Regular Teleconference Meeting of the Executive Committee of the Board of Directors of the ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

Offices of the Association of Bay Area Governments
Bay Area Metro Center
Room 8302 (Tomales)
375 Beale Street – San Francisco, CA
October 19, 2016 •10:30 AM

Teleconference Locations:

Chuck Lomeli
Solano County
County Government Center
675 Texas Street, Suite 1900
Fairfield, CA 94533

Paul McDonough
Santa Clara County
County Government Center
70 West Hedding Street,
E. Wing, 2nd Floor
San Jose, CA 95110

Jonathan Kadlec
Sonoma County
County Fiscal Building
585 Fiscal Drive, Suite 100
Santa Rosa, CA 95403

Russell Watts
Contra Costa County
625 Court Street, Room 100/102
Martinez, CA 94553.

AGENDA

1. Call to Order *(Introductions and confirm quorum).*

2. Public Comment.

3.* Minutes of the Authority Executive Committee Meeting of September 21, 2016.

4.* ABAG FAN 6/30/15 Audited Financial Statements

5.* ABAG FAN 6/30/16 Unaudited Financial Statements

6.* 690 & 942 Market Street Project CFD 6/30/16 Review of Financial Activity

7.* SF Mint Plaza CFD 6/30/16 Review of Financial Activity

8.* SF Rincon Hill CFD 6/30/16 Review of Financial Activity

9.* Windemere Ranch CFD & Reassessment District 6/30/16 Review of Financial Activity

10.* Consideration of Resolution 16-07 authorizing up to Five Million Dollars ($5,000,000) for Presidio Knolls School

11. Other business.

12. Adjourn

The Committee may take any action on any item on this agenda

This agenda and related materials may be found at: http://www.abag.ca.gov/meetings/financeauthority.html

* Enclosures

Teleconference Meeting of the
Executive Committee of the Board of Directors of the
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
A Joint Powers Authority of California Cities and Counties
Offices of the Association of Bay Area Governments
Bay Area Metro Center
Room 8302 (Tomales)
375 Beale Street- San Francisco, CA

SUMMARY MINUTES

Wednesday 21 September 2016

<u>Members Present</u>

Jonathan Kadlec	County of Sonoma
Paul McDonough	County of Santa Clara
Russell Watts	County of Contra Costa

(All Above Committee Members attended by phone.)

<u>Authority Staff</u>

Kenneth Moy, ABAG Legal Counsel/Acting General Counsel
Courtney Ruby, Chief Financial Officer
Michael Hurtado, ABAG Financial Services Director
Sheelagh Flanagan, Consultant to the Authority

<u>Invited Presenters & Guests</u>

Dave Fama, Jones Hall

Vicki Rodriguez, Maze & Associates

Crean Lutheran High School:
- Brian Underwood, Executive Director
- Emmalee Lezama, Chief Financial Officer
- Jeffrey Beavers, Executive Director
- Pam Pindroh, Business Office Director

Joshua Winter, Western Solutions
Michael Melliere, Ice Miller
Andrea de la Fuente, US Bank

1. <u>Call to Order</u>

The meeting was called to order by Vice Chair Kadlec at 10:34 a.m.

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2. Public Comment

   None.

3. Executive Committee Minutes

   The Minutes of the Authority Executive Committee Meetings of July 6, 2016 were approved. /M/ Watts /S/ McDonough / roll call – Kadlec, McDonough and Watts ayes/ 0 nay.

4. Consideration of **Resolution 16-06** authorizing up to Forty Three Million Dollars in connection with the issuance of Lutheran High South – Orange County, Inc. dba Crean Lutheran High School, Series 2016 Revenue Bonds.

   Brian Underwood, Executive Director of Crean Lutheran High School, described the mission of the school and the projects to be financed using the new money component of the authorization. Dave Fama of Jones Hall described the indemnification language in the legal documents provided by Ice Miller, responding to Kadlec's question. /M/ Kadlec /S/ McDonough to approve Resolution 16-06. Motion passed on a roll call – Kadlec, McDonough and Watts ayes/ 0 nay

5. The Committee received reports from Courtney Ruby regarding an update on investments (quarterly report).

6. The Committee received reports from Courtney Ruby regarding an update to FAN's internal controls.

7. The Committee was presented by Vicki Rodriguez of Maze & Associates regarding auditing procedures for FAN for 2017.

8. The Committee was asked by Michael Hurtado if the meetings protocol should continue as it has in the past. The Committee agreed that it should. Meetings would be set up for the entire year and cancelled as needed.

9. Other Business

None

There being no other business, Vice Chair Kadlec adjourned the meeting at 11:00 a.m.

Respectfully submitted,

Michael Hurtado
Secretary

ABAG FAN 6/30/15 Audited Financial Statements

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
REVIEW OF AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015

STATEMENT PRESENTATION

The statements presented are the final audited financial statements of ABAG Finance Authority for Nonprofit Corporations (FAN) for the fiscal year July 1, 2014 through June 30, 2015. The audit report includes, in addition to the Statement of Net Position (Balance Sheet) and Statement of Activities (Income Statement): the independent auditors report, Statement of Cash Flows, footnotes to the financial statements, and a full Management Discussion and Analysis of the financial operations.

FINANCIAL HIGHLIGHTS

Assets
Total assets at June 30, 2015 were $4.407 million, a decrease of $264,489 (6%) from the balance of $4.672 at June 30, 2014. Cash and investments decreased $363,765, accounts and loans receivable increased $103,735.

Liabilities
Accounts payable increased $40,540 (13%). The refundable deposits remained unchanged and represented a pending escrow transaction and unclaimed funds of $291,303 that was reported on both the June 30, 2015 and June 30, 2014 balance sheet and subsequently returned and reclassified in fiscal year 2015-16.

Fund Equity
Fund Equity (Retained Earnings or Net Surplus) decreased $305,022 (8%), as a result of cost related to the 2014 embezzlements including the initial loss of funds and the cost to thoroughly investigate the embezzlements. These costs were later fully recovered in fiscal year 2015-16.

Deficit
The result of operation for the fiscal year was a deficit of $305,022. This compares to a smaller deficit of $134,050 in the prior fiscal year. The major contributing factor to the increased operating deficit were expenses related to the 2014 embezzlements including the initial loss of funds, costs to investigate the embezzlements, and costs to review FAN's internal controls. In fiscal year 2015-16, all the cost associated with the embezzlements were recovered.

Expenses
Expenses were up $302,479 from the prior year. The increase in expenses is related to the 2014 embezzlements as described above.

The following FISCAL YEAR 2015-16 and FISCAL YEAR 2016-17
FAN demonstrated a strong fiscal year in 2015-16 resulting in a surplus of revenues over expenses of $769,768. The major factor in the generation of the operating surplus was the recovery ($649,813) of expenses incurred in prior years for the investigation of the 2014 embezzlements. The 2016-17 budget projects a small operating surplus of $27,595, as the FAN staff is rebuilt and new revenue generating activities are initiated. However, these new activities are not expected to produce significant revenue until fiscal year 2017-18. We will update the budget projection each quarter, and highlight trends that have the potential to raise or lower the projected surplus for the year.

MAZE
& ASSOCIATES

ABAG
FINANCE AUTHORITY
FOR NONPROFIT CORPORATIONS

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

ABAG
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Table of Contents

MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
ABAG Finance Authority for Nonprofit Corporations
Oakland, California

Report on Financial Statements

We have audited the accompanying financial statements of the the business-type activities of the ABAG Finance Authority for Nonprofit Corporations (Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business activities of the Authority as of June 30, 2015 and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Pleasant Hill, CA 94523

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W **mazeassociates.com**

Emphasis of a Matter

As discussed in Note 6, in fiscal year 2015 a key employee at the Authority was accused of embezzling funds from a public agency. Upon further investigation, it was determined that more than $3.9 million had been misappropriated over a three year period. Management has stated subsequent to the balance sheet date full restitution has been made to the public agencies.

The emphasis of this matter does not constitute a modification to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maze & Associates

Pleasant Hill, California
March 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The ABAG Finance Authority for Nonprofit Corporations (Authority) has issued the financial report for fiscal year ending June 30, 2015 based on the provisions of the Governmental Accounting Standards Board Statement 34, "Basic Financial Statement and Management's Discussion & Analysis—for State and Local Governments," (GASB 34).

This discussion and analysis provides an overview of financial activities in the fiscal year and it should be read in conjunction with the accompanying financial statements.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements include:

1. Statement of Net Position—provides information about the financial position of the Authority, including assets, liabilities and net position. The difference between this statement and the traditional Balance Sheet is that net position (fund equity) is shown as the difference between total assets and total liabilities.

2. Statement of Activities—presents revenues, expenses and changes in net position for the fiscal year. It differs from the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.

3. Statement of Cash Flows—provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash inflows and outflows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating surplus/deficit. In addition, cash flows related to investments and financing activities are presented separately.

ENTERPRISE PERFORMANCE & MAJOR PROGRAM INITIATIVES IN FY 2014-2015

<u>Financing Program</u>

In March 2015, new conduit bond issuances and other nonprofit financing activity was disrupted by the unanticipated resignation of the Authority's Secretary (ABAG's Director of Financial Services), following the disclosure of an embezzlement of funds belonging to the San Francisco One Rincon Hill residential project and later a disclosure of an embezzlement of funds belonging to the Windemere Ranch projects in Contra Costa County. It was determined that the former Authority's Secretary was responsible for the embezzlements of funds and the Authority received full restoration of the embezzled funds. An Interim Director was appointed and the ongoing administrative functions and responsibilities of the Authority were performed without interruption. New financing activity completed during the year is listed on the following page.

Project Name	Amount Authorized	Amount Issued
St. Helena Montesorri School	$ 6,000,000	$ 6,000,000
On Lok Senior Services 2014	30,000,000	25,530,000
Windemere 2014 Refunding	37,500,000	31,805,000
Presidio Knoll School	13,500,000	13,500,000
Sonoma Country Day School	18,000,000	17,000,000
Drew School Series 2015	2,160,000	2,160,000
Institute of Defense Analyses	11,945,000	11,945,000
Total	$ 119,105,000	$ 107,940,000

Since April of 1990, the Authority has offered its Financing Program to assist both public jurisdictions and eligible entities in those jurisdictions seeking to obtain conduit financing through the delivery of tax-exempt securities. Public agencies and eligible entities, who are also Members of the Authority, may request assistance from the Authority in obtaining conduit bond financing for projects located within California. Eligible entities include nonprofit corporations organized under Internal Revenue Code Section 501(a), and other borrowers which operate for the benefit of the public. All conduit financings delivered through the Authority's Financing Program are obligations of the borrowing entities and are not obligations of the Authority. As a result, the financing obligations are not recorded in the Authority's financial statements. As of June 30, 2015, the Authority had delivered approximately $7.9 billion in such conduit financing. *Please see Note 4 for current outstanding amounts of each type of conduit financing issued through the Authority.*

FISCAL YEAR 2015 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- The Authority's total net position was $3.8 million at June 30, 2015. At June 30, 2014, the total net position was $4.1 million.

- The Authority's total revenue, including program and general revenues, were $1.4 million in FY 2015, while total expenses were $1.7 million. These expenses included both labor and other costs directly associated with Authority activities and labor and other costs for indirect support of a range of activities of the Association of Bay Area Governments related to the work of the Authority.

- General revenues were $17 thousand for the Financing Program, almost wholly derived from interest income.

OUTLOOK FOR FY 2016

Fiscal year 2015-16 will be a year in which the Authority's principal activities will revolve around settlement of matters related to the embezzlements disclosed in fiscal year 2014-15, including the restoration of embezzled funds to the affected accounts, responding to inquiries from the State Senate Governance and Finance Committee, and completion of an internal investigation and forensic review commissioned by the Authority's Executive Committee of the Board of Directors. The Authority will also continue to provide consultation in the areas of its municipal finance expertise to its Members jurisdictions and to other public agencies and nonprofit organizations.

Our expectation is that by the end of the fiscal year, improved internal accounting and administrative controls will be fully implemented and that new staff, including an acting Director of Financial Services, will be appointed. This will allow the Authority to fully return to its core mission of providing efficient and economical financing for affordable multi-family housing, independent schools, hospitals, healthcare providers, and other public sector entities through its various programs specially designed for local government jurisdictions and other borrowers in the municipal capital market.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This Financial Report is intended to provide citizens, taxpayers, creditors, regulators, and contracting entities with a general overview of the Authority's finances. Questions about this Report should be directed to the ABAG Finance Department, at 101 Eighth Street, Oakland, California 94607.

ABAG
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Financing Program
CURRENT ASSETS	
Cash and Cash Equivalents (Note 2):	$3,365,578
Receivables:	
Other	475,475
Interest	2,169
Total Current Assets	3,843,222
NONCURRENT ASSETS	
Other Receivables	191,018
Installment Sale Agreement (Note 2F)	372,885
Total Noncurrent Assets	563,903
Total Assets	4,407,125
LIABILITIES	
Accounts Payable	356,287
Refundable Deposits	291,303
Total Current Liabilities	647,590
NET POSITION	
Unrestricted	3,759,535
Total Net Position	$3,759,535

See accompanying notes to basic financial statements

ABAG
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Financing Program
PROGRAM REVENUES	
Administration Fees	$1,161,990
Bond Issuance Fees	196,697
Application Fees	4,000
Lease Program Fee	2,300
Total Program Revenues	1,364,987
PROGRAM EXPENSES	
Consultant Services	1,682,182
Depreciation Expense	4,462
Total Program Expenses	1,686,644
Program Income (Deficit)	(321,657)
GENERAL REVENUES	
Interest Income	16,635
Total General Revenues	16,635
CHANGE IN NET POSITION	(305,022)
NET POSITION - BEGINNING	4,064,557
NET POSITION - ENDING	$3,759,535

See accompanying notes to basic financial statements

ABAG
FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Financing Program
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Fees	$1,198,775
Payment of Consultant Costs	(1,641,652)
Net Cash Flows from Operating Activities	(442,877)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	16,043
Installment Sale Agreement Collections	63,069
Net Cash Flows from Investing Activities	79,112
Net Cash Flows	(363,765)
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	3,729,343
CASH AND CASH EQUIVALENTS- END OF YEAR	$3,365,578
RECONCILIATION OF OPERATING INCOME (LOSS) NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income (Loss)	($321,657)
Change in Assets and Liabilities:	
Other Receivables	(166,212)
Accounts Payable	40,530
Depreciation Expense	4,462
Net Cash Flows from Operating Activities	($442,877)

See accompanying notes to basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description

Description of Reporting Entity - The ABAG Finance Authority for Nonprofit Corporations (Authority) is a joint powers authority comprising California municipalities. The Authority is governed by a board appointed by its members.

The Authority assists eligible nonprofit entities and other borrowers in obtaining tax-exempt financing. Eligible entities include nonprofit corporations organized under Internal Revenue Code 501(c)(3) and other qualified borrowers financing projects in the public interest. The Authority acts as a conduit for eligible entities. Payments by these borrowers are used to repay their respective debt. As a conduit, the Authority is not liable for the repayment of debt in the event of a default by a borrower.

The Association of Bay Area Governments (ABAG) assists the Authority by providing administrative, accounting and clerical support. The Authority paid ABAG $1,495,609 for these services and $473,387 for contract services in the fiscal year ended June 30, 2015.

Any California County or City can become a member of the Authority. However, since not all ABAG members are members of the Authority, it is not a component unit of ABAG and its financial results and results of operations are not blended with those reported by ABAG.

Reporting Entity – The accompanying basic financial statements present the financial activity of the Authority.

Program – The accompanying basic financial statements of the Authority consists of reports for one Major Fund – Financing Program, which presents all conduit financing activities of the Authority.

B. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

The Statement of Net Position and the Statement of Activities display the overall financial activities of the Authority. Eliminations have been made to minimize the double counting of internal activities. These statements display the *business-type activities* of the Authority that are financed in whole or in part by fees charged to external parties.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority's business-type activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include charges paid by the recipients of services offered by the programs and fees and contributions that may be received and are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

C. Basis of Accounting

The Authority accounts for all transactions in one enterprise fund described in Note 1A. The fund has a separate set of self-balancing accounts that comprise assets, liabilities, net position, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

D. Revenue Recognition

Revenues comprise application fees, closing fees, housing monitoring fees, interest, and annual administration fees earned by assisting other governments to issue conduit debts on behalf of eligible borrowers. Application and closing fees are recognized in the period in which the related financing package is completed. Monitoring and administration fees are recognized as the service is provided.

E. Refundable Deposits

The California Debt Limit Allocation Committee (CDLAC) establishes procedures to be followed for multifamily housing projects in the State of California financed with tax-exempt private activity revenue bonds. Jurisdictions seeking to issue conduit debt through the Authority place a deposit to be used for debt issuance costs.

F. Estimates

The Authority's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

G. Statement of Cash Flows

For purposes of the statement of cash flows, FAN considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments consists of the following at June 30, 2015:

	Total
Cash in Banks	$437,836
Local Agency Investment Fund	1,918,139
Investment Trust of California	1,009,603
Total Cash and Cash Equivalents	3,365,578
Installment Sale Agreement	372,885
Total Cash and Investments	$3,738,463

A. *Authorized Investments by the Authority*

The Authority generally follows ABAG's policies including investment policies. The Authority may make and has made other investments and the Board shall approve those investments. The Authority is allowed to invest in the following, provided the credit ratings are acceptable to the Authority. The following also identifies certain provisions of the Authority and California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	1 year	N/A	None	None
U.S. Agency Securities (a)	1 year	N/A	None	None
Bankers' Acceptances	180 days	N/A	40%	30%
Commercial Paper	180 days	A1/P1	10%	10%
Investment Agreements	On Demand	N/A	None	None
Repurchase Agreements	15 days	N/A	10%	None
Certificates of Deposit	1 year	N/A	10%	None
Negotiable Certificates of Deposit	1 year	N/A	30%	None
Money Market Mutual Funds	On Demand	Top rating category	20%	10%
California Local Agency Investment Fund	On Demand	N/A	$40 million/acct	$40 million/acct
Investment Trust of California (CalTRUST)	On Demand	N/A	None	None

(a) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Interest Rate Risk

Interest rate risk is the potential adverse effect resulting from changes in market interest rates on the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The sensitivity of the fair values of the Authority's investments to market interest rate fluctuations can be analyzed by the following distribution of the Authority's investments by maturity:

	12 Months or less	13 to 60 Months	Total
Cash and Cash Equivalents:			
Cash in Banks	$437,836		$437,836
Local Agency Investment Fund	1,918,139		1,918,139
Investment Trust of California	1,009,603		1,009,603
Installment Sale Agreement (Note 2F)	79,138	$293,747	372,885
Total Cash and Investments	$3,444,716	$293,747	$3,738,463

As of year end, the weighted average maturity of the investments in the LAIF and Investment Trust of California investment pools is approximately 239 and 646 days, respectively.

C. Credit Risk

Generally, credit risk is the risk that an issuer of an investment fails to fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF and the Installment Sale Agreement are not rated by a nationally recognized statistical rating organization.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority may not be able to recover its deposits or collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 105% to 150% of the Authority's cash on deposit. All of the Authority's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the Authority's name.

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Local Agency Investment Fund

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

F. Installment Sale Agreement

In January 2010, the Association of Bay Area Governments (ABAG) entered into an installment sale agreement with the Authority in the amount of $700,000, to finance various office improvement projects of ABAG. Principal and interest payments are paid monthly beginning February 1, 2010 until January 1, 2020. The agreement bears a variable interest at the average annual Local Agency Investment Fund's (LAIF) rate plus one percent (1.299% at June 30, 2014). The balance of the receivable as of June 30, 2015 is $372,885. During fiscal year 2014-2015, ABAG repaid $63,069 in principal and interest.

NOTE 3 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Authority's policy is to capitalize all assets with costs exceeding $5,000.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation expense is calculated on the straight-line method over the estimated useful lives of assets, which are as follows:

Vehicles	5 years

As of June 30, 2015, the capital assets of the Authority were fully depreciated and the ending balance of the capital assets is $0.

NOTE 4 – CONDUIT FINANCING PROGRAMS FOR ELIGIBLE ORGANIZATIONS

In its Financing Program, the Authority assists eligible organizations in obtaining financing through the issuance of tax-exempt debt.

The underlying liability for the repayment of each of these issues rests with the organization participating in that issue, and not with the Authority, which acts only as a conduit in each issue. For that reason, the Authority has not recorded a liability for these issues, which had sponsored the following outstanding balances at June 30:

Type of Financing	2015	2014
Revenue Bonds	$2,469,674,888	$2,534,270,100
Certificates of Participation	29,850,000	31,775,000
Qualified Zone Academy Bond	1,000,000	1,000,000
Special Tax Bonds	19,005,000	190,799,340
Equipment Leases	2,909,617	1,562,176
Total	$2,522,439,505	$2,759,406,616

NOTE 5 – WINDEMERE RANCH COMMUNITY FACILITIES DISTRICT FINANCING

On June 25, 2004, the Authority issued $30,000,000 in principal amount of Community Facilities District No. 2004-02 (CFD) Bonds to fund infrastructure improvements as part of the development of residential housing in the Windemere Ranch Development Area of Southern Contra Costa County.

The CFD Bonds are repayable out of special assessments on the parcels in the District, and are secured by liens on each parcel. The Authority has no liability for the repayment of the District's assessment debt. Accordingly, the Authority has not recorded this debt in its financial statements.

At June 30, 2007, the debt had been paid off through the issuance of new debt in June 26, 2007. At that time, the Authority issued $158,105,000 in principal amount of Revenue Bond Series 2007-A and Revenue Bond Subordinate Series 2007-B (together the "Revenue Bonds"). The Authority has no liability for the repayment of the Revenue Bonds. Accordingly, the Authority has not recorded this debt in its financial statements.

In July 2014, the outstanding balance of each of the Revenue Bonds issued in June 2007 was authorized by the Authority's Board to be refinanced in fiscal year 2014-15 by the issuance of $37.5 million new Refunding Revenue Bonds (Refunding Bonds). The new debt was issued by the ABAG Financing Authority for Nonprofit Corporation in August 2014. The Authority has no obligation for the repayment of these Refunding Bonds. Accordingly, the Authority has not recorded this debt in its financial statements.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

In January 2015, a conduit bond issuer discovered that a key employee of the Authority had embezzled funds from its accounts. FAN terminated the employee and began an immediate investigation which revealed that the former employee had misappropriated $1.3 million in funds. During fiscal 2015 the former employee repaid that amount to the issuer.

Also during fiscal 2015, ABAG and FAN management began an internal investigation and arranged for a forensic audit to ascertain whether any additional embezzlement had occurred from July 1, 2009 through January 31, 2015.

As of the date of this report, the investigation and forensic audit have been completed and indicate that a total of $3.9 million had been embezzled by the former employee. Through seizures of assets and resources from the former employee, $3.5 million has been recovered and turned over as restitution to the issuer. In addition, ABAG's insurer has remitted the remaining $400,000 in restitution under a key employee policy.

The internal investigation and forensic audit report indicate the fraud affected the accounts of the conduit issuer but not those of FAN or ABAG; and therefore the above matters do not have a material effect on FAN's financial statements and have not been recorded herein.

MAZE
& ASSOCIATES

HELPING OUR CLIENTS SUCCEED

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

ABAG FAN 6/30/16 Unaudited Financial Statements

AGENDA ITEM NO. 5

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
REVIEW OF UNAUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016

STATEMENT PRESENTATION

The statements presented are the final result of the operations of ABAG Finance Authority for Nonprofit Corporations (FAN) for the fiscal year July 1, 2015 through June 30, 2016, subject to any adjustments that may be determined by the independent audit, which will be concluded in November. The audit report will include, in addition to the Statement of Net Position (Balance Sheet) and Statement of Activities (Income Statement): the independent auditors report, Statement of Cash Flows, footnotes to the financial statements, and a full Management Discussion and Analysis of the financial operations.

FINANCIAL HIGHLIGHTS

Assets
Total assets at June 30, 2016 were $4.880 million, an increase of $473,000 (10%) over the balance of $4.407 at June 30, 2015. Cash and investments increased $492,832, accounts and loans receivable decreased $19,726, and most significantly, all accounts are current.

Liabilities
The balance sheet has been cleaned up by the clearance of a pending escrow transaction and unclaimed funds of $291,303 that were reported on the June 30, 2015 balance sheet.

Fund Equity
Fund Equity (Retained Earnings or Net Surplus) increased 20%, as a result of current year earnings.

Surplus
The result of operations for the fiscal year was a surplus of revenues over expenses of $769,768. This compares to a deficit of $305,022 in the prior fiscal year and a current year budgeted deficit of $122,724. The major factor in the generation of the operating surplus was Other Revenue of $649,813, which is largely the recovery of expenses incurred in prior years for the investigation of the 2014 embezzlements and the outside review of FAN's accounting and administrative internal controls.

Expenses
Expenses were down $592,078 from the prior year, and they were $181,463 below budget. The reduction in expenses corresponds to the winding down of activity related to the 2014 embezzlement, and the pause in promotional activities designed to generate new business.

OUTLOOK FOR FISCAL YEAR 2016-17
We expect FAN to return to more normal operations in fiscal year 2016-17. The current budget projects a small operating surplus of $27,595, as the FAN staff is rebuilt and new revenue generating activities are initiated. However, these new activities are not expected to produce significant revenue until fiscal year 2017-18. We will update the budget projection each quarter, and highlight trends that have the potential to raise or lower the projected surplus for the year.

BALANCE SHEET

ABAG FINANCE AUTHORITY FOR NONPROFIT
JUN-16 USD
30-AUG-2016 17:29:02

	FAN Admin
ASSETS	
CASH IN BANK	715,393.89
LOCAL AGENCY INVEST. FUND	2,124,180.83
CALTRUST	1,018,835.31
ACCOUNTS RECEIVABLE	723,951.40
LOANS RECEIVABLE	293,747.04
ACCR. INT. REC. CALTRUST	842.32
ACCR. INT. REC. LAIF	3,279.88
AUTOMOBILES	22,309.25
ACCUM. DEPREC. AUTOMOBILES	(22,309.25)

TOTAL ASSETS	4,880,230.67
	==============
LIABILITIES	
ACCOUNTS PAYABLE	350,928.39

TOTAL LIABILITIES	350,928.39

FUND EQUITY	
GENERAL EQUITY	
RETAINED EARNINGS	3,759,533.90
CURRENT YEAR SURPLUS/(DEFICIT)	769,768.38

TOTAL GENERAL EQUITY	4,529,302.28

TOTAL FUND EQUITY	4,529,302.28

TOTAL LIABILITIES AND FUND EQUITY	4,880,230.67
	==============

INCOME STATEMENT

ABAG FINANCE AUTHORITY FOR NONPROFIT
JUN-16 USD
30-AUG-2016 17:47:22

	FY Budget	Actual Current Month	Actual Year-to-date	% of Budget	Budget Balance
REVENUES					
INTEREST INCOME (MANAGED POOLS)	13,500.00	1,559.97	17,227.58	(127.61)%	(3,727.58)
INTEREST INCOME	4,000.00	777.22	5,087.87	(127.20)%	(1,087.87)
FINANCIAL SERVICES REVENUE	1,135,805.00	108,317.46	1,192,205.25	(104.97)%	(56,400.25)
OTHER REVENUES	0.00	649,813.61	649,813.61	n/m	(649,813.61)
TOTAL REVENUES	1,153,305.00	760,468.26	1,864,334.31	(161.65)%	(711,029.31)
EXPENSES					
CONSULTANT SERVICES					
TECHNICAL CONSULTANT FEES	1,276,029.00	79,343.57	1,094,565.93	85.78%	181,463.07
TOTAL CONSULTANT SERVICES	1,276,029.00	79,343.57	1,094,565.93	85.78%	181,463.07
TOTAL EXPENSES	1,276,029.00	79,343.57	1,094,565.93	85.78%	181,463.07
SURPLUS/(DEFICIT)	(122,724.00)	681,124.69	769,768.38	627.24%	(892,492.38)

690 & 692 Market Street Project CFD

6/30/16 Review of Financial Activity

AGENDA ITEM NO. 6

690 AND 942 MARKET STREET PROJECT
(SEISMIC SAFETY IMPROVEMENTS)
COMMUNITY FACILITIES DISTRICT NO. 2004-1
REVIEW OF FINANCIAL ACTIVITY
July 1, 2015 through June 30, 2016

Background

In October 2007 the Community Facilities District No. 2004-1 authorized the issuance, by ABAG Finance Authority for nonprofit Corporations, of Mello-Roos bonds in the amount of $11,000,000. The bonds are limited obligations of the District and debt service on the bonds is payable solely from the special tax revenues of the District. Union Bank serves as Trustee for the bonds.

Proceeds of the bonds are used for the Seismic improvements to a residential condominium building, bond reserve fund, District administrative expenses, and costs of issuance. Debt service payments are made semiannually September 1 and March 1. The bonds mature September 1, 2038.

ABAG FAN maintains accounting records for five funds (Bond Service, Tax Assessment, Administrative Expense, Bond Reserve, and Improvement Fund) as required by the Indenture between ABAG FAN and Union Bank. The balances and activity in these funds are reported in the accompanying Summary of Cash Activity statement.

Highlights

Tax Assessment Fund – Beginning balance was $666,710, assessment revenue was $1,099,101, transfers to the Bond Fund for debt service were $1,012,106, and transfers to the Administrative Expense Fund were $77,675. The ending balance of the fund was $676,300.

Bond Service Fund – Beginning balance was zero; transfers into the fund of $1,012,106 were used to pay debt service of $857,106 interest and $155,000 principal. The ending balance remained zero.

Administrative Expense Fund – Beginning balance was $1,238, transfers in of $77,675 were equal to the administrative expenses for the period. The ending balance remained $1,238.

Bond Reserve Fund – Beginning balance was $1,018,311 and the addition of earnings of $838 brought the ending balance to $1,019,149.

Improvement Fund – Beginning balance was $6,233 and interest of $5 brought the ending balance to $6,238. We will review the Indenture to determine the procedures to transfer unexpended project improvement funds to another Fund and to close the Improvement Fund.

Outlook

The balance in the Tax Assessment Fund is adequate to cover debt service due and administrative expenses incurred prior to receipt of anticipated tax assessment revenue in the next fiscal year. The reserve balance exceeds the required balance of $1,018,138 established at the time of bond issuance. The Fiscal Year 2016-17 annual assessment tax is approximately 38% of the maximum tax.

690 & 942 MARKET
COMMUNITY FACILITIES DISTRICT NO. 2004-1
SPECIAL TAX BOND, SERIES 2007A (TAXABLE)

SUMMARY OF CASH ACTIVITY
FOR THE PERIOD JULY 1, 2015 TO JUNE 30, 2016

	Active Funds					
	Bond Service	Tax Assessment	Administrative Expense	Bond Reserve	Improvement Fund	Consolidated
Balance June 30, 2015	$0.00	$666,709.85	$1,237.42	$1,018,311.01	$6,232.80	$1,692,491.08
Transfers:						
For debt service	1,012,106.25	(1,012,106.25)				-
For administrative expenses		(77,675.36)	77,675.36			-
						-
Receipts:						
Tax assessments		1,099,100.62				1,099,100.62
Investment earnings		271.39	1.18	837.95	4.78	1,115.30
FAN payment	4,200.00					4,200.00
Replenishment of funds						-
Disbursements:						
Bond interest	(857,106.25)					(857,106.25)
Bond principal	(155,000.00)					(155,000.00)
Bank fees	(4,200.00)					(4,200.00)
Administrative expenses			(77,675.36)			(77,675.36)
Balance June 30, 2016	$0.00	$676,300.25	$1,238.60	$1,019,148.96	$6,237.58	$1,702,925.39

SF Mint Plaza CFD

6/30/16 Review of Financial Activity

AGENDA ITEM NO. 7

SAN FRANCISCO MINT PLAZA
COMMUNITY FACILITIES DISTRICT NO. 2006-2
REVIEW OF FINANCIAL ACTIVITY
July 1, 2015 through June 30, 2016

Background

In October 2007 the Community Facilities District No. 2006-2 authorized the issuance, by ABAG Finance Authority for nonprofit Corporations, of Mello-Roos bonds in the amount of $3,270,000. The bonds are limited obligations of the District and debt service on the bonds is payable solely from the special tax revenues of the District. Union Bank serves as Trustee for the bonds.

Proceeds of the bonds are used for the acquisition and construction of public capital improvements, bond reserve fund, District administrative expenses, and costs of issuance. Debt service payments are made semiannually September 1 and March 1. The bonds mature September 1, 2017.

ABAG FAN maintains accounting records for four funds (Bond Service, Tax Assessment, Administrative Expense, and Bond Reserve) as required by the Indenture between ABAG FAN and Union Bank. The balances and activity in these funds are reported in the accompanying Summary of Cash Activity statement.

Highlights

Tax Assessment Fund – Beginning balance was $153,782, assessment revenue was $224,894, transfers to the Bond Fund for debt service were $201,665, and transfers to the Administrative Expense Fund were $57,664. The ending balance of the fund was $119,412.

Bond Service Fund – Beginning balance was $1.26, transfers into the fund of $201,665 were used to pay debt service of $166,665 interest and $35,000 principal. The ending balance remained $1.26.

Administrative Expense Fund – Beginning balance was $30,005, transfers in of $57,664 were equal to the administrative expenses for the period. The ending balance was $30,030.

Bond Reserve Fund – Beginning balance was $331,254 and the addition of earnings of $256 brought the ending balance to $311,510.

Outlook

The balance in the Tax Assessment Fund is adequate to cover debt service due prior to receipt of anticipated tax assessment revenue in the next fiscal year. The balance of the Administrative expense fund exceeds 50% of anticipated expenses for fiscal year 2016-17 and a portion of the balance may be used to reduce the fiscal year 2017-18 assessment. The reserve balance exceeds the minimum balance of $283,500 established at the time of bond issuance; and, to the extent allowed by the bond indenture, a portion of the excess balance may be used to reduce the fiscal year 2017-18 assessment. The Fiscal Year 2016-17 assessment tax is approximately 100% of the maximum allowable tax.

SAN FRANCISCO MINT PLAZA
COMMUNITY FACILITIES DISTRICT NO. 2006-0
SPECIAL TAX BOND, SERIES 2007-A

SUMMARY OF CASH ACTIVITY
FOR THE PERIOD JULY 1, 2015 TO JUNE 30, 2016

	Active Funds				
	Bond Service	Tax Assessment	Administrative Expense	Bond Reserve	Consolidated
Balance June 30, 2015	$1.26	$153,781.99	$30,004.97	$311,253.62	$495,041.84
Transfers:					
For debt service	201,665.00	(201,665.00)			
For administrative expenses		(57,663.61)	57,663.61		
Receipts:					
Tax assessments		224,894.06			224,894.06
Investment earnings		64.62	24.79	256.71	346.12
FAN payment	2,048.00				2,048.00
Disbursements:					
Bond interest	(166,665.00)				(166,665.00)
Bond principal	(35,000.00)				(35,000.00)
Bank fees	(2,048.00)				(2,048.00)
Administrative expenses			(57,663.61)		(57,663.61)
Balance June 30, 2016	$1.26	$119,412.06	$30,029.76	$311,510.33	$460,953.41

SF Rincon Hill CFD

6/30/16 Review of Financial Activity

AGENDA ITEM NO. 8

SAN FRANCISCO RINCON HILL
COMMUNITY FACILITIES DISTRICT NO. 2006-1
REVIEW OF FINANCIAL ACTIVITY
July 1, 2015 through June 30, 2016

Background

In October 2007 the Community Facilities District No. 2006-1 authorized the issuance, by ABAG Finance Authority for nonprofit Corporations, of Mello-Roos bonds in the amount of $5,825,000. The bonds are limited obligations of the District and debt service on the bonds is payable solely from the special tax revenues of the District. Union Bank serves as Trustee for the bonds.

Proceeds of the bonds are used for the acquisition and construction of public capital improvements, funding capitalized interest, bond reserve fund, District administrative expenses, and costs of issuance. Debt service payments are made semiannually September 1 and March 1. The bonds mature September 1, 2036.

ABAG FAN maintains accounting records for five funds (Bond Service, Tax Assessment, Administrative Expense, Bond Reserve and Improvements) as required by the Indenture between ABAG FAN and Union Bank. The balances and activity in these funds are reported in the accompanying Summary of Cash Activity statement.

Highlights

Tax Assessment Fund – Beginning balance was $272,796, assessment revenue was $404,377, transfers to the Bond Fund for debt service were $359,015, and transfers to the Administrative Expense Fund were $78,947. The ending balance of the fund was $239,326.

Bond Service Fund – Beginning balance was zero; transfers into the fund of $359,015 were used to pay debt service of $289,015 interest and $70,000 principal. The ending balance remained zero.

Administrative Expense Fund – Beginning balance was $11,760, transfers in of $78,947 were equal to the administrative expenses for the period. The ending balance was $11,769.

Bond Reserve Fund – Beginning balance was $552,669 and the addition of earnings of $454 brought the ending balance to $553,123.

Improvement Fund – Beginning balance was $4, earnings on investments were $1,059, and replenishment of funds misappropriated in the previous fiscal year totaled $1,296,541. The June 30, 2016 balance of this fund was $1,297,597. The Improvement Fund is currently composed of two subaccounts: Improvement Fund $371,536 and City Subaccount $926,061.

Outlook

The balance in the Tax Assessment Fund is adequate to cover debt service due prior to receipt of anticipated tax assessment revenue in the next fiscal year. The balance of the Administrative expense fund is sufficient to pay anticipated expenses for fiscal year 2016-17 that may be due before current year assessments are received.

The reserve balance exceeds the minimum balance of $521,978 established at the time of bond issuance; and, to the extent allowed by the bond indenture, a portion of the excess balance may be used to reduce the fiscal year 2017-18 assessment. The improvement funds balance may be used through 2017 as a result of a new Joint Community Facilities Agreements (JCFA) that was signed on July 9, 2015. The Fiscal Year 2016-17 assessment tax is approximately 70% of the maximum allowable tax.

RINCON HILL
COMMUNITY FACILITIES DISTRICT NO. 2006-1
SPECIAL TAX BOND, SERIES 2006A

SUMMARY OF CASH ACTIVITY
FOR THE PERIOD JULY 1, 2015 TO JUNE 30, 2016

	Active Funds						
	Bond Service	Tax Assessment	Administrative Expense	Bond Reserve	Improvement Funds: Rincon Hill	Improvement Funds: City Sub.	Consolidated
Balance June 30, 2015	$0.00	$272,796.09	$11,759.76	$552,669.20	$1.10	$2.75	$837,228.90
Transfers:							
For debt service	359,015.00	(359,015.00)					-
For administrative expenses		(78,947.48)	78,947.48				-
							-
Receipts:							
Tax assessments		404,377.33					404,377.33
Investment earnings		114.69	9.20	454.47	303.34	748.95	1,630.65
FAN payment	2,083.00						2,083.00
Replenishment of funds					371,231.33	925,309.57	1,296,540.90
Disbursements:							
Bond interest	(289,015.00)						(289,015.00)
Bond principal	(70,000.00)						(70,000.00)
Bank fees	(2,083.00)						(2,083.00)
Administrative expenses			(78,947.48)				(78,947.48)
Balance June 30, 2016	$0.00	$239,325.63	$11,768.96	$553,123.67	$371,535.77	$926,061.27	$2,101,815.30

Windemere Ranch CFD & Reassessment District

6/30/16 Review of Financial Activity

AGENDA ITEM NO. 9

WINDEMERE CONSOLIDATED
WINDEMERE RANCH REASSESSMENT DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2004-2
REVIEW OF FINANCIAL ACTIVITY
July 1, 2015 through June 30, 2016

Background

Windemere Ranch Infrastructure Financing Program is a complex financing vehicle for a series of Mello-Roos (Community Facilities District) and Reassessment District bonds that were issued over the period 1999 through August 28, 2014. Windemere Ranch is a planned development community in San Ramon, now fully developed. The development plan provided for 3,280 single family homes, 597 condominiums and 1,293 affordable apartments.

Bonds issued by the ABAG Finance Authority for Nonprofit Corporations (ABAG FAN), currently outstanding are: Revenue bonds, Senior Series A of $112,545,000 and Revenue Bonds, Subordinate Series B of $45,560,000. Debt service of the revenue bonds is provided by assessments for Local Obligations of the Districts.

ABAG FAN maintains accounting records for 24 funds and accounts, including escrow accounts for refunded bonds of $116,670,572 and $16,909,026 at June 30, 2016. Union Bank serves as Trustee for all of the Windemere bonds; Bank of New York holds the 1999 Escrow Fund deposit of $16,909,026.

The Windemere account balances and cash flow activities for fiscal year 2015-16 are summarized on the accompanying Statement of Fund Activity and Balances. Activities of the 14 funds in which significant transactions occurred during the year, are reported on the schedule of Selected Funds.

Highlights

Assessment on the Districts totaled $11,400,546. Debt service on bonds was $12,585,691 and administrative expenses were $713,862, requiring total cash disbursements of $13,299,553. The $1,899,007 excess of current disbursement over current assessment revenue was covered by previously accumulated balances in deposit accounts. No utilization reserve funds were required to meet bond obligations.

Disbursements of $2,579,795 in the prior fiscal year that were determined to be misappropriations, were recovered in the current fiscal year and redeposited to the Windermere accounts from which they were paid.

Outlook

The financial health of the Windemere Financing Program is evidenced by its strong consolidated fund balance of $38,390,082 at June 30, 2016. It is anticipated that after a review of the indentures for the outstanding and refunded bonds, that a portion of the balances in the surplus and deposit accounts may be utilize for current debt service and administrative expenses, allowing for a reduction in the District assessments for fiscal year 2016-17 and future years.

WINDEMERE CONSOLIDATED
STATEMENT OF FUND ACTIVITY AND BALANCES
FOR THE PERIOD JULY 1, 2015 TO JUNE 30, 2016

	BNY MELLON		UNION	
	ESCROW	DEPOSITORY	BANK	CONSOLIDATED
Fund Balances -June 30, 2015				
ABAG Windemere 1999 Escrow Fund	$18,028,274.00			$18,028,274.00
ABAG Windermere DS Depository Acct.		$3,343,000.43		3,343,000.43
ABAG Windemere Deposit Acct.		1,272,940.73		1,272,940.73
Senior Series 2007-A and Subordinate Series 2007-B				
Revenue Fund			$46.16	
Surplus Fund			34,439.26	34,439.26
Refunding Revenue Bonds Senior Series 2014-A				
Special Tax Senior Reserve Subaccount			683,473.07	683,473.07
2014 Reassesment Senior Reserve Subaccount			2,206,408.20	2,206,408.20
Cost of Issuance			15,045.13	15,045.13
Revenue Bonds Senior Series 2007-A				
Special Tax Senior Subaccount			2,333,091.56	2,333,091.56
Reassessment Senior Subaccount			5,540,857.31	5,540,857.31
Special Tax Bonds 07A & Refunding STB 07B				
Prepayment Account			0.32	0.32
Ltd. Obligation Impr. Refunding Bonds Series 2007-A				
Prepayment Subaccount			116,625.62	116,625.62
ABAG Custody Agreement Debt Service				
Deposit Account			3,007,688.54	3,007,688.54
Revenue Bonds Senior Series 2007-B				
Subordinate Special Tax Subaccount			13,752.50	13,752.50
Subordinate Reassessment Subaccount			32,092.86	32,092.86
Consolidated Balance - June 30, 2015	18,028,274.00	4,615,941.16	13,983,520.53	36,627,689.53
Fund Inflows				
Assessment Levy		11,400,545.78		11,400,545.78
Accrued Income on Securities	822,003.87			822,003.87
Dividends on Blackrock Investments	0.23	417.79	9,408.90	9,826.92
Prepayments			249,775.01	249,775.01
Restored funds		1,481,082.07	1,098,712.48	2,579,794.55
Total Fund Inflows	822,004.10	12,882,045.64	1,357,896.39	15,061,946.13
Fund Outflows and Transfers				
Principal Payments		695,000.00	5,177,441.25	5,872,441.25
Interest Payments		977,250.00	5,736,000.00	6,713,250.00
Administrative Expenses		713,862.21		713,862.21
Transfers	1,672,250.00	6,389,062.51	(8,061,312.51)	0.00
Total Outflows and Transfers	1,672,250.00	8,775,174.72	2,852,128.74	13,299,553.46
Fund Balances -June 30, 2016	$17,178,028.10	$8,722,812.08	$12,489,288.18	$38,390,082.20

WINDEMERE CONSOLIDATED
FUND BALANCES
JUNE 30, 2016

	BNY MELLON		UNION	
	ESCROW	DEPOSITORY	BANK	CONSOLIDATED
Fund Balances -June 30, 2016				
ABAG Windemere 1999 Escrow Fund	$17,178,028.10			$17,178,028.10
ABAG Windermere DS Depository Acct.		$6,064,984.44		6,064,984.44
ABAG Windemere Deposit Acct.		2,657,827.64		2,657,827.64
Senior Series 2007-A and Subordinate Series 2007-B				
Revenue Fund			$378,773.33	378,773.33
Surplus Fund			84,253.72	84,253.72
Refunding Revenue Bonds Senior Series 2014-A				
Special Tax Senior Reserve Subaccount			684,035.76	684,035.76
2014 Reassesment Senior Reserve Subaccount			2,208,223.03	2,208,223.03
Revenue Bonds Senior Series 2007-A				
Special Tax Senior Subaccount			2,335,011.29	2,335,011.29
Reassessment Senior Subaccount			5,545,416.52	5,545,416.52
Special Tax Bonds 07A & Refunding STB 07B				
Special Tax Fund			27.69	27.69
Bond Fund			1,098,787.95	1,098,787.95
Prepayment Account			74,858.68	74,858.68
Ltd. Obligation Impr. Refunding Bonds Series 2007-A				
Redemption Fund			74.89	74.89
Prepayment Subaccount			79,823.16	79,823.16
ABAG Custody Agreement Debt Service				
Deposit Account			2.15	2.15
Revenue Bonds Senior Series 2007-B				
Subordinate Reassessment Subaccount			0.01	0.01
Consolidated Balance - June 30, 2016	$17,178,028.10	$8,722,812.08	$12,489,288.18	$38,390,128.36

WINDEMERE CONSOLIDATED
STATEMENT OF FUND ACTIVITY AND BALANCES - SELECTED FUNDS
FOR THE PERIOD JULY 1, 2015 TO JUNE 30, 2016

WINDEMERE
STATEMENT
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	ABAG Windemere 1999 Escrow Fund	ABAG Windermere DS Depository Acct.	ABAG Windemere Deposit Acct.	Sn. 2007-A and Sub. 2007-B Revenue Fund	Sn. 2007-A and Sub. 2007-B Surplus Fund	Refund. Rev. Sn. 2014-A Spcl. Tax Sr. Res. Subacct.	Refund. Rev. Sn. 2014-A 2014 Reassess Sr Res. Sub
Fund Balances -June 30, 2015	$18,028,274.00	$3,343,000.43	$1,272,940.73	$121,344,325.81	$34,439.26	$683,473.07	$2,206,408.20
Fund Inflows							
Assessment Levy		8,281,518.08	3,119,027.70				
Accrued Income on Securities	822,003.87						
Dividends on Blackrock Investments	0.23	299.41	118.38	184.86	67.17	562.69	1,814.83
Prepayments							
Restored funds		1,481,082.07					
Total Fund Inflows	822,004.10	9,762,899.56	3,119,146.08	184.86	67.17	562.69	1,814.83
Fund Outflows and Transfers							
Principal Payments							
Interest Payments							
Administrative Expenses		713,862.21					
Market Adjustments of Securities							
Bond Redemptions				4,445,852.68			
Net Transfers	1,672,250.00	6,327,053.34	1,734,259.17	(378,348.70)	(49,747.29)		
Basis Adjustments				227,661.82			
Total Outflows and Transfers	1,672,250.00	7,040,915.55	1,734,259.17	4,295,165.80	(49,747.29)	0.00	0.00
Fund Balances -June 30, 2016	**$17,178,028.10**	**$6,064,984.44**	**$2,657,827.64**	**$117,049,344.87**	**$84,253.72**	**$684,035.76**	**$2,208,223.03**

CONSOLIDATED
OF FUND ACTIVITY AND BALANCES - SEL
IOD JULY 1, 2015 TO JUNE 30, 2016

WINDEMERE CONSOLIDATED
STATEMENT OF FUND ACTIVITY AND BALANCES - SELECTEI
FOR THE PERIOD JULY 1, 2015 TO JUNE 30, 2016

	Rev.Sr 2007-A Spcl Tax Sr Subacct.	Rev.Sr 2007-A Reassessment Subacct.	Ltd. Oblig.Impr. Refund. Series 2007-A Prepayment	Custody Agreement Debt Svc. Deposit Acct.	Rev. Sr. 2007-B Suboradinate Spcl. Tax Subacct.	Rev. Sr. 2007-B Suboradinate Ressessment Subacct.
Fund Balances -June 30, 2015	$2,333,091.56	$5,540,857.31	$116,625.62	$3,007,688.54	$13,752.50	$32,092.86
Fund Inflows						
Assessment Levy						
Accrued Income on Securities						
Dividends on Blackrock Investments	1,919.73	4,559.21	24.66	82.91		0.93
Prepayments			158,689.71			
Restored funds						
Total Fund Inflows	1,919.73	4,559.21	158,714.37	82.91	0.00	0.93
Fund Outflows and Transfers						
Principal Payments						
Interest Payments						
Administrative Expenses						
Market Adjustments of Securities						
Bond Redemptions						
Net Transfers			195,516.83	3,007,769.30	13,752.50	32,093.78
Basis Adjustments						
Total Outflows and Transfers	0.00	0.00	195,516.83	3,007,769.30	13,752.50	32,093.78
Fund Balances -June 30, 2016	**$2,335,011.29**	**$5,545,416.52**	**$79,823.16**	**$2.15**	**$0.00**	**$0.01**

To: **Executive Committee**
ABAG Finance Authority for Nonprofit Corporations (Authority)

From: **Michael Hurtado**
Secretary

Date: **October 13, 2016**

Re: **Agenda Item No. 10: Consider Resolution 16-07 authorizing up to $5 million in non-rated, privately-placed bond financing for Presidio Knolls School. The City of San Francisco held the required TEFRA hearing and approval process at a meeting on September 12, 2016.**

Recommended Action: Adopt Resolution 16-07 approving and authorizing the proposed financing. As proposed, the financing would meet the Authority's Guidelines for Issuance in all respects.

The Borrower: ***The Authority assisted Presidio Knolls School (PKS) with a prior financing in January 2015 and the same lender (BBVA Compass through Compass Mortgage Corporation) will provide financing for this transaction through an amended and restated senior loan agreement.*** Presidio Knolls School is a progressive Mandarin language immersion school founded in San Francisco during 2008. Currently enrolling 296 students from 2yrs-2nd grade who come from 10 different sections of San Francisco as well as Marin, the South Bay and East Bay - with 32 different zip codes represented. The School has also attracted students from Russia, England Australia, Singapore, China, Sweden, Canada, and many other countries. The school's strength is evident in its multicultural and interdisciplinary curriculum, prime San Francisco location, highly qualified teachers and outstanding programs and activities. The School has a large waiting list for its preschool that together with new students entering its expanding elementary program will bring it to full capacity within 6 years at which point it will service students ranging in age from 2yrs up to 8th grade.

Public Benefit: The School makes tuition assistance available for all grades. For the 2011-2012 school year, 36% of the student body received tuition assistance. Awards are for one year and continuation is dependent upon demonstrated future financial need. Presidio Knolls School was established in 2008 to accommodate a growing demand for bilingual education that fully immersed students in Mandarin language and culture while honoring their innate sense of wonder, curiosity, reflection and resilience. The founder of the school, Wendy Xa along with other pioneering parents, collaborated to educate and inspire students to become creative, confident and engaged global citizens.

The Financing Project: The purpose of the financing is to refinance the seller note and construction of classrooms as the student body grows each year. PKS is adding two full classes each year so there is a need for tax-exempt lending but the seller note does not allow for any additional debt. Refinancing the seller note, which is 9%, not only provides interest rate savings but it also gives PKS the borrowing ability they need to expand their campus. The first draw of this loan will be for $2,000,000 to pay off the seller note of $2,250,000. The second draw of this loan will be for $2,915,500 to renovate the Rectory into classrooms. The loan will amortize over 20 years and the term will expire on 4/14/2021 (this is set to match the $9,500,000 loan with BBVA and ABAG FAN). The remaining draw will be used for the overall completion of the campus renovation.

The obligation of the Authority to make payments on the financing (such obligation to be assigned to the Bank) must be strictly limited to payments made by the Borrower. The placement documentation must contain a statement having the same effect as the following:

Neither the faith and credit of the Authority or the Association of Bay Area Governments nor the faith and credit or taxing power of any member of the Authority, the Association of Bay Area Governments, the State of California, or any political subdivision thereof, is pledged to the payment of the principal of premium, if any, or purchase price of, or interest on these securities or other costs incident thereto except from the specific revenues and funds pledged therefor. These securities are not a debt of the Authority, the Association of Bay Area Governments or the State of California or any political subdivision thereof, and neither the Authority, the Association of Bay Area Governments nor the State of California, nor any political subdivision thereof is liable for the payment thereof.

The Authority must also receive comprehensive indemnification from the Borrower. In accordance with the Authority's Guidelines for such financing, the lender would be required to execute a sophisticated investor letter detailing, among other things, the recognition of risk, the satisfaction of disclosure requirements, the Authority's strict limitations on resale of the securities, and a hold harmless against any lender liability.

Financing Team: The Borrower has proposed that Ice Miller LLP, Columbus, Ohio serve as Bond Counsel for this transaction. The Borrower is represented by Spaulding McCullough & Tansil, LLP, Santa Rosa. Western Solutions Inc., Homewood, California, serves as the School's Financial Advisor. The Bank is represented by Sheppard Mullin Richter & Hampton LLP, San Francisco. The Authority is being represented in this matter by Jones Hall, San Francisco.

Enclosures and Other Documentation: The Bank's term sheet for this financing is enclosed along with the Authority's authorizing Resolution. The School has provided 2 years of audited financial statements and its budget for 2016-17, which are available on ABAG's website URL:

http://abag.ca.gov/services/finance/borrowers.html . **An appraisal of the property securing the bonds is available.**

Attachments:
Resolution 16-07
Lender's Term Sheet

RESOLUTION NO. 16-07
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS
(PRESIDIO KNOLLS SCHOOL)

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDED AND RESTATED SENIOR LOAN AGREEMENT EVIDENCING ONE OR MORE ADDITIONAL LOANS IN A PRINCIPAL AMOUNT NOT TO EXCEED $5,000,000 TO FINANCE OR REFINANCE THE ACQUISITION, RENOVATION, EQUIPPING AND/OR FURNISHING OF EDUCATIONAL FACILITIES FOR PRESIDIO KNOLLS SCHOOL, INC. AND OTHER MATTERS RELATING THERETO.

RESOLVED, by the Executive Committee of the Board of Directors of ABAG Finance Authority For Nonprofit Corporations (the "Authority"), as follows:

WHEREAS, pursuant to the provisions of the Joint Powers Act, comprising Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code (the "Act"), certain California cities and counties entered into a joint exercise of powers agreement, dated as of April 1, 1990 and revised as of September 18, 1990 and June 9, 1992 (the "Agreement"), pursuant to which the Authority was organized; and

WHEREAS, the Agreement was entered into in order to enable the Authority to assist nonprofit corporations and other entities obtain financing for projects and purposes serving the public interest; and

WHEREAS, the Authority is authorized by the Agreement to issue bonds, notes or other evidences of indebtedness, or certificates of participation in leases or other agreements in order to assist nonprofit corporations and other entities in financing projects and purposes serving the public interest; and

WHEREAS, pursuant to the provisions of the Act and the Agreement, the public agencies that are the contracting parties composing the membership of the Authority are authorized to jointly exercise any power common to such contracting parties, including, without limitation, the power to acquire and dispose of property, both real and personal; and

WHEREAS, the City and County of San Francisco (the "City") has been granted membership status by the Authority and is authorized to acquire and dispose of property, both real and personal, pursuant to the laws of the State of California; and

WHEREAS, the Authority has previously entered into the Senior Loan Agreement, dated January 27, 2015 (as supplemented and amended to the date hereof, the "Original Senior Loan Agreement") with Presidio Knolls School, Inc., a California nonprofit public benefit corporation (the "Borrower") and Compass Mortgage Corporation (the "Senior Lender") for the purpose of making the Senior Authority Loan and the Senior Borrower Loan (and collectively the Senior Loan, as such terms are defined in the Original Senior Loan Agreement) to (i) finance or refinance the costs of the acquisition, construction, equipping and/or furnishing of K-8 educational and related and ancillary facilities located at 1415 Howard Street and 220, 230, 240, 250 and 260 10th Street, San Francisco, California 94103, to be owned and operated by the Borrower (the "Project") and (ii) finance certain costs of issuance; and

WHEREAS, the Borrower has requested that the Authority enter into an amendment and restatement of the Original Senior Loan Agreement (as such Original Senior Loan Agreement is so amended and restated, the "Senior Loan Agreement") with the Borrower and the Senior Lender for the purpose of making the 2016 Senior Authority Loan and the 2016 Senior Borrower Loan (and collectively the 2016 Senior Loan, as such terms are defined in the Senior Loan Agreement) to refinance a portion of the indebtedness incurred by the Borrower in connection with its acquisition of the Project, to finance the costs of certain renovations to the Project and to finance certain costs of issuance; and

WHEREAS, pursuant to the Senior Loan Agreement, the Authority will loan the amount set forth in the Senior Loan Agreement to the Borrower to refinance a portion of the indebtedness incurred by the Borrower in connection with its acquisition of the Project, to finance the costs of certain renovations to the Project and to finance certain costs of issuance; and

WHEREAS, the Project, as improved by the proposed renovations, consists of educational facilities and the Project is operated and owned by the Borrower and wholly located in the City; and

WHEREAS, the Borrower is requesting the assistance of the Authority in refinancing a portion of the indebtedness incurred by the Borrower in connection with its acquisition of the Project, financing the costs of certain renovations to the Project and financing certain costs of issuance; and

WHEREAS, there has been placed on file with the Authority prior to this meeting the proposed form of the Senior Loan Agreement,

NOW THEREFORE, BE IT RESOLVED by the Executive Committee of the Board of Directors of the ABAG Finance Authority for Nonprofit Corporations, as follows:

Section 1. The Board hereby finds and determines that the foregoing recitals are true and correct.

Section 2. The Authority finds that it is in the public interest to assist the Borrower in refinancing a portion of the indebtedness incurred by the Borrower in connection with its acquisition of the Project, financing the costs of certain renovations to the Project and financing certain costs of issuance.

Section 3. Pursuant to the Act and the Senior Loan Agreement, the Authority is hereby authorized to enter into the 2016 Senior Authority Loan with the Senior Lender, and the 2016 Senior Borrower Loan with the Borrower, through one or more loans, in an aggregate principal amount not to exceed Five Million Dollars ($5,000,000). The 2016 Senior Authority Loan shall be issued and secured in accordance with the terms of the Senior Loan Agreement, with such changes, deletions or insertions as may be approved by the President, Secretary or Chief Financial Officer of the Authority, or the designee of any of them (each, an "Authorized Officer") and legal counsel to the Authority, such approvals being conclusively evidenced by the execution and delivery thereof.

Section 4. The Senior Loan Agreement, in substantially the form placed on file with the Authority, is hereby approved. Any Authorized Officer is hereby authorized and directed, for and on behalf of the Authority, to execute and deliver the Senior Loan Agreement in substantially said form, with such changes and insertions therein as such Authorized Officer, with the advice of counsel to the Authority, may approve, such approval to be conclusively evidenced by the execution and delivery thereof. The dated date, maturity dates or dates, interest rate or rates, method of determining interest rates, interest payment dates, denominations, forms, registration privileges, manner of execution, place or places of payment, terms of redemption and other terms of the 2016 Senior Authority Loan and the 2016 Senior Borrower Loan shall be as provided in the Senior Loan Agreement, as finally executed.

Section 5. Any Authorized Officer and other appropriate officers and agents of the Authority are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, to execute and deliver any and all documents, including, without limitation, any amendment to the Subordinate Loan Agreement and/or the Subordination Agreement (each as defined in the Senior Loan Agreement) necessary or advisable, in their discretion, in connection with execution and delivery of the Senior Loan Agreement, any assignment of any collateral documents, any tax agreement and/or tax certificate, any and all documents and certificates to be executed in connection with securing credit support, if any, for the 2016 Senior Authority Loan, or in connection with the refinancing of all or a portion of, and renovations to, the Project, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Authority has approved in this Resolution; provided that no such documents or certificates shall create any obligation or liability of the Authority other than with respect to the revenues and assets derived from the proceeds of the 2016 Senior Authority Loan or otherwise securing the 2016 Senior Authority Loan under the financing documents described and authorized herein.

Section 6. All actions heretofore taken by the Chair, Vice Chair, Secretary, President, Chief Financial Officer and other appropriate officers and agents of the Authority with respect to the Senior Loan Agreement and the 2016 Senior Loan are hereby ratified, confirmed and approved.

Section 7. All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, including, without limitation, any of the foregoing which may be necessary or desirable in connection with any amendment of such documents, or any redemption or prepayment of prior securities, or any interest rate swap agreement related to the 2016 Senior Loan, may be given or taken by any Authorized Officer without further authorization by the Authority, and each Authorized Officer is hereby authorized and directed to give any such approval, consent, direction, notice, order or request and to take any such action which such Authorized Officer, with the advice of counsel to the Authority, may deem necessary or desirable to further the purposes of this Resolution.

Section 8. Notwithstanding anything in this Resolution to the contrary, the Senior Loan Agreement may not be executed and delivered until the Authority has received evidence acceptable to the Authority in its sole discretion that the refinancing of a portion of the acquisition of, and renovations to, the Project through the making of the 2016 Senior Loan has been approved by the Board of Supervisors of the City after a duly noticed public hearing.

Section 9. This Resolution shall take effect from and after its adoption.

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PASSED AND ADOPTED this 19th day of October 2016.

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS

By:___________________________________

Charles Lomeli, Chair
ABAG Finance Authority
For Nonprofit Corporations

ATTEST:

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Michael Hurtado, Secretary
ABAG Finance Authority
For Nonprofit Corporations

I, the undersigned, the duly appointed and qualified Secretary of the ABAG Finance Authority for Nonprofit Corporations, do hereby certify that the foregoing resolution was duly adopted by the Executive Committee of the Board of Directors of said Authority at a duly called meeting of the Executive Committee held in accordance with law on October 19, 2016.

Michael Hurtado, Secretary
ABAG Finance Authority
For Nonprofit Corporations

PRESIDIO KNOLLS SCHOOL

Loan Term Sheet from BBVA Compass

through Compass Mortgage Corporation

AGENDA ITEM NO. 10

TERMS and CONDITIONS
(Not to be construed as a commitment to lend)

BORROWER:	Presidio Knolls School
BANK:	BBVA Compass through Compass Mortgage Corporation Kevin Herr, Vice President Northern California Commercial Banking 205 S Mathilda Ave Sunnyvale, CA 94086 (408) 220-6006 kevin.herr@bbva.com
FACILITIES (together, "the Financing"):	1) $2,000,000 Tax-Exempt Non-Bank Qualified Financing 2) $2,915,500 Tax-Exempt Construction/Term Financing
PURPOSE:	1) To partially refinance a $2,250,000 Seller Note that assisted in the purchase of the school's campus. 2) To partially finance the $3,665,500 cost to renovate the Rectory into classrooms.
REPAYMENT/ MATURITY:	1) Facility 1 will immediately amortize over 20 years with quarterly payments of principal and interest due at the end of each March, June, September and December. 2) Facility 2 will be a non-revolving line of credit until 1/31/18 and will then amortize over 20 years with quarterly payments of principal and interest due at the end of each March, June, September and December, beginning on 3/30/18. Both Facilities will mature on 4/14/2021, concurrent with the maturity of the existing $9.6 million loan used to purchase the campus.
INTEREST RATE:	Both Facilities shall bear interest at a tax-exempt variable rate equal to (65% x 1 month LIBOR) + 1.48%. As a condition to closing, Borrower shall synthetically fix Facility 1 and 2's floating interest rate exposure through maturity via interest rate swaps executed on the day of closing. The interest rate swap for Facility 2 will be effective beginning 1/31/18. Indicative swap rates are available upon request. ***Disclaimer:*** **The information in this presentation has been provided at your request and is not (and does not constitute) (1) a solicitation for you to enter into an interest rate protection (i.e., swap) transaction with BBVA Compass (or any of its affiliates), or (2) a recommendation or advice that you enter into the above described swap transaction (or any other swap transaction). The information in this presentation is only for indicative purposes and is subject to, among other things, market changes. This presentation is not an offer to provide the swap transaction described above. This presentation is specifically for educational materials which constitutes general information as the content is limited to instructional, explanatory and factual information without subjective assumptions, opinion or views. This presentation describes the general nature of swap transactions and does not include past or projected performance figures. The information is not particularized to a specific entity. All swap transactions are subject to: credit and risk approvals; product suitability; and verification that Borrower and any Guarantors are (or will be) an eligible contract participant.*
PREPAYMENT PROVISION:	Both Facilities may be prepaid without penalty, however, any prepayment may be subject to a swap breakage fee..

FEES:	No origination fee. Borrower to pay Bank's outside legal expenses to review the proposed Financing documents (see Transaction Costs). Borrower to pay all fees associated with the Financing including, but not limited to, appraisal, environmental assessment, seismic study, title policy and any fees associated with bond counsel, placement agent or financial advisory services.
SECURITY:	Financing to be secured by a perfected first lien Deed of Trust on the Borrower's real and personal property located at (1) 220 – 260 10th Street, San Francisco and (2) 1415 Howard Street, San Francisco. The Financing will be limited to the 75% loan-to-value based on a current appraisal of the collateral property. As a condition to closing, Borrower to cause a title company acceptable to Bank to issue a Lender's Title insurance policy in an amount equal to the Financing that will not have an exception for Mechanic's Liens. All renovation of the Rectory funded by Facility 2 will be subject to ongoing construction monitoring with third-party verification that all bills incurred prior to date of such disbursements were paid by Borrower. All mechanic's or tax liens filed on subject property must be cleared within 90 calendar days of lien filing. Bank must be notified in writing within 10 calendar days of any new liens filed against subject property. CLTA Form 122 Title Endorsements will be required from the title company prior to each disbursement of construction funds, obligating Borrower to obtain conditional and unconditional lien waivers from construction contractors prior to disbursement of each construction progress payment to general contractor.
Reporting Requirements, Financial Covenants and Representations, Warranties and Additional Covenants.	The formal terms and conditions of the Financing will be evidenced in an Amendment to the Senior Loan Agreement dated January 27, 2015 between the Borrower, the Bank and ABAG Finance Authority for Non-Profit Corporations. The Financial Covenants, Reporting Requirements and Representations, Warranties & Additional Covenants already in the Senior Loan Agreement will apply to this Financing, but the Amendment to the Senior Loan Agreement may also contain Conditions Precedent and further Representations, Warranties & Additional Covenants. The Financing is being purchased by BBVA Compass under the following conditions: (i) not being registered or otherwise qualified for sale under the "Blue Sky" laws; (ii) the Lender will hold as one single debt instrument; (iii) no CUSIP numbers will be obtained for the Obligation; (iv) no official Statement or similar offering document has been prepared in connection with the private placement of this Obligation; (v) the Obligation will not close through the DTC or any similar repository and will not be in book entry form. Obligation must be able to be classified as a loan or held-to-maturity security in order to be acceptable to the Lender.
TRANSACTION COSTS:	Borrower will be responsible for the following, whether or not the Financing closes: (i) all of its closing costs, (ii) all out-of-pocket fees and expenses incurred by the Bank in connection with the Financing, including, without limitation, actual out-of-pocket fees (appraisal, environmental and seismic) and expenses associated with the engagement of outside counsel, (iii) Borrower will indemnify and hold

	harmless the Bank and its affiliates, officers, directors, employees and agents (each an "Indemnified Person") against all claims, costs, damages, liabilities and expenses (each a "Claim") which may be incurred by or asserted against any of them in connection with the Financing, or the matters contemplated in these Terms and Conditions, and will reimburse each Indemnified Person, upon demand, for any legal or other expenses incurred in connection with investigating, defending or participating in any Claim, or any action or proceeding relating to any Claim, except for Bank's gross negligence or willful misconduct; and (iv) Borrower waives any right to a jury trial in any action or proceeding brought by or against the Bank.
CONDITIONS PRECEDENT:	The closing of the Financing will be conditioned upon: (i) the prior execution and delivery of final documents which are acceptable in form and content to the Bank and its counsel, (ii) the satisfaction of all conditions precedent in a matter satisfactory to the Bank and (iii) the Bank's determination that there has not occurred any material adverse change in the business, condition or prospects of Borrower. In addition, the closing of the Financing will be conditioned upon the Bank's receipt or completion, as applicable, of the following, each of which must be satisfactory to the Bank in form and substance: • Opinion addressed to the Bank, from counsel to Borrower reasonably acceptable to the Bank, setting forth such opinions as the Bank may require, including opinions concerning the legal status of Borrower, the due authorization, execution and delivery of the financing documents, the enforceability of the financing documents, no conflict with law, no litigation, and the receipt of all necessary governmental approvals. • The Bank not becoming aware after the date hereof of any information not previously disclosed to the Bank affecting Borrower or the Financing that in the Bank's judgment is inconsistent in a material and adverse manner with any such information disclosed to the Bank prior to the date hereof. • Review and approval by the Bank's counsel of the legal documents. • Tax Opinion: Opinion addressed to the Bank from counsel reasonably acceptable to the Bank that interest payable on the Facility is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Service Code.
GOVERNING LAW:	This transaction shall be governed by and construed in accordance with the laws of the State of California.

This term sheet is intended for the sole and exclusive benefit of Borrower and Lender and may not be relied upon by third parties.