



AGENDA REPORT
SAN CLEMENTE PUBLIC FINANCING
AUTHORITY MEETING
 Meeting Date: June 13, 2016

Agenda Item 1A
Approvals:
 City Manager AM
 Dept. Head FS
 Attorney _____
 Finance _____

Department: Executive Director's Office
Prepared By: Erik Sund, Assistant Executive Director

Subject: *RESOLUTION APPROVING THE FORM OF AN ESCROW DEPOSIT AND TRUST AGREEMENT PERTAINING TO THE DEFEASANCE AND REDEMPTION OF THE CITY OF SAN CLEMENTE PUBLIC FINANCING AUTHORITY REASSESSMENT REFUNDING REVENUE BONDS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION WITH DEFEASANCE AND REDEMPTION OF SUCH BONDS.*

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 resolution is 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 and has a separate item on tonight's agenda to approve two resolutions required to complete the refunding.

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 and the Authority 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, the Resolution approving the Reassessment Report and conforming reassessments for RAD No. 2016-1 and the Resolution authorizing and providing for the issuance of limited obligation refunding bonds has been approved by the City Council earlier at tonight's meeting.

The attached Authority resolution provides for the Authority's consent to the amendment of the Prior RAD Refunding Bonds fiscal agent agreement and approves the following bond document:

- **Escrow Deposit and Trust Agreement** – This agreement is between the Authority and BNY Mellon Trust and specifies the deposit of moneys to be used for the redemption of the Prior Authority Bonds in accordance with the instructions specified in the Agreement and in accordance with the Prior Indenture.

Agenda Report

Future Actions:

The financing schedule provides that the Refunding Bonds will be sold in late June and close in mid-July. No future Public Financing Authority or City Council actions are required.

Recommended Action:

STAFF RECOMMENDS THAT in order to complete the refunding proceedings, the Finance Authority adopt the Resolution entitled "RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY OF SAN CLEMENTE PUBLIC FINANCING AUTHORITY APPROVING THE FORM OF AN ESCROW DEPOSIT AND TRUST AGREEMENT PERTAINING TO THE DEFEASANCE AND REDEMPTION OF THE CITY OF SAN CLEMENTE PUBLIC FINANCING AUTHORITY REASSESSMENT REFUNDING REVENUE BONDS, AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION WITH DEFEASANCE AND REDEMPTION OF SUCH BONDS".

Attachment:

1. Resolution approving the form of an Escrow Deposit and Trust Agreement.
2. Escrow Deposit and Trust Agreement

Notification

None.

RESOLUTION NO. PFA 2016 - _____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY OF SAN CLEMENTE PUBLIC FINANCING AUTHORITY APPROVING THE FORM OF AN ESCROW DEPOSIT AND TRUST AGREEMENT PERTAINING TO THE DEFEASANCE AND REDEMPTION OF THE CITY OF SAN CLEMENTE PUBLIC FINANCING AUTHORITY REASSESSMENT REFUNDING REVENUE BONDS, AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION WITH DEFEASANCE AND REDEMPTION OF SUCH BONDS

WHEREAS, the City of San Clemente Public Financing Authority (the "Authority") has previously issued its \$14,235,000 City of San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds (the "Prior Bonds") pursuant to an Indenture of Trust, dated as of June 1, 2007 (the "Prior 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 the trustee (the "Prior Trustee") for the purpose of acquiring the City of San Clemente Limited Obligation Improvement Bonds Reassessment District No. 98-1 (the "Program Obligations") issued pursuant to a Fiscal Agent Agreement, dated as of June 1, 2007 (the "Prior Fiscal Agent Agreement") by and between the City of San Clemente (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.), as fiscal agent (the "Prior Fiscal Agent"); and

WHEREAS, as a result of a combination of favorable conditions in the municipal bond market the City has determined it will achieve debt service savings by the issuance of its City of San Clemente Reassessment District No. 2016-1 Limited Obligation Refunding Bonds (the "Bonds") in order to defease and redeem the Prior Bonds; and

WHEREAS, to facilitate the discharge of the Program Obligations, this Board of Directors, acting for and on behalf of the Authority as the owner of the Program Obligations, consents to the amendment of the Prior Fiscal Agent Agreement to provide that the Program Obligations will be discharged upon the defeasance of the Prior Bonds; and

WHEREAS, there has been prepared and filed with the Secretary of this Board of Directors the form of an Escrow Deposit and Trust Agreement by and between the Authority and the Prior Trustee, as escrow bank, to provide for the defeasance and redemption of the Prior Bonds (the "Escrow Agreement"); and

WHEREAS, this Board has reviewed and considered such Escrow Agreement and finds the document suitable for approval, subject to the conditions set forth in this resolution.

NOW, THEREFORE, BE IT RESOLVED, AND DETERMINED:

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

Section 2. Escrow Agreement. The form of the Escrow Agreement on file in the office of the Secretary is hereby approved. The Executive Director, the Treasurer or an authorized designee of the Executive Director or the Treasurer (each, an "Authorized Officer"), acting for and on behalf of the Authority, are, and each of them is, hereby authorized and directed to execute, acknowledge and deliver the Escrow Agreement in substantially the form approved hereby, 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 Authority, and as approved as to form by Best Best & Krieger LLP, as bond counsel ("Bond Counsel"), such approval to be conclusively evidenced by the execution and delivery thereof by such Authorized Officer.

Section 3. Consent to the Amendment of the Prior Fiscal Agent Agreement. The Board of Directors, acting for and on behalf of the Authority as the owner of the Program Obligations, hereby consents to the amendment of the Prior Fiscal Agent Agreement to provide that the Program Obligations shall be discharged upon the defeasance of the Prior Bonds.

Section 4. Official Action. The Chairman, the Vice-Chairman, the Secretary, the Authorized Officers and any and all other officers of the Authority are hereby authorized and directed, jointly and severally, for and in the name of the Authority, to do any and all things and take any and all actions, including without limitation, the execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents which they, or any of them, may deem necessary and advisable in order to consummate the transactions contemplated by the Escrow Agreement approved pursuant to this Resolution and any such actions previously taken by such officers are hereby ratified and confirmed. In the event any such officer is unavailable or unable to execute and deliver the Escrow Agreement, any other officer of the Authority may validly execute and deliver such document.

Section 5. Effective Date. This Resolution shall take effect from and after its adoption.

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

ATTEST:

Secretary of the City of
San Clemente Public Financing Authority

Chairman of the City of San
Clemente Public Financing Authority

ESCROW DEPOSIT AND TRUST 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 Bank**

Dated as of July 1, 2016

Related to

**City of San Clemente Public Financing Authority
Reassessment Refunding Revenue Bonds**

TABLE OF CONTENTS

	Page
SECTION 1. DEFINITION OF FEDERAL SECURITIES.....	2
SECTION 2. APPOINTMENT OF ESCROW BANK.....	2
SECTION 3. ESTABLISHMENT OF ESCROW FUND.....	2
SECTION 4. DEPOSIT INTO ESCROW FUND; INVESTMENT OF AMOUNTS	3
SECTION 5. INSTRUCTIONS AS TO APPLICATION OF DEPOSIT	3
SECTION 6. APPLICATION OF CERTAIN TERMS OF PRIOR INDENTURE	4
SECTION 7. COMPENSATION TO ESCROW BANK.....	4
SECTION 8. LIABILITIES AND OBLIGATIONS OF ESCROW BANK.....	4
SECTION 9. AMENDMENT	5
SECTION 10. TERMINATION; UNCLAIMED MONEY.....	5
SECTION 11. SEVERABILITY.....	5
SECTION 12. NOTICE OF ESCROW BANK AND AUTHORITY	5
SECTION 13. MERGER OR CONSOLIDATION OF ESCROW BANK	6
SECTION 14. GOVERNING LAW	6
SECTION 15. EXECUTION IN SEVERAL COUNTERPARTS.....	6
EXHIBIT A – PAYMENT SCHEDULE OF PRIOR AUTHORITY BONDS	A-1
EXHIBIT B – NOTICE OF REDEMPTION.....	B-1

ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT, dated as of July 1, 2016 (the "Escrow Agreement"), by and between the CITY OF SAN CLEMENTE PUBLIC FINANCING AUTHORITY, a joint powers authority organized and existing by virtue of the Constitution and laws of the State of California (the "Authority"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Escrow Bank (the "Escrow Bank");

WITNESSETH:

WHEREAS, the Authority, has heretofore entered into an Indenture of Trust, dated as of June 1, 2007, (the "Prior Indenture"), with The Bank of New York Trust Company, N.A. (now known as The Bank of New York Mellon Trust Company, N.A.) (the "Prior Trustee"); and

WHEREAS, pursuant to the Prior Indenture the Authority issued its City of San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds in the original principal amount of \$14,235,000 (the "Prior Authority Bonds") for the purpose of acquiring the City of San Clemente Limited Obligation Improvement Bonds Reassessment District No. 98-1 (the "Program Obligations") issued pursuant to a Fiscal Agent Agreement, dated as of June 1, 2007 (the "Prior Fiscal Agent Agreement") relating to the Program Obligations by and between the City of San Clemente (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.), as fiscal agent (the "Prior Fiscal Agent"); and

WHEREAS, the Prior Indenture provides that the Prior Authority Bonds shall be deemed to have been paid if (a) the Authority gives the Prior Trustee irrevocable instructions to mail notice of redemption of the Prior Authority Bonds, (b) the Authority deposits moneys in an amount which shall be sufficient, or Government Obligations, the principal and interest on which when due, and without reinvestment thereof, will provide moneys, which, together with the moneys, if any, deposited with or held by the Prior Trustee at the same time, shall be sufficient (as verified by a report of a nationally recognized independent certified public accountant), to pay when due the principal or Redemption Price (if applicable) of, and interest due and to become due on, said Bonds on and prior to the redemption date or maturity date thereof, and (c) the Authority has given the Prior Trustee irrevocable instructions to mail a notice to the Owners of the Prior Authority Bonds and to the Securities Depositories and an Information Service that the deposit required by (b) has been made with the Prior Trustee and that such Prior Authority Bonds are deemed to have been paid in accordance with the Prior Indenture and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal or Redemption Price (if applicable) of said Prior Authority Bonds. When the Prior Authority Bonds have been deemed to have been paid, all obligations of the Authority under the Prior Indenture with respect to the Prior Authority Bonds shall cease, terminate become void and be completely discharged except for the obligation of the Prior Trustee to pay or cause to be paid to the Owners of any such Prior Authority Bond not so surrendered and paid, all sums due thereon; and

ATTACHMENT 2

WHEREAS, the Authority has determined that it is in the best interest of the Authority at this time to defease the Prior Authority Bonds and cause the redemption thereof on March 2, 2017, at a redemption price of 100% of the principal amount thereof, plus accrued interest; and

WHEREAS, the Authority proposes to make the deposit of moneys and to appoint the Escrow Bank as its agent for the purpose of applying said deposit to the redemption of the Prior Authority Bonds in accordance with the instructions provided by this Escrow Agreement and of applying said payments to the payment and redemption of the Prior Authority Bonds in accordance with the Prior Indenture, and the Escrow Bank will accept said appointment; and

WHEREAS, to obtain moneys to make such deposit, the City proposes to issue its \$ _____ City of San Clemente Reassessment District No. 2016-1 Limited Obligation Refunding Bonds (the "Refunding Bonds") pursuant to that certain Fiscal Agent Agreement, dated as of July 1, 2016 (the "Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent") for the purpose of financing the defeasance of the Prior Authority Bonds; and

WHEREAS, the Authority wishes to cause the Fiscal Agent to make a deposit of proceeds of the Refunding Bonds with the Escrow Bank and to enter into this Escrow Agreement for the purpose of providing the terms and conditions for the deposit and application of amounts so deposited; and

WHEREAS, the Escrow Bank has full powers to act with respect to the irrevocable escrow and trust created herein and to perform the duties and obligations to be undertaken pursuant to this Escrow Agreement.

NOW, THEREFORE, in consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

Section 1. Definition of Federal Securities. As used herein, the term "Federal Securities" means Government Obligations as defined in the Prior Indenture, fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America.

Section 2. Appointment of Escrow Bank. The Authority hereby appoints the Escrow Bank as escrow bank for all purposes of this Escrow Agreement and in accordance with the terms and provisions of this Escrow Agreement, and the Escrow Bank hereby accepts such appointment.

Section 3. Establishment of Escrow Fund. There is hereby created by the Authority with, and to be held by, the Escrow Bank, an irrevocable escrow to be maintained by the Escrow Bank on behalf of the Authority and for the benefit of the owners of the Prior Authority Bonds, said escrow to be designated the City of San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds Escrow Fund (the "Escrow Fund"). All

moneys deposited in the Escrow Fund shall be held as a special fund for the payment of the debt service payments and redemption premium in accordance with the provisions of the Prior Indenture. If at any time the Escrow Bank shall receive actual knowledge that the moneys in the Escrow Fund will not be sufficient to make any payment required by Section 4 hereof, the Escrow Bank shall notify the Authority of such fact and the Authority shall immediately cure such deficiency. The Escrow Bank shall not be liable for such deficiency in the Escrow Fund.

Section 4. Deposit into Escrow Fund; Investment of Amounts. Concurrently with delivery of the Refunding Bonds on _____, 2016 (the "Closing Date"), the Authority shall cause the City to direct the Fiscal Agent to transfer to the Escrow Bank for deposit into the Escrow Fund the amount of \$_____ in immediately available funds which shall be derived from the proceeds of the Refunding Bonds.

On the Closing Date, The Bank of New York Mellon Trust Company, N.A., acting in its capacity as the Prior Trustee for the Prior Authority Bonds and as Prior Fiscal Agent for the Program Obligations, is hereby instructed to withdraw from accounts established under the Prior Indenture and the Prior Fiscal Agent Agreement, as applicable, the amount of \$_____ to transfer to the Escrow Bank for deposit into the Escrow Fund which shall be derived as follows:

- (i) \$_____ from the Reserve Fund under the Prior Indenture;
- (ii) \$_____ from the Interest Fund under the Prior Indenture; and
- (iii) \$_____ from the Program Fund under the Prior Indenture.

The Escrow Bank shall acquire \$_____ in Federal Securities in the form of [United States Treasury Obligations – State and Local Government Series acquired directly from the United States Treasury ("SLGS") or open market Federal Securities] set forth in Exhibit A attached hereto and by this reference incorporated herein (the "Escrowed Federal Securities"). The remainder in the Escrow Fund (\$____) shall be held in cash uninvested (the "Cash"). The Cash shall be deposited with and held by the Escrow Bank in the Escrow Fund therein solely for the uses and purposes set forth herein. The Escrowed Federal Securities shall be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth herein.

The Escrow Bank shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

Section 5. Instructions as to Application of Deposit. The Authority hereby irrevocably directs and instructs the Escrow Bank to redeem the outstanding Prior Authority Bonds in full on March 2, 2017 at a prepayment price of 100% of the principal amount thereof, together with redemption premium, all as more particularly set forth in Exhibit A attached hereto and hereby made a part hereof. For such purpose of call and redemption prior to maturity of the Prior Authority Bonds, the Authority hereby instructs the Escrow Bank, and the Escrow Bank hereby agrees to cause to be given a notice of redemption of the Prior Authority Bonds on or

before January 30, 2017, such notice of redemption to be given substantially in the form set forth in Exhibit B attached hereto and hereby made a part hereof and timely for redemption of the Prior Authority Bonds on March 2, 2017, in accordance with the applicable provisions of the Prior Indenture.

Section 6. Application of Certain Terms of Prior Indenture. All of the terms of the Prior Indenture relating to the making of payments of principal and interest with respect to the Prior Authority Bonds are incorporated in this Escrow Agreement as if set forth in full herein. The provisions of the Prior Indenture relating to the limitations from liability and protections afforded the Prior Trustee and the resignation and removal of the Prior Trustee are also incorporated in this Escrow Agreement as if set forth in full herein and shall be the procedure to be followed with respect to any resignation or removal of the Escrow Bank hereunder.

Section 7. Compensation to Escrow Bank. The Authority shall pay the Escrow Bank full compensation for its duties under this Escrow Agreement, including out-of-pocket costs such as publication costs, prepayment or redemption expenses, legal fees and other costs and expenses relating hereto pursuant to a separate agreement between the Authority and the Escrow Bank. Under no circumstances shall amounts deposited in the Escrow Fund be deemed to be available for said purposes.

Section 8. Liabilities and Obligations of Escrow Bank. The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Escrow Agreement unless the Authority shall have deposited sufficient funds with the Escrow Bank to satisfy such obligation. The Escrow Bank may rely and shall be protected in acting upon the written instructions of the Authority or its agents relating to any matter or action as Escrow Bank under this Escrow Agreement.

The Escrow Bank undertakes such duties as specifically set forth herein and no implied duties or obligations shall be read into this Escrow Agreement against the Escrow Bank.

The Authority hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and hold harmless the Escrow Bank and its respective successors, assigns, agents, officers, directors, employees and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Bank (whether or not also indemnified against by any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Agreement, or as may arise by reason of any act, omission or error of the Escrow Bank made in good faith in the conduct of its duties; *provided, however*, that the Authority shall not be required to indemnify the Escrow Bank against its own negligence or willful misconduct. The indemnities contained in this Section 7 shall survive the termination of this Escrow Agreement and the resignation and removal of the Escrow Bank.

The Escrow Bank shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Bank be liable for any special indirect or consequential damages.

The Escrow Bank may consult with counsel of its own choice and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action hereunder in accordance with such opinion of counsel.

The Escrow Bank shall not be responsible for any of the recitals or representations contained herein.

No provision of this Escrow Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

Section 9. Amendment. This Escrow Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the owners of one hundred percent (100%) in aggregate principal amount of the Prior Authority Bonds then outstanding and the Insurer (as defined in the Prior Indenture) shall have been filed with the Escrow Bank. This Escrow Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but with the consent of the Insurer, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the Authority, (2) to cure, correct or supplement any ambiguous or defective provision contained herein, or (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, delivered to the Escrow Bank, shall not materially adversely affect the interests of the owners of the Prior Authority Bonds or the Bonds, and that such amendment will not cause interest on the Prior Authority Bonds or the Bonds to become subject to federal income taxation.

Section 10. Termination; Unclaimed Money. This Escrow Agreement shall terminate when the Prior Authority Bonds have been paid; *provided, however*, that (i) money held by the Escrow Bank pursuant to this Escrow Agreement for the payment and discharge of any of the Prior Authority Bonds (which shall not be payable as to interest from and after the date set for redemption) which remain unclaimed for two (2) years after such payments were due, shall be repaid by the Escrow Bank to the Authority free from the trust created by the Prior Indenture, and the Escrow Bank shall thereupon be released and discharged with respect thereto and hereto and all liability of the Escrow Bank with respect to such money shall thereupon cease and (ii) excess moneys held by the Escrow Bank not needed for the payment and discharge of the Prior Authority Bonds shall be transferred to the Redemption Fund under the Fiscal Agent Agreement.

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

Section 12. Notice of Escrow Bank and Authority. Any notice to or demand upon the Escrow Bank may be served and presented, and such demand may be made, at the principal corporate trust office of the Escrow Bank as specified by the Escrow Bank as Prior Trustee in accordance with the provisions of the Prior Indenture or by physical delivery with confirmation of receipt or by confirmed telecopy. Any notice to or demand upon the Authority shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to such party as provided in the Prior Indenture (or such other address as may have been filed in writing by the Authority with the Escrow Bank).

Section 13. Merger or Consolidation of Escrow Bank. Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible to act as Trustee under the Indenture and the Prior Indenture, shall be the successor hereunder to the Escrow Bank without the execution or filing of any paper or any further act.

Section 14. Governing Law. This Escrow Agreement shall be governed by the laws of the State of California.

Section 15. Execution in Several Counterparts. This Escrow Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall constitute but one and the same instrument.

EXHIBIT A

PAYMENT SCHEDULE OF PRIOR AUTHORITY BONDS

<u>Payment Date</u>	<u>Maturing Principal</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service Payment</u>
September 2, 2017	\$ _____	\$		\$

EXHIBIT B

NOTICE OF REDEMPTION**TO THE OWNERS OF****City of San Clemente Public Financing Authority
Reassessment Refunding Revenue Bonds****Date of Issuance: July 18, 2007****Date of Redemption: March 2, 2017**

NOTICE IS HEREBY GIVEN that pursuant to the applicable provisions of the governing documents of the above captioned bonds (the "Bonds"), \$_____ principal of the Bonds will be redeemed on **March 2, 2017** at the referenced price noted below, together with interest accrued to March 2, 2017, and further interest on the Bonds will not accrue from and after March 2, 2017. The record date is February 15, 2017.

<u>Maturity (September 2)</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Redemption Price</u>	<u>CUSIP®*</u>
2017	\$ 635,000	4.375%	100%	797208AK1
2018	665,000	4.500	100	797208AL9
2019	695,000	4.500	100	797208AM7
2020	725,000	4.600	100	797208AN5
2021	760,000	4.625	100	797208AP0
2022	795,000	4.700	100	797208AQ8
2025	2,610,000	4.750	100	797208AR6
2028	2,995,000	4.750	100	797208AS4

On the date fixed for redemption there shall become due and payable on each Bond or portion thereof called for redemption, the redemption price stated above (representing the principal thereof, together with the redemption premium) and interest accrued to the redemption date, and from and after such date, interest thereon shall cease to accrue and be payable.

Called Bonds must be surrendered at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., as Trustee, at the following address by U.S. Mail, Certified Mail, Registered Mail, Overnight Express or Delivery in Person:

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

By: The Bank of New York Mellon Trust
Company, N.A. as Trustee

DATED: January 30, 2017

IMPORTANT TAX INFORMATION

Under various provisions of tax related acts passed by Congress, The Bank of New York Mellon Trust Company, N.A., as Trustee, may be obligated to withhold a certain percentage of the interest from the payment to owners who have failed to furnish the paying agent with a valid taxpayer identification number. Owners of Bonds who wish to avoid this withholding should submit a taxpayer identification number (for individuals the Social Security Number) or an exemption certificate when presenting their Bonds for payment.

** CUSIP numbers are included solely for the convenience of the owners. The Trustee and the Authority shall not be responsible for the use of the CUSIP numbers selected, nor is any representation made to their correctness indicated in the notice or as printed on any Bond.*