability of a landowner to complete the development of property.

No Acceleration

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Reassessment Installments in the event of a payment default by an owner of an assessable parcel of property in the Reassessment District or otherwise, or upon any adverse change in the tax status of interest on the Bonds. Pursuant to the Fiscal Agent Agreement, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners to pursue certain remedies described in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of

future acts or omissions of the City in violation of its covenants in the Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under one of the other provisions contained in the Fiscal Agent Agreement.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (“IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds or securities).

TAX MATTERS

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. Bond Counsel further notes, however, that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds is based upon certain representations of fact and certifications made by the City, the Underwriter and others and is subject to the condition that the City complies with all requirements of the Code and the regulations adopted pursuant to the Code (the “Treasury Regulations”) that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code and the Treasury Regulations might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Bond, and under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such

purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Should the interest on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Fiscal Agent Agreement.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. For example, proposals are announced from time to time which, generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

The IRS has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit (or by an audit of similar bonds).

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided the City continue to comply with certain requirements of the Code, the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix B.

NO LITIGATION

There is no action, suit, or proceeding pending or, to the best knowledge of the City, threatened at the present time restraining or enjoining the delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the issuance or sale thereof. A no litigation opinion rendered by the City Attorney will be required to be delivered to the Underwriter simultaneously with the delivery of the Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Reassessment District by not later than eight months following the end of the City's fiscal year (which currently would be March 1) (the "Annual Report"), commencing with the Annual Report for 2015-16, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by Willdan Financial Services, as dissemination agent (the

“Dissemination Agent”) on behalf of the City with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (the “EMMA System”), for purposes of Rule 15c2-12(b)(5) (the “Rule”) adopted by the U.S. Securities and Exchange Commission (“SEC”). The notices of enumerated events will be filed by the Dissemination Agent on behalf of the City with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” herein. These covenants have been made in order to assist the Underwriter in complying with the Rule.

[INSERT INFORMATION REGARDING CONTINUING DISCLOSURE COMPLIANCE]

RATINGS

Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) has assigned the Bonds its municipal bond rating of “_____” based on the issuance of the municipal bond insurance policy. Additionally, S&P has assigned an underlying rating of “_____” to the Bonds without consideration of the municipal bond insurance policy. Such rating reflects only the view of S&P, and an explanation of the significance of such rating may be obtained only from S&P, at the following address: Standard & Poor’s, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its credit rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. Such rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that such rating will remain in effect for any given period of time or such rating will not be revised, either downward or upward, or withdrawn entirely, by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

The law firm of Best Best & Krieger LLP has been engaged by the City as Bond Counsel to the City in connection with the issuance and sale of the Bonds. As Bond Counsel, Best Best & Krieger LLP will render its legal opinion, as described below, which addresses, among other matters, the legality and validity of the Bonds and the exclusion of interest thereon from gross income for federal income tax purposes. Notwithstanding Best Best & Krieger LLP’s engagement by the City in any other capacity, such opinion of Best Best & Krieger LLP as Bond Counsel is intended to be and is considered by Best Best & Krieger LLP to be rendered objectively and without bias in favor of the City or any interests of the City. From time to time, Best Best & Krieger LLP represents the City on matters unrelated to the Bonds.

The validity of the Bonds and certain other legal matters are subject to the approval of Bond Counsel. Bond Counsel will render an opinion with respect to the validity and enforceability of the Bonds and the Fiscal Agent Agreement, and a copy of such opinion will accompany each Bond. Such opinion will be subject to the various assumptions, exceptions and limitations stated therein. See APPENDIX B – “FORM OF BOND COUNSEL OPINION” herein. Certain legal matters will be passed on for the City by Best Best & Krieger LLP, San Diego, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

VERIFICATION

Causey Demgen & Moore P.C. (the “Verification Agent”) will deliver to the City its reports indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the City and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the money deposited with the Escrow Agent to pay the interest, principal and redemption price coming due on the Prior Authority Bonds on and prior to their respective redemption dates as described in “THE FINANCING PLAN” herein.

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates has acted as Financial Advisor solely to the City in connection with the issuance of the Bonds.

UNDERWRITING

The Bonds are being purchased through negotiation by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds for \$ _____, which represents the par amount of the Bonds, plus/less net original issue premium/discount of \$ _____, less an Underwriter's discount of \$ _____. The purchase contract for the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

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

Copies of this Official Statement in reasonable quantity and other documents referred to herein including the Reassessment Report, excerpts of which are included in Appendix G hereto, may be obtained from the offices of the City.

Execution of this Official Statement by the City Manager of the City has been duly authorized by the City.

CITY OF SAN CLEMENTE

By: _____
City Manager

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APPENDIX A

GENERAL ECONOMIC DATA REGARDING THE CITY OF SAN CLEMENTE AND THE COUNTY OF ORANGE

THE FOLLOWING DATA HAS BEEN PROVIDED AS GENERAL BACKGROUND INFORMATION ONLY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS.

ALTHOUGH REASONABLE EFFORTS HAVE BEEN MADE TO INCLUDE UP-TO-DATE INFORMATION HEREIN, MUCH OF THE INFORMATION IS NOT CURRENT. IT SHOULD NOT BE ASSUMED THAT THE TRENDS INDICATED BY THE FOLLOWING DATA WOULD CONTINUE BEYOND THE SPECIFIC PERIODS REFLECTED HEREIN.

The following economic data for the County of Orange (the "County"), City of San Clemente (the "City") is presented for information purposes only. The Bonds are not a debt or obligation of the County or the City.

City of San Clemente

The City, incorporated on February 28, 1928, is located along the California coast, at the southern tip of the County, about 60 miles south of Los Angeles and 60 miles north of San Diego. The City currently occupies a land area of approximately 18.45 square miles

The City operates under a council-manager form of government, with a five-member council elected at large for four-year overlapping terms. The mayor is elected by the City Council for a one-year term and is the presiding officer of the Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing day-to-day City operations, and appointing the heads of various departments. The City Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire and marine safety), disaster preparedness, building inspection, construction and maintenance of streets, economic development, beaches, parks and recreation, water, sewer, storm drain, clean ocean and golf.

Orange County

The County is located in southern California, north of San Diego County and south of Los Angeles County. The County occupies a land area of approximately 798 square miles, with a coastline of approximately 42 miles, and serves a population of over 3 million. The County represents the third most populous county in the State, and ranks sixth in the nation.

Population

The following table summarizes population estimates for the State, County and City from 2012 through 2016.

POPULATION ESTIMATES
The State of California, County of Orange
and the City of San Clemente
2011-2016⁽¹⁾

<u>Year</u>	<u>California State Total</u>	<u>County of Orange</u>	<u>San Clemente</u>
2012	37,881,357	3,069,454	64,617
2013	38,239,207	3,103,654	65,280
2014	38,567,459	3,127,403	65,457
2015	38,907,642	3,151,910	65,839
2016	39,255,883	3,183,011	66,245

⁽¹⁾ January 1 of each year.

Source: California State Department of Finance, Demographic Research Unit.

Income

The following tables show the personal income and per capita income for the County, State of California and United States from 2010 through 2014.

PERSONAL INCOME⁽¹⁾
County of Orange, State of California, and United States
Calendar Years 2010-2014

<u>Year</u>	<u>County of Orange</u>	<u>California</u>	<u>United States</u>
2010	\$144,888,672	\$1,583,446,730	\$12,459,613,000
2011	154,486,157	1,691,002,503	12,233,436,000
2012	164,970,595	1,812,314,643	13,904,485,000
2013	165,857,885	1,849,505,496	14,064,468,000
2014 ⁽²⁾	173,305,650	1,939,527,656	14,683,147,000

⁽¹⁾ All dollar estimates are in current dollars (not adjusted for inflation). Estimates for 2010-2014 reflect Census Bureau midyear state population estimates available as of December 2014. Estimates for 2010-2014 reflect County population estimates available as of March 2015.

⁽²⁾ Last year such data is available.

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

PER CAPITA PERSONAL INCOME⁽¹⁾
County of Orange, State of California, and United States
Calendar Years 2010-2014

<u>Year</u>	<u>County of Orange</u>	<u>California</u>	<u>United States</u>
2010	\$48,007	\$42,411	\$40,277
2011	50,547	44,852	42,453
2012	53,390	47,614	44,266
2013	53,128	48,125	44,438
2014 ⁽²⁾	55,096	49,985	46,049

⁽¹⁾ Per capita personal income is the total personal income divided by the total midyear population estimates of the Census Bureau. All dollar estimates are in current dollars (not adjusted for inflation). Estimates for 2010-2014 reflect Census Bureau midyear state population estimates available as of December 2014. Estimates for 2010-2014 reflect County population estimates available as of March 2015.

⁽²⁾ Last year such data is available.

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

Employment

The following table summarizes the labor force, employment and unemployment figures from Calendar Year 2011 to 2015 for the City, County, State of California and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City of San Clemente, County of Orange, State of California and the United States Calendar Year 2011-2015⁽¹⁾

	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽²⁾	<u>Unemployment</u> ⁽³⁾	<u>Unemployment Rate</u> ⁽⁴⁾
2011	City of San Clemente	30,900	28,600	2,300	7.5
	Orange County	1,548,100	1,408,300	139,800	9.0
	State of California	18,419,500	16,260,100	2,159,400	11.7
	United States ⁽⁵⁾	153,618	139,869	13,747	8.9
2012	City of San Clemente	31,300	29,300	2,000	6.5
	Orange County	1,566,100	1,443,400	122,700	7.8
	State of California	18,554,800	16,630,100	1,924,700	10.4
	United States ⁽⁵⁾	154,975	142,469	12,506	8.1
2013	City of San Clemente	31,400	29,700	1,700	5.4
	Orange County	1,566,800	1,646,900	101,900	6.5
	State of California	18,671,600	17,002,900	1,668,700	8.9
	United States ⁽⁵⁾	155,389	143,929	11,460	7.4
2014	City of San Clemente	31,700	30,200	1,400	4.5
	Orange County	1,575,600	1,489,200	86,400	5.5
	State of California	18,811,400	17,397,100	1,414,300	7.5
	United States ⁽⁵⁾	155,922	146,305	9,617	6.2
2015	City of San Clemente	31,900	30,700	1,200	3.7
	Orange County	1,597,100	1,525,600	71,500	4.5
	State of California	18,981,800	17,798,600	1,183,200	6.2
	United States ⁽⁵⁾	157,130	148,834	8,296	5.3

⁽¹⁾ Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

⁽²⁾ Includes persons involved in labor-management trade disputes.

⁽³⁾ Includes all persons without jobs who are actively seeking work.

⁽⁴⁾ The unemployment rate is computed from un-rounded data; therefore, it may differ from rates computed from rounded figures in this table.

⁽⁵⁾ Population in thousands.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2010 Benchmark.

Industry

The following table summarizes employment figures by industry for the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
County of Orange
Calendar Years Ending June 30, 2011-2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Farm	3,200	2,800	2,900	2,800	2,500
Mining and Logging	600	600	600	700	700
Construction	69,200	71,300	76,800	82,000	90,400
Manufacturing	154,300	158,300	158,000	157,400	156,900
Retail Trade	142,600	144,000	145,500	148,500	151,200
Transportation, Warehousing and Utilities	27,500	28,000	27,500	26,500	26,900
Information	23,800	24,300	25,000	24,500	25,500
Financial Activities	104,800	108,300	113,100	113,600	116,800
Professional and Business Services	247,700	260,600	267,300	276,600	285,400
Education and Health Services	172,000	177,000	186,000	190,800	198,800
Leisure and Hospitality	174,000	180,600	187,800	194,500	204,000
Other Services	43,200	44,600	45,600	47,300	48,800
Government	149,300	147,900	148,700	152,200	156,200

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2011 Benchmark.

Principal Employers

The following tables present the principal employers in the County and the City for Fiscal Year ending June 30, 2015.

PRINCIPAL EMPLOYERS County of Orange Fiscal Year Ending June 30, 2015

<u>Name of Business</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Walt Disney Co.	27,000	1	1.69%
University of California, Irvine	22,385	2	1.40
County of Orange	18,135	3	1.13
St. Joseph Health System	12,227	4	0.76
Kaiser Permanente	7,000	5	0.44
Boeing Co.	6,890	6	0.43
Walmart	6,000	7	0.38
Memorial Care Health System	5,650	8	0.34
Bank of America Corporation	5,500	9	0.34
Target Corporation	5,400	10	0.34

Source: Comprehensive Annual Financial Report of the County of Orange for Fiscal Year 2014-15.

PRINCIPAL EMPLOYERS City of San Clemente Fiscal Year Ending June 30, 2015

<u>Name of Business</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Capistrano Unified School District	554	1	1.73%
Walmart	252	2	0.79
Ralphs	225	3	0.70
Saddleback Memorial Medical Center	207	4	0.65
City of San Clemente	192	5	0.60
Target Retail Store	180	6	0.56
Fisherman's Restaurants	175	7	0.55
US Post Office	150	8	0.47
Lowe's Home Improvement	147	9	0.46
ICU Medical	130	10	0.41

Source: Comprehensive Annual Financial Report of the City of San Clemente for Fiscal Year 2014-15.

Taxable Sales

The history of taxable transactions in the City from Calendar Year 2009 through Third Quarter 2014 is shown in the following table.

TAXABLE SALES City of San Clemente Calendar Year 2009-2014

<u>Year</u>	<u>Retail Permits</u>	<u>Retail and Food Taxable Transactions⁽¹⁾</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions⁽¹⁾</u>
2009	1,399	\$439,836	2,200	\$531,239
2010	1,422	461,725	2,191	560,073
2011	1,433	496,678	2,188	597,571
2012	1,452	535,666	2,210	632,268
2013	1,420	541,942	2,157	640,490
2014 ⁽²⁾	1,489	423,511	2,231	501,753

⁽¹⁾ Taxable transactions in thousands of dollars.

⁽²⁾ Most recent data available, through Third Quarter 2014.

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

Assessed Value

The history of assessed values of taxable property within the City from fiscal years ending June 30, 2006 through 2015 is shown in the following table.

ASSESSED VALUE (UNAUDITED) OF TAXABLE PROPERTY CITY OF SAN CLEMENTE Fiscal Years 2006-2015

<u>Fiscal Year</u>	<u>Total Real Secured Property</u>	<u>Unsecured Property</u>	<u>Total Assessed⁽¹⁾</u>	<u>Total Direct Tax Rate⁽²⁾</u>
2005	\$8,530,666.429	\$217,632,601	\$8,748,299,030	1.0%
2006	\$9,766,309,751	\$233,094,120	\$9,999,403,871	1.0%
2007	11,108,747,093	257,421,073	11,366,168,166	1.0
2008	12,244,044,495	242,931,021	12,486,975,516	1.0
2009	12,583,294,477	271,743,872	12,855,038,349	1.0
2010	12,385,008,657	246,328,189	12,631,336,846	1.0
2011	12,203,096,799	227,107,241	12,430,204,040	1.0
2012	12,125,854,115	230,055,391	12,355,909,506	1.0
2013	12,218,790,644	206,465,908	12,425,256,552	1.0
2014	12,547,787,645	200,734,451	12,748,522,096	1.0
2015	13,371,545,438	211,491,301	13,582,964,739	1.0

⁽¹⁾ The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of not more than two-percent annually, plus any local over-rides. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitation described above.

⁽²⁾ California cities do not set their own direct tax rate. The State Constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

Source: Comprehensive Annual Financial Statement of the City of San Clemente for Fiscal Year 2014-2015.

APPENDIX B

FORM OF BOND COUNSEL OPINION

Upon delivery of the Bonds, Best Best & Krieger LLP, Bond Counsel to the City, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

APPENDIX C
SUMMARY OF CERTAIN PROVISIONS
OF THE FISCAL AGENT AGREEMENT

APPENDIX D
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX E**BOOK-ENTRY SYSTEM**

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of, premium, if any, and interest on the Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the City believes to be reliable, but the City does not take responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of principal, premium, if any, and interest with respect to the Bonds or (b) certificates representing ownership interests in or other confirmation of ownership interests in 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 Official Statement. 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 bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, 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; provided that nothing contained in such website is incorporated into this Official Statement.

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 Fiscal Agent Agreement. 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 an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue 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 City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent, 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 Fiscal Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, 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.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC

(or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

NEITHER THE CITY NOR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

DTC (or a successor securities depository) may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. The City, in its sole discretion and without the consent of any other person, may terminate the services of DTC (or a successor securities depository) with respect to the Bonds. The City undertakes no obligation to investigate matters that would enable the City to make such a determination. In the event that the book-entry system is discontinued as described above, the requirements of the Fiscal Agent Agreement will apply.

THE CITY AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CITY AND THE UNDERWRITER ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE BONDS OR AN ERROR OR DELAY RELATING THERETO.

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

THE FISCAL AGENT, AS LONG AS A BOOK-ENTRY-ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO CEDE & CO., OR ITS SUCCESSOR AS DTC'S PARTNERSHIP NOMINEE. ANY FAILURE OF CEDE & CO., OR ITS SUCCESSOR AS DTC'S PARTNERSHIP NOMINEE TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX F
REASSESSMENT DISTRICT BOUNDARY MAP

APPENDIX G
SUMMARY REASSESSMENT REPORT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and entered into as of _____, 2016, by and between the City of San Clemente (the “City”), and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”), in connection with the issuance by the City of Reassessment District No. 2016-1 Limited Obligation Refunding Bonds in the aggregate principal amount of \$ _____ (the “Bonds”). The Bonds are being issued pursuant to the provisions of the Refunding Act of 1984 for bonds issued pursuant to the Improvement Bond Act of 1915 (the “Act”), and a Fiscal Agent Agreement dated as of July 1, 2016 (the “Fiscal Agent Agreement”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the “Fiscal Agent”). The City and the Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the parties hereto for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities and Exchange Act of 1934.

Section 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized terms used but not otherwise defined in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

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

“Annual Report Date” shall mean the date in each year that is the first day of the month following the eighth month after the end of the City’s fiscal year, which date, as of the date of this Disclosure Agreement, is March 1.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean initially, Willdan Financial Services, as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Fiscal Agent a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system information about which may be found at the following Internet address: <http://emma.msrb.org/>.

“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 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 Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org/>.

“Official Statement” shall mean the Official Statement dated _____, 2016 relating to the Bonds.

“Owner” shall mean the person in whose name any Bond shall be registered.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Reassessment District” means Reassessment District No. 2016-1.

“Reassessments” means the reassessment levied on properties within the Reassessment District which secure the payment of Debt Service.

“Rule” shall mean Rule 15c2-12(b)(5), promulgated 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 City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing with the report for the fiscal year ending June 30, 2016, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Participating Underwriter. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the first sentence of subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB as provided herein;
and

(ii) file a report with the City certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, and stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) audited financial statements of the City, if any, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.

(b) the following additional items with respect to the Bonds and the property in the Reassessment District subject to the levy of the Reassessments:

1. the principal amount of Bonds outstanding, and any bonds issued to refund the same as of the September 30th preceding the Annual Report Date;

2. the balance in the Reserve Fund under the Fiscal Agent Agreement as of the September 30th preceding the Annual Report Date;

3. an update of Tables 3, 4 and 5 in the Official Statement for the Bonds based on the assessed values within the Reassessment District for the current fiscal year, the reassessment levy for the fiscal year in which the Annual Report is being filed and the delinquency status for the current fiscal year;

4. the status of any foreclosure proceedings being pursued by the City with respect to delinquent Reassessments; and

5. any information not already included under (1) through (4) above that the City is required to file with the California Debt and Investment Advisory Commission.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues City or related public entities or with respect to which the City is an "obligated person" (as defined by the Rule), which have been made available to the public on the MSRB's website. The City shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under subsections (a) and (b), the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the City.

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

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an

action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional fiscal agent or the change of name of a fiscal agent.

(c) The Fiscal Agent shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event. The Fiscal Agent, in notifying the Disclosure Representative of a Listed Event, shall not be required to make any determinations with respect to such Listed Event, including whether such Listed Event is material or reflects financial difficulties.

(d) If a Listed Event described in subsection (b) of this Section occurs, the City shall determine if such event would be material under applicable federal securities law.

(e) If a Listed Event described in subsection (a) of this Section occurs, or if the City determines that the occurrence of a Listed Event described in subsection (b) of this Section would be material under applicable federal securities law, the City shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notices of Listed Events described in paragraph (vii) of subsection (a) of this Section and paragraph (iii) of subsection (b) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Fiscal Agent Agreement.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's and the Dissemination Agent'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 City shall give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The City 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 City and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent). The initial Dissemination Agent shall be Willdan Financial Services. If at any time there is not any other designated Dissemination Agent, the Fiscal Agent shall be the Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the City; provided, however, that the Dissemination Agent shall not be obligated to enter into any amendment increasing or

affecting its duties, rights or obligations), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the City, the Fiscal Agent or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent), or any Owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, the Fiscal Agent or the Dissemination Agent, as the

case may be, 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 Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City, the Fiscal Agent or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Fiscal Agent. Article VII of the Fiscal Agent Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Fiscal Agent Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Fiscal Agent thereunder. Neither the Fiscal Agent nor the Dissemination Agent shall 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 (if other than the Fiscal Agent or the Fiscal Agent in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the City 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 and expenses) of defending against any claim of liability, and which are not due to its negligence or its willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and the termination of this Disclosure Agreement.

Section 13. Beneficiaries. The Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. 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 herein.

Section 15. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the internal laws of the State of California.

Section 16. Notices. Any notice or communications to be among any of the parties to this Disclosure Agreement may be given as follows:

If to the City:	City of San Clemente 100 Avenida Presidio San Clemente, California 92672
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If to the Dissemination Agent:	Willdan Financial Services 27368 Via Industria, Suite 200 Temecula, California 92590
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If to the Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Section 17. Counterparts. This Disclosure Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

Dated: _____, 2016

CITY OF SAN CLEMENTE

By: _____
Assistant City Manager

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By: _____
Authorized Officer

[EXECUTION PAGE OF CONTINUING DISCLOSURE AGREEMENT]

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of San Clemente

Name of Bond Issue: City of San Clemente Reassessment District No. 2016-1 Limited Obligation Refunding Bonds

Date of Issuance: _____, 2016

NOTICE IS HEREBY GIVEN that the City of San Clemente (the "City"), has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of _____, 2016, by and between the City and Willdan Financial Services, as dissemination agent (the "Dissemination Agent"). The City anticipates that the Annual Report will be filed by _____.

Dated: _____

WILLDAN FINANCIAL SERVICES

By:

Authorized Signatory